

## Ensuring the Resilience of the Third Sector

Date: 1<sup>st</sup> December 2022

Report of: Director Communities, Housing & Environment

Report to: Scrutiny Board (Environment, Housing & Communities)

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### What is this report about?

#### Including how it contributes to the city's and council's ambitions

- Leeds needs a thriving third sector able to rise to current challenges and opportunities and work alongside all partners to deliver the Best City ambitions.
- The report outlines the collaborative approaches taken forward by the public and third sector which enabled a city response to local communities during the Covid-19 pandemic.
- Outlines the new challenges faced by the third sector due to the current Cost-of-Living crisis, and the work taking place to establish shared principles which have emerged over the years in the developing relationships between the third sector and statutory partners to navigate the current financial challenge presented by pressures on statutory funding and the Cost-of-Living crisis.

### Recommendations

- a) For Scrutiny to note the findings of the report
- b) To seek support from Scrutiny for the steps outlined following the workshop on 31<sup>st</sup> October

**Why is the proposal being put forward?**

1 See appendix 1

**What impact will this proposal have?**

<p><b>Wards affected:</b></p> <p>Have ward members been consulted?      <input type="checkbox"/> Yes      <input type="checkbox"/> No</p>
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1 See appendix 1

**What consultation and engagement has taken place?**

2 See appendix 1

**What are the resource implications?**

3 See appendix 1

**What are the legal implications?**

4 Not applicable

**What are the key risks and how are they being managed?**

5 See appendix 1

**Does this proposal support the council's three Key Pillars?**

Inclusive Growth       Health and Wellbeing       Climate Emergency

6

**Options, timescales and measuring success**

**a) What other options were considered?**

7 Not applicable

**b) How will success be measured?**

8 See appendix 1

**c) What is the timetable for implementation?**

9 Not applicable

**Appendices**

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## Appendix 1: Ensuring Resilience of the Third Sector

### Leeds Third Sector Ambition Statement and Compact for Leeds

The Leeds Third Sector Ambition Statement acknowledges that Leeds needs a thriving third sector able to rise to current challenges and opportunities and work alongside all partners to deliver the Best City ambitions (appendix 2). To enable this to happen Leeds needs a culture that is creative and brave enough to embrace further new ways of doing business with the third sector. In order to achieve this new culture, a Third Sector Ambition Statement has been created to enable partners to understand what is meant by a 'thriving third sector'. The success of Leeds and the wellbeing of all of its citizens is dependent on having thriving private, public and third sectors, each independently successful but working effectively in partnership. The City's ambition is to have a sustainable, diverse third sector economy, with organisations from the smallest self-help group through to larger, local and national service providers. The ambition is to use the Leeds pound to invest in a local infrastructure that has a legacy beyond the life of any single funding programme.

The Leeds Third Sector Ambition Statement provides:

- a general description of the type of third sector that Leeds needs and wants to invest in and nurture
- sets out ambitions in order to influence practice, and
- encouragement and clear expectations about doing business in new ways with the third sector.

The COMPACT for Leeds (2017) is an agreement to strengthen relationships between the public and third sector in order to deliver the best possible outcomes for the people of Leeds. Our shared principles include building resilient communities and a dynamic third sector, where partners work together, recognising we need to build third sector capacity in order to support resilient communities and deliver services effectively. We recognise that we are interdependent and work together for mutual benefit with a commitment to working within available resources that are linked to current priorities. The Compact articulates our shared commitment to maintaining and developing a thriving third sector, where partners work together to more effectively meet the needs and aspirations of the people of the city.

### The Third Sector and the response to Covid-19 pandemic

Third sector organisations across Leeds are recognised for their enormous contributions to the city during the COVID-19 pandemic, providing vital support to communities during exceptional circumstances. The collaborative approaches taken forward by the public and third sector enabled a city response to local community need at a time of great crisis. The response specifically in terms of volunteering and the development of the Community Care Hubs was reported to Scrutiny on two separate occasions (July 2020 and November 2020). The Community Care Hubs were officially stood down from the Covid response on 31 March 2022 – over two years since they were established in response to the first lockdown. The learning from this period was captured in a joint report by the council and Voluntary Action Leeds published in September 2022. This report can be found [here](#).

