

# **Ready, Responding, Resilient**

## **Brighton & Hove Third Sector Recovery Plan**

### ***March 2010***

#### **Section 1: Introduction**

**This plan both recognises and responds to the vital role that the Third Sector<sup>1</sup> plays in supporting the most vulnerable citizens and communities in Brighton and Hove in a recession. In addition, this plan proposes actions that will help the third sector contribute to the social, environmental and economic health of the city, from which all residents and organisations benefit.**

#### **Why have a third sector specific recovery plan?**

A struggling third sector will have a negative impact on the:

- Continuity of services and a voice for vulnerable groups
- Number of paid jobs locally
- Volunteering opportunities and the added value that this brings
- Potential partners responding to priority local needs; and
- External resources brought into the area.

The Brighton and Hove Third Sector has an income of around £55 million per year and makes an economic contribution to the city of over £96 million per year. The third sector brings significant inward investment into the city, 43% of the sector's income comes from grants, with 62% of these grants coming from outside the city. 33% of third sector income comes from service contracts, 46% of which comes from outside the city. The sector employs around 8,000 people, 7% of the local workforce. It provides at least 19,000 volunteering opportunities. (*Taking Account 2008*).

The aim of this plan is to identify and deliver a cross-sector package of measures to support third sector groups in the city, at a time when their income is falling and demand for their services is increasing. The objective is to build a more resilient third sector that is better equipped to survive an economic downturn and to rise to new opportunities in the recovery.

Critically, the plan is about identifying action that compliments, links to and does not duplicate existing activity in the city, for example the Recession Relief package for businesses, the City Employment & Skills Plan, Social Enterprise Strategy or Volunteering Strategy.

The city's Recession Task Force, led by the city council, is co-ordinating the delivery of recession-focused strategies in the city. It fully supports and endorses this action plan. It is also supported by the city's Local Strategic Partnership.

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<sup>1</sup> Third Sector is not for profit organisations including community groups, voluntary organisations and social enterprises.

The overall impact of the recession on the third sector and the communities they serve is well documented nationally, such as significant reductions in income and increased demand for their services. Some analysts believe that the recession has peaked but experiences of the last recession suggest that impacts on public and third sector budgets will lag behind the private sector. If recovery from the recession is slow, it may take several years for the third sector to recover.

Hard evidence of the impact of the recession on the local third sector is still coming to light but it is known that there will be a variety of impacts, both positive and negative. Some organisations will fail, some will falter while others will emerge stronger. Parts of the sector are facing increased demands, others fewer. For some, income and costs will decline, for others they will increase.

One snapshot survey reveals that in Brighton & Hove approximately three-quarters of the organisations that took part in a *'Resilience and the Recession'* reported a reduction in income between April 2008 and April 2009. Nearly all the respondents anticipated that the levels of income available to the sector will get considerably worse.

As well as being a local plan *'Ready, Responding and Resilient'* has been submitted to the National Association for Voluntary and Community Action (NAVCA) to contribute towards the national picture and will inform the work of the Office of the Third Sector, other parts of central government and the Local Government Association with the intention that this will ultimately benefit the city.

### **How the Plan has been Developed**

This Plan has been developed by city council and third sector representatives working in partnership during 2009/10. It has been considered by the Overview & Scrutiny Committee (OSC) at their 26<sup>th</sup> January 2010 meeting and was given broad approval. A number of suggestions were made by OSC members and these have been incorporated into this version of the Plan.

A draft of this Plan was also considered by members of the (Third Sector Infrastructure) ChangeUp Consortium at their meeting on 17<sup>th</sup> February 2010 and roundly endorsed. Suggestions made by ChangeUp members have been incorporated into the Plan.

Throughout 2009/10 measures have been put in place to support the third sector in the recession while this plan has been developed and consulted upon. Some of these measures, such as enhanced support for the advice sector, have been reported in this plan. It is likely that the biggest impact of recession on the third sector will start from April 2010 when public sector budgets are likely to fall significantly, making this an ideal time to publish this plan.

## Section 2: Local impact of the recession

**This section describes the actual and likely impact of the recession on local third sector groups, drawing upon local and national sources of information. The key message is that the third sector will suffer in the recession but that individual organisations will experience the downturn differently. Actions to support the local third sector will need to be individual, targeted and flexible.**

### Key Findings

**The third sector in Brighton & Hove is experiencing a variety of impacts** linked to the recession. The sector's income does not always decrease in downturns. In previous downturns, some charities reported decreases in income, but almost an equal number reported increases and the same number again reported no change.

In Brighton & Hove approximately three-quarters of the organisations surveyed in *'Resilience and the Recession'* reported reduced income between April 2008 and April 2009 and all but one anticipated that income available will get much worse.

