

Kent Voluntary and Community Sector Conference 2009

Economic Downturn

Outcomes and Recommendations

DRAFT

Summary

This paper is the output of the Kent Voluntary and Community Sector Conference, held on 20 May 2009. The Conference examined how the Voluntary and Community Sector (VCS) is being affected by the current economic downturn and discussed steps that could be taken both by the VCS itself and by the Public Sector, to ensure it is able to continue to play a vital role in the life of Kent. The paper provides an overview of the key issues raised and concludes with a number of recommendations for concrete actions that the Kent Partnership should take.

1 Introduction

- 1.1 In late 2008 and early 2009 it became apparent that the UK (and indeed the world) was experiencing a significant economic downturn. Recent figures show that the UK entered a recession in the second quarter of 2008. Kent has not escaped this, with the Kent economy expected to contract by 3.2% in 2009, whilst the claimant count unemployment rate for Kent is likely to have risen from 1.7% in 2007 to 4.4% by the end of 2009.¹
- 1.2 The Kent Partnership focused on the impact of the economic downturn at its annual stakeholder conference in November 2008. This has been followed by members of the Partnership launching a number of initiatives to support residents and businesses to cope with the impact.
- 1.3 Given the vital role that the VCS plays in the delivery of services and its wider contribution to ensuring strong communities, it is important that the VCS is able to withstand the pressures placed on it by the recession. For this reason a conference was jointly hosted by the Kent Partnership and Kent CAN, to examine: the role of the sector during the downturn; the impact of the downturn on the sector; the steps the sector should take in response; and what support the public sector can provide.
- 1.4 The conference - held on 20 May 2009 – was oversubscribed, attracting over 150 delegates from a wide range of VCS organisations and over 75 representatives from across the Public Sector. Justin-Davis Smith (Chief Executive, Volunteering England) and Peter Gilroy (Chief Executive, Kent County Council) provided key note speeches, whilst Paul Carter (Chairman, Kent Partnership), Ben Harrison (Policy Manager, Office of the Third Sector, Cabinet Office) and Keith Harrison (Honorary Treasurer, Kent CAN) participated in a panel discussion.
- 1.5 During the conference, views and information were gathered from round table discussions, a question and answer session, 'Experiences from the Front Line' presentations, and a survey. This has been augmented with additional research to provide the basis for the remainder of this report and the recommendations that follow.

¹ *Kent Economy Update*, South East England Development Agency, 10 July 2009.

2 Impact of the Economic Downturn on the Voluntary Community Sector

2.1 Finance

- 2.1.1 There is mixed evidence of the financial effect of the economic downturn on the VCS. Overall the situation at present seems to be severe but not yet critical, with the impact highly mixed across different organisations. However, there is reason to believe that the financial impact on the sector may be lagging behind the private sector and that for the VCS the worst is yet to come.
- 2.1.2 Across the country, 41% of VCS organisations report that they have received less funding in the past 3 months than they had budgeted for.² Organisations at the Kent VCS Conference reported similar experiences, with 35% reporting a decrease in income over the last 6 months (whilst 41% had actually seen an increase). At present the drop in income is likely to come from a decline in personal and corporate donations. Since March cancellations of direct debit donations have been 30% higher than before the recession,³ whilst figures suggest that in the past year an additional 8% of the population have stopped making any donations to charity.⁴ There have been notable exceptions, such as Comic Relief, which through successful innovation was able to increase donations from £67m in 2007 to £80m in 2009.
- 2.1.3 At the same time as external income is falling, many VCS organisations are reporting other financial pressures. There has been a marked reduction in interest earned on savings as rates have fallen, fixed costs such as facilities have continued to rise, and increasing demand (see below) has increased variable costs. The combined result has been that many VCS organisations have had to draw on their reserves to avoid an impact on front-line services⁵.
- 2.1.4 36% of VCS income comes from the public sector⁶ and so far this has helped to cushion the immediate financial impact of the recession. Public sector spending has not dropped at the same rate as in the private sector, whilst grant budgets and contracts with VCS organisations are normally in place at least a year in advance. However, there is widespread concern amongst the

² Plummer, J. (2009) *Half of Charities are Using Reserves to Counter Recession*. [online] Third Sector Online. Available from: <www.thirdsector.co.uk/News/FinanceBulletin/879722/Half-charities-using-reserves-counter-recession/FAFE26FFBBF202314DBD3806ED5C6DE7/?DCMP=EMC-FinanceBulletin> [Accessed 6 August 2009]