### The resilience of the third sector

Whilst the third sector was playing a critical role in the city to support community-level responses to the pandemic, it was recognised that the crisis had potentially serious implications for the sustainability and resilience of the sector itself. The Resilience of the Third Sector Bronze group was therefore established to understand the potential impact of COVID -19 on third sector organisations and communities; and develop actions aimed to minimising the impact of COVID-19 on the sector. This work was informed by an *obsession* to maintain the scope, diversity, capacity and sustainability of the third sector in Leeds, and specifically to:

- Understand the potential impact of COVID-19 on third sector organisations and communities
- Develop actions aimed at minimising the impact of COVID-19 on the third sector
- Ensure that learning from COVID-19 is understood, shared and used to inform future actions and activity across the third sector and the wider system.

Five workstreams facilitated by third sector partners and involving officers from across statutory services were set up to support this work, as outlined below:

- Resources - Secure commitment from all concerned with the resilience of the third sector to maintain the resources, especially funding, which are available to the sector.
- Communities - Develop solutions, provision and support in neighbourhoods and communities.
- Volunteering - Maximising the contribution of volunteers across the Leeds system.
- Environment - Maintain and continue to build on the Environmental improvement in air quality, and reduction in all forms of transport.
- Generous Leadership – Development of a Generous Leadership model and enhanced network of community infrastructure.

The Third Sector Resilience in West Yorkshire and Leeds survey, sought to capture the impact of Covid-19 on the third sector to provide feedback on the sector's viability in the light of changing income and expenditure; pressures on communities and changes in volunteering; and the third sector's ability to adapt to changing circumstances and positive experiences. The series of surveys were co-ordinated by Voluntary Action Leeds working in partnership with a number of universities involved in the MoVE (Mobilising Volunteers Effectively) project. The surveys received financial support from Harnessing Power of Change, administered by Forum Central. Three surveys were undertaken during the pandemic in order to provide an update picture, with results published in June 2020, December 2020 and September 2021.

The key findings of the final survey highlighted:

- The resilience and adaptability of the third sector, shown in the way services adapted, innovated and supported communities through very challenging times.
- Some of the challenges the sector continued to face included loss of income, reduction of financial reserves, loss of volunteers and increased demand for services.
- When compared to the results of the first two surveys, there was more confidence about financial resilience, continued flexibility from funders and newly developed partnerships.
- However, concerns included digital exclusion for many people that organisations support, staff and volunteers feeling stretched, particularly due to ongoing and increasing demand for services.

The Resilience of the Third Sector Bronze group and workstreams were stood down in late 2021 and early 2022 with the agreement that the work would continue through ongoing / 'business as usual' arrangements. such as the Third Sector Commissioning, Collaboration and Partnership Group, the Community Anchor Model and volunteer and environment infrastructure arrangements.

There have been some notable ongoing developments as a legacy of this work, as detailed below, along with other areas which have not yet been able to develop significant traction with their work, however the learning from the resilience workstreams remains 'live'.

- Resources – This workstream identified three key areas where concerted partner action over an extended period could help to ensure that the Third Sector remains resilient in the medium to long-term. The Workstream scoped the opportunities, identified key stakeholders to take the work forward and proposed that oversight of the work be continued by the Third Sector Commissioning Collaboration and Partnership Group. These areas were: social value / corporate social responsibility, exploring commissioning markets and

alliances, and maximising regional and national investment into the sector. All three areas continue to be progressed but there is a sense that greater concerted efforts and commitment to these identified areas of work would produce a more significant 'step change' not only for the sector, but crucially for the city and our communities.

- **Communities** - The Leeds Community Anchor Network (LCAN) was formed by several organisations who had acted as Community Care Hubs during the pandemic and wished to continue the positive legacy of this work in terms of community-led approaches, local partnerships and generous leadership. Ongoing support to the development of the Network has been provided by Voluntary Action Leeds (VAL), and the number of Anchors now stands at 23, covering 29 out of the city's 33 wards. It should be noted that this Network – alongside others including the Leeds Food Aid Network – have continued to provide emergency response support to communities as covid restrictions were lifted / Community Care Hubs stood down, and the cost-of-living crisis began to impact.
- **Volunteering** – significant progress has been made in improving the city's volunteering infrastructure through investment in the Be Collective online platform (through funding from the Harnessing the Power of Communities). The Leeds Volunteer Manager's Network led by VAL, are about to begin work to lead the development of a citywide strategy for volunteering, building on the positive joint working that happened during the pandemic and capitalising on the renewed focus on the role and value of volunteers set out in the national [Vision for Volunteering](#).