**Most organisations have limited assets** (or 'capital'). The sector's assets are held by a relatively small number of organisations, mostly foundations. Mid-sized organisations in particular have been unable to build significant surpluses and therefore reserves. These organisations are the most vulnerable to falls in income.

**Larger organisations are usually more capable of resilience** although some larger charities are making redundancies or scenario planning for cuts in income. However, most evidence points to the resilience of large or more established charities during an economic downturn. Resilience reflects better strategic planning, larger assets, relatively diverse income streams, and greater capacity to fundraise effectively.

**Some larger third sector groups have experienced dramatic cutbacks** and losses in the recession, for example The Shaw Trust and others heavily involved in large contracts to deliver training and job placements for unemployed people.

**Smaller organisations are the most likely to suffer hardship.** A recurrent message from umbrella bodies is that in a recession the strong get stronger and the weak get weaker. Larger organisations typically have wider resources to draw upon, including larger financial reserves. They are also more likely to have professional fundraisers, campaigners, and volunteer co-ordinators who can respond to shifting needs.

**Some smaller third sector groups will successfully adapt to change** as they are 'light on their feet' and move fast. Others lack the capacity to deal with increased financial or service pressures. This is of particular concern for the specialist services, innovation and campaigning that small third sector groups excel at. Vulnerable groups include those empowering and supporting minority communities and issues at grass roots level.

### What is happening to third sector income?

- **Public sector funding is crucial**, accounting for 36p in every £1 raised by the third sector. Evidence suggests public sector funding falls in a recession.

- **A reduction in public funding is the most cited problem** in a recent survey of local Third Sector Organisations<sup>2</sup>.
- **Charitable giving from individuals does not always fall in recession.** There is evidence from both the UK and US demonstrating that recession simply slows the rate of increase in giving. Just as giving has failed to keep pace with increases in GDP, it will probably not fall proportionately as GDP contracts
- **Donor attitudes and habits can change in recession.** A drop in donor income is a significant loss to third sector organisations as the difference is not likely to be made up for some time once donors re-establish their giving.
- **Corporate giving varies with economic performance** and falling profits may generate a reduction in corporate giving. Such giving is more closely related to economic performance than to the wider economic climate, with corporate donations in the UK having increased steadily over time. The supply of corporate volunteers may, however, increase.
- **Charities' investment income is linked to the value of assets and interest rates.** The value of legacies falls in line with property prices and investment portfolios. Falls in investment income hits trusts and foundations hard and local third sector groups say that income from trusts is more difficult to access. However, the Association of Charitable Foundations says that trust giving is cushioned by long-term investment policies, reserves and endowments. More investment approaches from trusts and foundations may benefit social enterprise activity at the expense of more conventional revenue grants. **Organisations dependent on membership subscriptions may suffer**, for example, parents and toddler groups, sports and recreation groups, will see their income reduce as households cut back their expenditure.
- **Local third sector groups are prudent in managing less income** in downturns. Very few are reporting a deficit. However, the local sector has seen significant number of redundancies with a few groups reducing wage levels.<sup>3</sup>

### What is happening to third sector staff and volunteers?

- **Some organisations are cutting staff, but this is not widespread.** Staff costs represent almost 50% of total third sector expenditure and there is evidence of some third sector groups making redundancies. According to NCVO research 20% of third sector groups anticipate redundancies in the medium term. In Brighton and Hove this would equate to around 1,600 jobs.
- **Some groups are freezing or lowering wages** or putting staff on short term contracts. The third sector needs to avoid driving down wage levels if it is to avoid the longer term detrimental effect of recruiting the skilled staff they need to recover.
- **Job losses in social care contracts may be limited** and there is a concentration of third sector staff in this area. Rising unemployment may place downward pressure on costs
- **Skills gaps and shortages seen in recent years may ease** as there is more competition for jobs. Local third sector organisations are reporting that job enquires and applications are higher in 2009 than in 2008. However, more specialist jobs are difficult to recruit to, possibly due to individuals currently in employment not wishing to risk a move.
- **The impact on volunteering is mixed.** Local third sector groups say that the availability of volunteers is buoyant and the variety of skills has increased.

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<sup>2</sup> *Resilience and Recession: How is the Third Sector Managing*, 2009, Jim Simpson Consultancy and Community & Voluntary Sector Forum

<sup>3</sup> Ibid p.6

Organisations with well established volunteering schemes are reporting improvements in retention of volunteers

- **Many organisations are experiencing budget pressures**, making it difficult to recruit and train volunteers. There is a latent resource for the sector that is not being fully utilised. High numbers of potential volunteers presents the third sector with an opportunity to develop its workforce of the future, as many develop into paid workers.
- **Historically, the third sector is a training ground** for individuals needing to learn new skills, either to return to work or to access employment in changing labour markets. With stretched resources third sector organisations are unable to provide as many opportunities.