³ Jordan, H. (2009) *Charity Direct Debit Cancellations 'Seem to be Stabilising'*. [online] Third Sector Online. Available from: <www.thirdsector.co.uk/News/DailyBulletin/918210/Charity-direct-debit-cancellations-seem-stabilising/FD6A0BE53BF1F91CE5919966C04ED930/?DCMP=EMC-DailyBulletin> [Accessed 6 August 2009]

⁴ Townsend, S. (2009) *Giving in Scotland is Down on 2008, nfpSynergy Survey Shows*. [online] Third Sector Online. Available from: <www.thirdsector.co.uk/News/FundraisingBulletin/918135/Giving-Scotland-down-2008-nfpSynergy-survey-shows/07A005EBA044FEFA130D9FDECF51563D/?DCMP=EMC-FundraisingBulletin> [Accessed 6 August 2009]

⁵ 45% of charity customers with CAF Bank said they have used reserves as a result of the recession. Ricketts, A. (2009) *Recession and Low Interest Rates Force Charities to Raid Reserves, Says CAF Bank*. [online] Third Sector Online. Available from: <www.thirdsector.co.uk/News/FundraisingBulletin/913571/Recession-low-interest-rates-force-charities-raid-reserves-says-CAF-bank/59317DAD84F6D6ABE5DCA7D535982E71/?DCMP=EMC-FundraisingBulletin> [Accessed 6 August 2009]

⁶ Suriyaprakasam, S. (2009) Collaboration – the Voluntary sector and Local Authority. In: *A strong Third Sector Through Recession: Maintaining Capacity and Promoting Capability*. Institution of Civil Engineers. 25 June 2009

sector that as public finances are squeezed over coming years, that funding for the VCS from this source will drop dramatically. 59% of attendees at the Kent VCS conference expected public funding to decrease in the next six months. Nationally, nearly half of VCS infrastructure bodies expect their funding to be cut in the next three years.⁷

- 2.1.5 As a result the financial outlook for the VCS is currently very negative. Due to generally having lower reserves and narrower funding bases, small and medium organisations are likely to be affected most heavily. As an example, 55% of children's charities with an income of between £50,000 and £250,000, say that they could be forced to close if expected funding is not obtained. This will of course have a knock on affect on levels of staff that can be maintained and the scope of services that the Sector can provide.

2.2 Staffing

- 2.2.1 Due to the lag in the financial impact on VCS organisations and the ability of many to draw on their reserves, the economic downturn has not yet led to large scale job losses in the sector. Only 14% of organisations at the Kent VCS conference reported having made redundancies as a result of the recession. A similar percentage have reduced the hours of staff. However, as the recession continues and public spending falls, it seems almost certain that more VCS organisations will have to follow suit. If it is the smaller organisations that suffer most, this could have a devastating effect on services, as 51% of VCS employees work in organisations with less than 25 staff⁸, suggesting their ability to maintain service delivery would be seriously affected by reductions in staffing levels.

2.3 Demand for Services

- 2.3.1 Whilst the impact on VCS finances and staffing levels may be delayed, the economic downturn has led to an immediate and significant increase in the demand for services from VCS organisations. At the Kent VCS Conference, 95% of organisations reported that they had experienced increasing demand over the previous three months – a third had seen demand increase by 50% or more. Anecdotal evidence suggests that increasing demand has been especially strong in support and intervention services. This is unsurprising as many of these services relate to assistance with job seeking and skills, housing, personal financial management, mental health, alcohol abuse, and relationship problems – all areas where an unemployment and recession are known to have a major impact. However, in many cases this increase in client numbers, including additional referral from the public sector, is not matched by an increase in funding.

- 2.3.2 It is hard to see how an increase in the volume of service delivery can be sustained whilst income falls. That over three-quarters of VCS infrastructure bodes are also reporting an increase in demand for their services, suggests that it is simply not a sustainable situation. The majority of enquires received

⁷ Jordan, H. (2009) *Infrastructure Bodies Coping Well With Recession, CapacitybuildersFinds*. [online] Third Sector Online. Available from: <www.thirdsector.co.uk/News/DailyBulletin/917318/Infrastructure-bodies-coping-recession-Capacitybuilders-finds/F4B3CB14E0844C698C814AA1A3988155/?DCMP=EMC-DailyBulletin> [Accessed 6 August 2009]

⁸ Fleming, J. (2009) Skills – Third Sector. In: *A strong Third Sector Through Recession: Maintaining Capacity and Promoting Capability*. Institution of Civil Engineers. 25 June 2009

by infrastructure bodies in the past year related to funding advice, partnership building and income generation, painting a picture of a sector trying its hardest to cope with these two competing pressures.⁹

2.4 Other Impacts

2.4.1 Besides these two major impacts, a number of other trends can be identified that have emerged or been amplified as a result of the downturn.