The joint coordinated effort to pull the city together during the pandemic is a real testament to the partnerships in Leeds. Throughout the Covid-19 response new partnerships were developed and existing ones strengthened, with a real acceleration in collaboration, co-design and co-delivery of services. As we move forward, with new challenges to address, it is imperative we continue to work collaboratively, explore new ways of working, and make best use of resources to meet the needs of our diverse communities.

## **The Cost of Living Crisis**

In September 2022, Third Sector Leeds (TSL) developed a Response to the Cost of Living Crisis position paper to provide an understanding of the significant pressures faced by the third sector, with a focus on mitigating the pressing Cost of Living challenges, calling for all partners to mobilise a similar collective rapid response to the Covid-19 pandemic (appendix 3). This position paper was a result of the work and discussions across networks in the city, including work from Forum Central examining workforce pressures across the health and care third sector which was published in June 2022 and the ongoing work of the Leeds Community Anchor Network, Leeds Food Aid Network and other key organisations to respond to the cost-of-living crisis across the city and within communities.

TSL – as the city's third sector strategic 'network of networks' - reaffirmed their continued commitment to working with statutory partners to shape a response and support towards communities, including the collection of intelligence on the impact of the current challenges on communities. However, from an organisational sustainability perspective existing workforce, recruitment and capacity pressures have been exacerbated by rising costs and increased demand for services, mean instability and workforce exhaustion is significant, impacting on the overall resilience of the sector. The position paper set out a number of key challenges for the sector (detailed below) whilst at the same time calling on statutory partners to further build on the culture of trust-based investment that emerged throughout the pandemic, to enable the sector to fully play its part in supporting the city's response to the challenges.

- **Funding** for the third sector is increasingly short-term, non-recurrent and insecure. This instability hampers the third sector in forward planning, service development and providing

the 'wraparound' holistic services in which it excels. Organisations are reporting increases in demand alongside rising energy, fuel and competitive salary costs, which are difficult to absorb as contract and funding amounts stay the same.

- **Recruitment and workforce** present a three-fold challenge: the current workforce is depleted and exhausted from supporting communities throughout the pandemic and into our current crisis. Organisations have been running with vacancies for long periods of time, and constant recruitment and restructuring require a huge amount of effort and resilience. Whilst this is not unique to the third sector, contracts and funding structures do not allow the sector to offer salaries that are competitive with other sectors, which adds to difficulty recruiting.
- **Additional mental health impact on both staff and people seeking support** whereby organisations are reporting more people presenting with unmet mental health needs, even to organisations that do not typically provide emotional support. Supporting increasing numbers of people in desperate situations is impacting on the mental health of staff and volunteers. The numbers of people on short-term contracts with low pay, who themselves are struggling is significant in the sector.
- **Demand** whereby organisations are reporting rising demand, often from people with a combination of complex health and social needs intersecting with situations arising from the cost of living crisis. These require more complex and longer-term support, which inevitably has greater resource implications.

TSL are acutely aware of the financial challenges that statutory partners face and will continue to face as the cost of living crisis deepens, recognising there are no easy solutions. However, TSL highlight without building further on the culture of trust-based investment that emerged throughout Covid-19, the third sector may be limited its ability to play a full partnership role in meeting the coming challenges. Thus, there is even greater need to ensure that we have a coordinated approach to support, and that this is targeted to those most in need. We need to continue to work together to use all resources as flexibly as possible, as we did during the pandemic, enabling the third sector to direct partner investment where it is needed over the longest possible period. TSL call for radical and creative thinking from statutory services to respond to the additional need and third sector funding pressures which requires system support. TSL seek to build on the culture of trust-based investment that emerged throughout Covid-19 to mitigate the worst impacts of the crisis on communities by working together to take radical, locally led, collective action.

As a partnership response to the position paper, the council and TSL held a workshop on 31<sup>st</sup> October at the Reginald Centre chaired by Chris Hollins, Third Sector Leeds, with attendance from Voluntary Action Leeds; Forum Central; Adults and Health; Childrens and Families and Public Health; NHS CCG; Chief Officer and colleagues from Safer Stronger Communities Team and Chief Officer for Welfare and Business Support. In setting the context, acknowledgements were made toward our forementioned shared principles documented in the existing Compact and the changes in the Leeds landscape outlined in the Third Sector Resilience Survey.