### What is happening to demand for third sector services?

- **The impact of the downturn on third sector services is uneven** across the diversity of the sector. Demand can change up or down depending on service specialism or location.
- **Demand for advice, information and support on debt, employment, training, re-possession and social enterprise is increasing.** There is likely to be more demand for third sector services in mental health, family breakdown, domestic violence and alcohol and drug dependency. 60% of organisations responding in *'Resilience and Recession'* reported an increased demand for their services, 40% reported demand remaining static.
- **Other groups are experiencing a reduction in demand**, such as fee-charging leisure and cultural activities.
- **The capacity of some providers to meet increased demand is limited** for several reasons. In some cases providers do not have sufficient funding or staff. One local advice agency is turning away ten people a day as it does not have the resources to meet increased demand. Another organisation cannot place people into jobs as vacancies in relevant job markets have dried up.
- **There will be mixed impact of public spending cuts on the third sector.** Some third sector groups will be able to offer competitive services with the added value of volunteers and strong service user involvement. Other services may be kept 'in house' by public bodies trying to avoid redundancies or cut if they are not a statutory responsibility to deliver.
- **The third sector prevents and reduces demand on public services** but third sector groups need to work with commissioners to demonstrate the financial value of such prevention if it is to survive a harsh financial climate.

#### **Local sources of information used:**

- CVSF position statement: *'Impact of the recession on the local community and Third Sector'* (May 2009)
- Chief Executives (Third Sector infrastructure organisations) meeting (May 2009)
- Cross-sector conference *'Don't Get Burn: protecting the city from the heat of the recession'* (June 2009)
- *'Resilience and the Recession: How is the Third Sector Managing'* (June 2009)

#### **National sources:**

- *'Backing Communities: Local Solutions'* (Local Government Association, February 2009)
- *NCVO website*

### Section 3: Responding to the recession

**A number of actions to support the local third sector in the recession are already in place but much more can be done. This section describes some of the work in progress and proposes a number of actions to increase resilience and help the sector prepare for new opportunities and recovery.**

The council, local NHS, wider public sector, business and the third sector itself already provides significant support to local third sector groups. The council provides an **annual and three year strategic grants programme** together worth over £1.5m per year and commissions the third sector to deliver £500,000 of **community development and 'stronger communities' support** across the city. In addition, the council invests over £25 million per year in third sector service contracts in areas such as housing support, adult social care and youth services.

In March 2009 the council invested £75,000 from grants contingency to **kick start** action on some immediate recession concerns for the third sector and local residents. These grants supported:

- **Debt advice** to residents delivered by local third sector advice agencies;
- **Specialist capacity building** support for local groups, including specialist Human Resource (HR) support;
- **Promotion of local Credit Union** savings and loans to help keep residents out of the hands of loan sharks and provide small scale savings accounts;
- **Development of the city volunteering strategy** with local businesses on employee volunteering, skills diversification and temporary secondments.

In addition the council is exploring the scope for **asset transfer** from the public and private sectors to the third sector. This could increase the scope for under-used land and buildings in the city to be put to more productive use and improve the viability of local third sector organisations.

The Sussex Community Foundation (SCF) is building an **endowment fund** to benefit local third sector groups in Sussex, including Brighton & Hove. This fund provides an opportunity to build an endowment, for every £1 donated SCF receives £2.56 because of tax relief and match funding from government. The Foundation is able to set up targeted grant programmes for the third sector in the city, including funds for specific neighbourhoods or communities of interest. The council is looking at the feasibility of council staff being offered the opportunity to give through payroll.

The council is working with public and third sector partners to make **procurement and commissioning opportunities more accessible** to local third sector organisations. The actions include:

- Drawing up a matrix of third sector income in the city, in partnership with the NHS and a cross-sector steering group. This will form a baseline from which all sectors will gain improved intelligence to inform future commissioning;
- Working with smaller third sector groups to increase their capacity to compete for contracts, through consortia, merger and/or partnership development;
- Working with local commissioners to improve their knowledge and understanding of third sector service providers in the city.

The ChangeUp Consortium, made up local third sector infrastructure groups, is looking at ways of improving **fundraising advice** available in the city and to contribute to discussions with local funders through a Funders Forum. ChangeUp members also provide a wide range of other support services to local third sector groups, some funded by the national **CapacityBuilders** programme.