2.4.2 One positive impact may be an increase in volunteers, as those who have been made redundant or reduced their working hours become available, want to contribute to their community and enhance their CV. Almost 70% of organisations at the Kent VCS Conference reported they had seen an increase in volunteers in the past 3 months. Some of these new volunteers will be able to bring skills to the sector which are extremely valuable (e.g. financial management and organisational analysis). Whilst this is a silver lining, the sector will have to consider that the commitment of these volunteers may be shorter-term, that some may require more intensive management, and that they may incur extra administrative costs (e.g. additional CRB checks).

2.4.3 Existing trends in the sector that seem to be exacerbated by the downturn include: a move by the public sector away from core-funding to commissioning; a struggle to implement full cost recovery in dealings with the public sector; and difficulties in finding the time and skills to identify and complete funding bids and public sector tenders. Overall there is a feeling that the chase for funding is distracting VCS organisations from their main aim of delivering positive outcomes for their clients.

⁹ Jordan, H. (2009) *Infrastructure Bodies Coping Well With Recession, CapacitybuildersFinds*. [online] Third Sector Online. Available from: <www.thirdsector.co.uk/News/DailyBulletin/917318/Infrastructure-bodies-coping-recession-Capacitybuilders-finds/F4B3CB14E0844C698C814AA1A3988155/?DCMP=EMC-DailyBulletin> [Accessed 6 August 2009]

3 Current Support Available

- 3.1 There is of course existing support to the sector and this has already been supplemented with some specific measures following the economic downturn – including Kent County Council (KCC) funding the Kent VCS Conference.
- 3.2 The Kent Partners Compact was finalised in 2008 and sets out a number of standards for how the Public Sector will work together with the VCS. This includes standards around funding, communication and volunteering. For instance it recognises that it is legitimate to include the relevant element of overheads in funding applications for a particular service (i.e. full cost recovery). However, whilst it is a Kent Partnership document, many of the individual member organisations have not yet taken the necessary steps to adopt it as an official policy.
- 3.3 KCC, district councils, and other public sector agencies do still provide substantial direct monetary support in the form of grants. This includes the funding that KCC provides towards the core costs of Kent CAN. However, as has been mentioned above, grant funding from the public sector was on the decrease even before the downturn, as public agencies moved towards commissioning specific services from the VCS. As grants are available from across the public sector it can be hard for VCS organisations to identify relevant potential funding sources. To help alleviate this problem, KCC produces “Inside Track”, a funding e-bulletin that currently goes to around 700 VCS organisations, and also supports the Kent funding portal **www.open4community.info**. Central Government has funded a similar national website **www.fundingcentral.org.uk**.
- 3.4 Amongst the key countywide responses to the recession has been the launch of the *Backing Kent Business* and *Backing Kent People* campaigns, by KCC. The *Business* campaign include a commitment to speed up the payment of invoices, and streamlined contracting, both of which should support VCS organisations that interact with KCC. The *People* campaign includes an additional £250,000 of funding for Citizens Advice Bureaus to ensure they can handle a 25% increase in demand for employment, welfare benefits and debt advice.
- 3.5 Central Government has also responded to the needs of the Sector during the recession. In February it launched an action plan, ‘*Real Help for Communities*’, supported by £42.5m of additional funding. This included *Modernisation* funding to facilitate mergers and sharing of back office functions; a volunteer brokerage scheme to help create volunteering opportunities for those made unemployed; and targeted funding to support grassroots operators in areas worst hit by the recession.