The workshop focused on establishing shared principles which have emerged over the years in the developing relationships between the third sector and statutory partners to navigate the current financial challenge presented by austerity and the cost of living crisis. The following broad principles were drafted by TSL with further detail summarised in appendix 4:

- Working in a way that ultimately benefits people and communities living in Leeds
- Investment in resilience
- The importance of working together in partnership
- A commitment to 'one workforce'
- The third sector being an equal partner as part of both the WY Health and Care Partnership, 'Team Leeds' approach and WYCA
- The importance of delivering preventative measures where possible

A considered discussion took place around the shared principles which provide a framework to move away from binary 10% financial cuts, toward a collaborative approach to achieve more effective ways of joint working.

The principles are underpinned by the recognition that there are insufficient funds to resource everything, whilst facilitating scope for flexibility, creativity and partnership approaches which provide closer consideration of the longer-term impact on communities. This builds on the approach taken during Covid-19 enabling a continuation of collective thinking to navigate the current crisis which protects and values the work of the Third Sector.

There was strong recognition for the need of a continuation of strong partnership working, difficult conversations and bold creative thinking, moving away from statutory and non-statutory approaches and much more toward a collective way of thinking and working.

Commissioning officers from Adults and Health, Childrens and Families, and Public Health considered the diversity of contracts including intervention and prevention, the volume of small contracts, and nonrecurrent funding which often sits between the margins and the challenge of gaining a full insight into the latter. Commissioning officers considered these principles being helpful in facilitating conversations with contractors and funded organisations highlighting the *absolute urgency* to engage with the Council's Corporate Leadership Team and Chief Officers to agree the direction and approach.

Future financial pressures are likely to be enduring, at least in the medium term, and with this in mind participants in the workshop agreed on the principles set out above (with a recognition that implementing these principles could look different across different organisations/directorates) as well as some key actions which need to be taken forward as part of securing the longer-term resilience of the sector within the city. These actions will be taken forward via the Third Sector Partnership arrangements in the city including Third Sector Partnership chaired by Cllr Harland:

- Short-term: quantify the impact of the cost-of-living crisis on the third sector to develop a clear picture of spend (including recurrent / non-recurrent and the reasons for this, the value of funding between statutory / non statutory and where funding to the sector comes from). Alongside this, it's also felt crucially important to understand the broader value of the sector in order to understand the impact of potential cuts to the sector from a system perspective – particularly in terms of the broader / longer-term impact of cuts to preventative services. As part of this, understanding the likely overall funding deficit for the sector as a whole is felt to be important - just as statutory services are able to quantify their overall financial deficit. Being able to quantify this would go a long way in supporting high level conversations about where to find financial savings – these conversations are happening imminently, so this is an urgent priority.
- Medium-term: where reductions need to be made next year, seek to collaboratively restructure in partnership with the third sector rather than 'salami-slice' cuts. Where reductions need to be made to reflect local authority or health financial pressures there was broad agreement to use these shared principles and proposed actions to do this, including moving away from statutory vs non-statutory thinking, reviewing services and making decisions in partnership with the third sector, moving from individual contract management discussions to an approach centred around transparency and system-wide thinking.
- Short to medium term: There is a clear recognition that there is a need to plan for the longer-term resilience of the sector through developing a city-owned Third Sector Strategy, which sets out a path for more detailed / longer-term work around key areas such as social value and inward investment. This would include strategic thinking about how we use grants ambitiously now, and in the future, (including new investment such as the UK Shared Prosperity Fund), agreeing a shared vision and priorities so we're ready to act when funding becomes available or proactively identify investment. This work would recognise there are ongoing opportunities for the third sector to leverage in investment from other areas,

lessening the pressure on statutory partners, but this needs to be better understood and quantified.

Within these actions, the third sector strategy seeks to incorporate the forementioned Third Sector Ambition statement and Compact for Leeds, which were in process of review, to bring together these separate documents into one unified approach.