The NHS provides small grants to local third sector groups through its '**Healthy Neighbourhoods**' funding. On a larger scale, the NHS buys a range of health services from the third sector and has recently consulted upon its' future commissioning arrangements. These will include greater opportunities for social enterprise as part of a 'world class' commissioning regime.

Many other **public bodies** also commission significant third sector services in the city, including the Department for Work & Pensions (DWP), Legal Services Commission (LSC), Learning & Skills Council (LSC), Ministry of Justice (MoJ), the Treasury and the European Union.

For **social enterprise**, specialist support is available from Business Link and from networks in the city run by the Business Community Partnership and others. Wider support to the third sector is provided 'in kind' by volunteers and *pro bono* arrangements with local companies.

## Priority Actions

**In light of existing activity and in response to the research and findings outlined above, the following priorities have been identified as a means by which the third sector and its partners can build on the strengths of the sector, protect against threats from the recession and capitalise on opportunities now and into the future.**

### Equalities

For all the actions identified, there are equalities issues to be addressed to make the plan holistic and inclusive. Actions need to reach relevant communities of interest and identity as well as more deprived communities and areas of the city. Actions also need to reach small groups and larger organisations delivering key services. To this end, an **equalities impact assessment (EIA)** will be undertaken on this Plan;

## *Three areas for priority action in 2010*

### Finance

### Human Resources

### Capacity

#### Priority 1: Finance

***Key Issue: Diversify income and improve financial management***

**Key actions:**

**Lead**

- |  |                  |
|--|------------------|
| 1. Increase fund raising, business planning and financial management support including trading & tendering | ChangeUp         |
| 2. Support third sector involvement in procurement & commissioning including learning on consortia         | ChangeUp/<br>PSB |
| 3. Convene local and regional Funder Forum   | BHCC             |
| 4. Sussex Community Foundation endowment fund campaign including payroll giving                            | BHCC             |
| 5. Explore scope for public asset transfer to third sector   | BHCC/ChangeUp    |

### Priority 2: Human Resources

#### ***Key Issue: Recruit, Retain & Support paid and unpaid staff***

##### **Key actions:**

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|--|--------------|
| 6. Increase support for recruitment and retention of staff and volunteers including peer support for key staff | ChangeUp     |
| 7. Implement city volunteering strategy including council volunteering scheme                                  | Impetus/BHCC |

### Priority 3: Capacity

#### ***Key Issue: Support to services and communities in most need***

##### **Key actions:**

- |  |           |
|--|-----------|
| 8. Benefit take-up campaign                  | BHCC/ASSG |
| 9. Credit Union campaign                     | ESCU/BHCC |
| 10. Increase support to high demand services | ChangeUp  |

### Cross Cutting Project

Brighton & Hove City Council is exploring the development of a cross cutting project with partners to support four key actions in this plan:

- Benefits take-up campaign
  - Credit Union loans and savings campaign, including a council promotion campaign and payroll saving
  - Sussex Community Foundation endowment fund campaign, including payroll giving
  - Funding Advice
  - Council Volunteering programme
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- To include information on the financial contribution of the third sector to the city's economy, including the amount sourced from outside the city;



**Section 4: Action Plan**

<i>Finance</i>					
<b>Action</b>	<b>Outcome</b>	<b>Timescale</b>	<b>Lead</b>	<b>Partners</b>	<b>Resources</b>
<b>1.</b> Fund raising and financial management support  <b>2.</b> Procurement & commissioning support  <b>3.</b> Convene Funder Forum  <b>4.</b> Sussex Community Foundation campaign  <b>5.</b> Asset Transfer					

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<b>Human Resources</b>					
<b>Action</b>	<b>Outcome</b>	<b>Timescale</b>	<b>Lead</b>	<b>Partners</b>	<b>Resources</b>
<p><b>6.</b> Support recruitment and retention of staff and volunteers</p> <p><b>7.</b> Implement city volunteering strategy including council volunteering scheme</p>					
<b>Capacity</b>					
<b>Action</b>	<b>Outcome</b>	<b>Timescale</b>	<b>Lead</b>	<b>Partners</b>	<b>Resources</b>
<p><b>8.</b> Benefit take-up campaign</p> <p><b>9.</b> Credit Union campaign</p> <p><b>10.</b> Increase support to high demand services</p>	<p>Inflow of benefits for people on low income</p> <p>Affordable loans and savings</p> <p>Resilient third sector delivering key services</p>				

## Monitoring Arrangements

- Progress on this action plan will be reported to BHCC (Strategy & Governance & OSC) and the ChangeUp Consortium
- An equalities impact assessment (EIA) will be carried out by the city council and ChangeUp Consortium