4 Importance to the Kent Partnership

- 4.1 The VCS plays an essential role in the delivery of the Vision for Kent and the targets in the Kent Agreement 2, with a central contribution across all of the themes of the Vision for Kent - whether it is providing community bus schemes to rural areas or running sports sessions for children in deprived urban wards. The importance of the sector has been picked up by the Audit Commission which has identified the role of the VCS as an area of focus for this year's Comprehensive Area Assessment.
- 4.2 In the current and worsening economic climate the VCS needs to be at the heart of Kent's efforts to support its residents. If the VCS is strong and involved, the county can succeed, if not it may fail. This is the stark message we must grasp.
- 4.3 The VCS is vital to both the county's economy and the delivery of services. The VCS currently employs 6% of the county's workforce and accounts for over 3% of the Gross Value Added. In a county with such a diverse economy few, if any, private sector bodies can boast such figures. Many people also give their time freely to VCS organisations, with almost 1 in 4 of Kent's residents engaged in regular volunteering. The cost-saving to the Kent economy of this donation of labour is massive. Without the VCS's paid and unpaid workforce, Kent would not have the capacity to provide many essential services.
- 4.4 Kent County Council alone currently spends almost £40 million within the sector either in grants supporting core functions or in contracts for service delivery. While there will always be calls for the amount to increase it is highly unlikely that this will be the case in the foreseeable future. Attempts should however be made to spend the money more wisely. The Institute for Fiscal Studies forecasts a year-on-year reduction of 5% to the public purse, a reduction of this magnitude would undoubtedly impact on the VCS, so better ways of working must be found and here the Kent Partnership should take a lead.
- 4.5 In their relationships with the VCS many local government and other public sector agencies display a lack of cohesion. Departments are often unaware that others 'just down the corridor' are also funding the sector (even the same organisation) to perform similar functions. If individual agencies and the public sector as a whole do not have a strategic overview of their involvement and spend with the sector, they are unlikely to maximise outcomes.
- 4.6 This is also what the sector wants, as evidenced by the feedback from the Kent VCS Conference. The message is that funding which is clear in purpose, longer-term and proportionately monitored is of greatest benefit. Short-termism precludes proper planning and over-burdensome regulation means that resources are wasted on paper work rather than supporting front-line service delivery.
- 4.7 Purchasing and commissioning processes must be 'VCS proofed'. Policies designed to simplify procurement by seeking fewer, larger contracts can exclude smaller local organisations from competing. Far from being protectionist, these policies serve ultimately to harm the county's economy to the benefit of national or multi-national enterprises. Backing Kent Business should explicitly cover the VCS, including support for social enterprises.

Recommendations

- 5.1 The general direction of travel that needs to be undertaken by individual organisations is indicated in the preceding sections, but there are a number of actions within the gift of the Kent Partnership, which could be taken to ensure that the conference achieves some tangible outputs.
- 4.1.1 **The Kent VCS Conference should become an annual event.**
The Kent VCS Conference was highly successful and the vast majority of participants from both sectors indicated that they would like to see it become an annual event. Future events might differ from this year's to become themed or to offer some other unique selling point. It should be funded by the Kent Partnership and managed by Kent CAN on the Partnership's behalf.
- 4.1.2 **Public Sector partners should formally adopt the Kent Partners Compact.**
The Kent Partners Compact was finalised earlier this year and provides the framework for much of the required co-operation outlined in this document – for example in areas such as procurement, grant-funding, volunteering, and communication. Whilst significant good work is already being undertaken to implement the Compact, many partners are yet to adopt it as a formal policy. The Kent Partnership's Chairman should write to all of Kent's public sector Leaders and Chief Executives encouraging them to move the Compact through their formal policy processes, with an update on adoption to be presented to the Public Service Board in 6 months.
- 4.1.3 **The VCS should provide co-ordinated representation on the Kent Partnership's Working Groups and Sub-Groups.**
The VCS has an important role to play in all areas of the Vision for Kent and Kent Agreement 2. As such there should be a presumption that the sector will be represented on all of the Partnership's Working Groups and Sub-Groups. However, it is also important that representatives of the VCS do more than represent their own organisation. Representation should be co-ordinated by Kent CAN and VCS representatives will be expected to feedback to the sector through Kent CAN's website. A written update of VCS representation should be provided to the Kent Partnership's first meeting in 2010.
- 4.1.4 **Private Sector partners should consider the benefits of employee volunteering.**
Employee volunteering can provide benefits to both the private and voluntary community sectors. Large employers and business membership groups should consider whether employee volunteering can help their staff feel valued, provide their workforce with new skills, and improve their company's reputation in their community. KCC's Kent Volunteers can provide advice.