## **Appendix 2: LEEDS THIRD SECTOR AMBITION STATEMENT TO SECURE A THRIVING THIRD SECTOR FOR LEEDS**

City partners acknowledge that Leeds needs a thriving third sector able to rise to current challenges and opportunities and work alongside all partners to deliver the Best City ambitions. To enable this to happen Leeds needs a culture that is creative and brave enough to embrace further new ways of doing business with the third sector. In order to achieve this new culture, a Third Sector Ambition Statement has been created to enable partners to understand what is meant by a 'thriving third sector'. The Statement:

- provides a general description of the type of third sector that Leeds needs and wants to invest in and nurture
- sets out ambitions in order to influence practice, and
- provides encouragement and clear expectations about doing business in new ways with the third sector.

### **Leeds Third Sector Ambition Statement**

**The success of Leeds and the wellbeing of all of its citizens is dependent on having thriving private, public and third sectors, each independently successful but working effectively in partnership.** The City's ambition is to have a sustainable, diverse third sector economy, with organisations from the smallest self-help group through to larger, local and national service providers. The ambition is to use the Leeds pound to invest in a local infrastructure that has a legacy beyond the life of any single funding programme.

#### **Leeds needs a third sector that is:**

- enterprising, responsive, sustainable, resilient, professional and civic minded
- diverse in its activities and the size, type and governance of its organisations
- inclusive, with extensive participation and broad reach into all neighbourhoods and communities
- confident in its strong and mutually beneficial relationships with the public and private sector
- driven by the needs and priorities of people and communities in Leeds
- able to champion and advocate for citizens, communities and causes
- led by local people
- able to evidence outcomes and be recognised for quality delivery and impact

#### **Leeds also needs:**

- a vibrant and active community and self-help sector operating at the grassroots level in local neighbourhoods and across communities of interest
- an effective third sector support and development infrastructure that can help to grow the third sector that Leeds requires
- the conditions that allow small, neighbourhood and community groups to emerge, develop and grow

#### **A thriving and sustainable third sector will include:**

- National and regional third sector organisations delivering in Leeds
- Leeds-based organisations able to compete for and win major contracts in Leeds and beyond
- Local voluntary organisations: evolving to meet local needs, sustainable and flexible enough to respond to changing circumstances, with the potential to grow
- Small Voluntary, Community and Self Help groups often volunteer-run with low running costs and high impact

**Leeds commits to create the conditions for a Thriving Third Sector that can play its role in the City**





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Response to the Cost of Living Crisis: September 2022

## Key Position

- To mitigate the pressing Cost of Living challenges facing communities, all partners need to mobilise a similar collective rapid response to the pandemic.
- Whilst the third sector is ready to play its part, existing workforce, recruitment and capacity pressures have been exacerbated by rising costs and increases in demand for services, and the pressure on the workforce (particularly front-line staff and volunteers) is significant.
- Statutory partners – working with third sector infrastructure partners - need to collate, coordinate, and communicate clear and consistent public information on the support that is available to communities
- Statutory partners – working with infrastructure partners – need to collate, coordinate and communication clear and consistent information for third sector organisations to aid effective signposting, and enable better coordination across organisations
- Radical and creative action that frees up time for responding to additional need is required. Whilst the sector is doing everything it can, funding pressures mean that organisations are limited in what more they can do without system support.

## Context

Throughout the COVID-19 pandemic, the third sector played a critical role in mobilising our city's resources and working collaboratively across boundaries to support communities. The pandemic highlighted the unique insight the sector has into the strengths and needs of different communities, and how we bring the agility and flexibility that is needed to a system response.

At Third Sector Leeds (TSL) we believe that the third sector has a crucial role to play in reaching and supporting people and communities that may 'slip through the cracks' between statutory services. These include newly migrated communities and people seeking asylum, people with long term health conditions, and people living in our most deprived neighbourhoods or experiencing multiple forms of deprivation. These communities are already experiencing the most acute health and social inequalities and are most likely to feel the impact of the Cost of Living crisis the most.

Wherever possible, the third sector continues to mobilise its response to the emerging crisis. Many organisations (including the Leeds Community Anchor Network and Food Aid Network) have been working with the Local Authority to deliver the Household Support Grant to people who need it, and the sector is working with partners to make sure that people who can't afford to heat their homes have somewhere warm to go to this autumn/winter. Third sector organisations also continue to deliver their usual operations including support around food poverty; support and advice around money, debt and benefits; housing support; digital inclusion and access; emotional wellbeing and mental health support; clothes, furniture and equipment. As well as delivering critical services, representatives from TSL and other key strategic networks are committed to continuing to collect intelligence on the impact of the current challenges on communities and to working with our statutory partners to shape a response.

## Context (continued)

We believe that we can only mitigate the worst impacts of the crisis on communities by working together to take radical, locally led, collective action – as we have shown that we can do during the COVID-19 pandemic. TSL is acutely aware of the financial challenges that statutory partners face, and will continue to face as the Cost of Living crisis deepens. However, the third sector is also impacted by the same challenges. Rising costs, rising demand, instability and workforce exhaustion may limit its ability to play a full partnership role in meeting the coming challenges without building further on the culture of trust-based investment that emerged throughout Covid-19.

## Key Challenges

### Funding

Funding for the third sector is increasingly short-term, non-recurrent and insecure. This instability hampers the third sector in forward planning, service development and providing the 'wraparound' holistic services in which it excels.

Organisations are reporting increases in demand alongside rising energy, fuel and competitive salary costs, which are difficult to absorb as contract and funding amounts stay the same. TSL understands that statutory partners face significant financial challenges and that there is a reducing amount of discretionary funding available for investment. We also understand that funding streams from central Government have become increasingly short-term and ring-fenced.

In short, we know there are no easy solutions, but when funding is scarcer, there is even greater need to ensure that we have a coordinated approach to support, and that this is targeted to those most in need. We need to continue to work together to use all resources as flexibly as possible, as we did during the pandemic, enabling the third sector to direct partner investment where it is needed over the longest possible period.

## Key Challenges (continued)

### Recruitment and workforce

The difficulty for organisations is threefold: the current workforce is depleted and exhausted from supporting communities throughout the pandemic and into our current crisis. Organisations have been running with vacancies for long periods of time, and constant recruitment and re-structuring require a huge amount of effort and resilience. Whilst this is not unique to the third sector, contracts and funding structures do not allow the sector to offer salaries that are competitive with other sectors, which adds to difficulty recruiting.

In a recent Forum Central snapshot survey of organisations providing health and care services, 14 respondents (47%) expected to lose staff and 16 (53%) expected to have to reduce services without additional support.

A significant additional mental health impact on both staff and people seeking support

Organisations are reporting more people presenting with unmet mental health needs, even to organisations that do not typically provide emotional support. Supporting increasing numbers of people in desperate situations is impacting on the mental health of staff and volunteers. The numbers of people on short-term contracts with low pay, who themselves are struggling is significant in the sector.

### Demand

Organisations are reporting rising demand, often from people with a combination of complex health and social needs intersecting with situations arising from the Cost of Living crisis. These require more complex and longer-term support, which inevitably has greater resource implications.

## National Response

TSL fully supports the campaigning work of [NCVO](#) and other national third sector infrastructure bodies. Our representative bodies continue to shine a light on the need for concerted Government action.

If additional investment is received from Government, we need a collective approach, to ensure that any funding the city receives from central government is directed to those who need it most with speed and clarity, and with a shared understanding that the third sector will be crucial to achieving this.

Additionally, we support the work of [Leeds Community Foundation](#) in focusing support towards sustaining the sector.

## Local Response

Thousands of people rely on our sector's services every day, and these are the people who are most at risk from the effects of the Cost of Living crisis. To ensure support measures have impact and reach those they need to, the third sector needs to be involved from the outset in co-producing planned support that makes best use of our collective assets. This is particularly important when statutory partners want to target limited resources to reach those most in need. This support needs to be:

### Longer term

- Short-term funding results in a focus on outputs rather than outcomes, encourages people to engage with third sector organisations in a less meaningful way, and creates fluctuations in staffing and workflows.
- Although there is an understanding that central government funding is devolved to our public sector partners with a specific time-frame to spend it, we should continue to work together to explore ways to flex funding streams, so that they are sustained a responsive to local need.

## Local Response (continued)

### Co-produced

- There is a good understanding throughout the sector of who is most impacted by the Cost of Living crisis, particularly those with long-term health conditions, those from ethnic minority backgrounds (particularly those seeking asylum or from newly migrated communities) and those living in our most deprived neighbourhoods. These communities are also those who can find statutory services least accessible. The sector successfully helped to target support to these communities throughout the pandemic and will be key in co-producing support again now.
- Some third sector organisations report that speed of roll out of programmes is limiting their ability to shape them around local need, and that in some cases they feel drawn into a level of ‘gatekeeping’ for services which conflicts with their values. The way that funding for support for communities is allocated needs to be designed with third sector organisations, taking a ‘bottom-up’ approach, to ensure that we build on what is already working for communities and that support gets directly to those who need it most. This approach worked well during the pandemic and we want to build on this. Third sector infrastructure organisations remain committed to continuing to play a coordinating role to aid programme design; enabling dialogue between statutory partners, local delivery organisations and communities.

### Co-ordinated

For the third sector to achieve maximum impact they need consistent and clear access to information about:

- Where investment is being made across the sector, on what terms and to benefit which groups.
- The range of services (particularly emergency response services) that are available to support communities.

### Additionally:

- The third sector is committed to sharing intelligence on request, the local authority and health services need to work with third sector infrastructure support bodies to ensure that there is one ‘system’ ask for intelligence and that this translates into clear, consistent and accessible information about what support is available for communities.
- Infrastructure support, the local authority and health services also need to coordinate clear and consistent information for third sector organisations so that they can effectively signpost.





## **Appendix 4: TSL position statement: cost of living and third sector resilience**

Third Sector Leeds (TSL) published a position statement setting out the challenges that the third sector and communities face relating to the cost of living crisis, and how TSL would like to work with statutory partners to address these.

Representatives from TSL Leadership Group held a workshop on 31 October with senior officers across Leeds City Council and health authorities to explore how we could work more closely together to better support people with the cost of living crisis.

This paper sets out our agreement on shared principles, how these principles might translate into actions across different directorates or areas of the system, and what we need to do in the short, medium and long term to ensure the third sector remains resilient and able to support communities to thrive.

### **Shared principles**

These shared principles have emerged over the years in the developing relationship between the third sector and statutory partners:

- Working in a way that ultimately benefits people and communities living in Leeds
- The importance of delivering preventative measures where possible
- Investment in resilience
- The importance of working together in partnership
- A commitment to 'one workforce'
- The third sector being an equal partner as part of both the WY Health and Care Partnership, 'Team Leeds' approach and WYCA

Within these broad strategic principles there is much detail, which we would summarise as follows:

### **1. Delivering preventative measures**

We have a strong history in Leeds in investing in the third sector's expertise in preventative work, tackling the causes and the wider determinants of inequality. Although many of these measures are not statutory, there is a shared understanding that:

- Prevention is cost-effective;
- Prevention will save Leeds money in the long-term; and
- The benefits of prevention reach far beyond the immediate impact.

However, due to resource pressures, work that is more preventative and less immediate can be seen as lower priority and therefore can attract less support and investment.

Current challenges:

- Third sector organisations are supporting people with increasingly complex needs, who may require more time and support from increasingly stretched services
- Short term funding tends to lead to shorter term impacts – longer-term investment is needed to sustain real change
- Changes to funding e.g. ESF mean that successful projects are having to wind down and then wind back up again when new funding is made available, which costs time, staff and momentum

Actions:

- Agree to continue prioritising preventative work, and commissioning based on overall value rather than solely whether or not a service is considered statutory
- Where funding changes, seek to offer appropriate funding from alternative sources in the short term, or collaboratively renegotiate contracts to ensure these are sustainable.

## **2. Investment in Resilience**

The Cost of Living crisis has impacted upon the ability of organisations in the sector to be sure that they will still be here in order to participate in any partnership. We believe investment in resilience means:

- Building capacity through strengthening the infrastructure of the sector, and its connections to the wider city
- Recognising and maintaining the diversity of the third sector and the communities they work with
- Ensuring the sector continues to be able to respond to new challenges

Challenges to this include:

- Energy costs have doubled but may still be below the threshold for any support from central government
- Salaries linked either contractually or through custom and practice to NJC scales, where an anticipated 8% increase with targeted support for those on lower scales will have greater impact on a sector which traditionally has not been able to pay salaries at the equivalent rate of statutory authorities. Some funders (notably the Lottery) may meet increased costs, but many will not.
- Support around Cost of Living crisis will be short-term funding, and will include new work for third sector organisations to do, which creates instability.

Actions:

- Agree that existing contracts, including those which are delivering statutory services, are uplifted in line with inflation, before new initiatives are developed for resilience.
- Collaboratively re-align, review and if necessary, decrease outputs in existing contracts to allow those delivering to maximise their resilience where this can be done.

- There will be (and are) short term initiatives using central government, local authority or WYCA funding. Early discussion with third sector infrastructure will support the best possible alignment of resources.
- Although finance is in short supply across all sectors there are some new areas of development, and in order to ensure the resilience of the sector, these need to strongly recognise that the first aim has to be to ensure the sector continues to be in a position to be able to respond when required, and that the necessary structure of the sector is in place. This should include the UK Shared Prosperity Fund which has objectives to support and engage with communities, and a specific aim to contribute to the cost of living crisis.
- Explore the development of third sector provider collaboratives and consortia; particularly building on changes in the health system.
- Work with the third sector, and in particular Leeds Community Foundation to maximise grants and philanthropy throughout the City.
- In the longer term, develop a third sector investment strategy for Leeds.

### **3. Partnership working and the “Team Leeds” approach**

It is recognised that we are all facing the same cost of living crisis, however the ability of different sectors to weather that storm varies. Whilst statutory agencies are dependent upon central government support and a decade of austerity, the third sector is also dependent upon other factors which affect its ability to scale-up statutory sources of funding. Far from the sector being able to find alternatives when finances are stretched, the impact of cuts can be far greater.

We believe partnership working is a high priority throughout all sectors. We believe partnership working means:

- Partners engaging with the third sector as an equal partner from the outset when planning investment
- Building trust and transparency
- A whole system working together

Actions:

- The Third Sector Partnership Group which is supported by key departments within the local authority, including both Adult and Children’s commissioning, is agreed as the over-arching place at which partnership is developed. This should include new areas of development such as the Shared Prosperity Fund, so that we build upon existing arrangements, and support existing structure rather than develop new areas of activity.
- In addition to the Third Sector Partnership Group, we would benefit from a shared strategic approach to working with the third sector across Leeds, including prioritising sector resilience.

### **4. Commitment to “one workforce”**

We believe this means:

- People working in the third sector have parity of esteem with those working in equivalent roles within the statutory sector

- People working in the third sector receive fair remuneration, training opportunities, and other benefits as those working in the statutory sector
- Staff are operating across a whole system, rather than within a single sector

Current challenges:

- It is currently challenging to recruit to third sector positions – when TSOs can, they feel they invest in workers only for them to leave for higher paid work within statutory authorities
- Staff are themselves facing poverty, and the cost of living rises are an absolute necessity, especially for those on lower salaries
- There is evidence that volunteers are both absorbing the additional costs of e.g. travel themselves rather than pass it on, whilst others are dropping out of volunteering as they can no longer afford to do so, and measures may be required to retain volunteers as a key resource.
- Where organisations have to make the decision to leave NJC pay commitments or practice, this can be a long and difficult process

There are short term and long-term implications for achieving this objective. In the short term those actions identified within “Resilience” above will be necessary, especially those regarding existing contracts.

In the longer term there is a need to support existing knowledge with ongoing information and data, including:

- A commitment to ongoing analysis of the impact of the sector through regular “State of the Sector” updates
- A deeper understanding of the comparability between salary scales in the third sector and the statutory sectors. There is anecdotal understanding that third sector salaries are one to two salary scales below those in statutory authorities ([some recent research](#) suggests third sector pay is 7% lower than that in the rest of the economy) and significant differences in other benefits such as pensions and sick leave entitlement.
- Recognition of the impact implementing of living wage and national living wage and achieving the “Fair Work charter” principles of WYCA.
- Agree to utilise other data such as Skills for Care as proxy indicators of the third sector workforce.
- Planning is required to strengthen the HR/recruitment/retention facilities of the third sector, and to maximise its links within the wider Leeds workforce
- Ensure we are taking a positive approach to protecting and valuing the whole workforce across the system including the third sector.

All of the above actions contribute to the overarching principle of working in a way that ultimately benefits people and communities living in Leeds. These also reflect the outcomes outlined within the Leeds Best City Ambition.

### **Outcome of workshop**

Officers in the workshop agreed on the principles set out above, and although implementing these principles could look different across different organisations/directorates, there are some key actions we can all implement. These include:

**Short-term: quantify the impact of the cost of living crisis on the third sector**

We need a clear picture of:

- Recurrent and non-recurrent spend – and where funding is non-recurrent, why this is e.g. is it a test and learn project, reallocated underspend etc.
- How is funding allocated across direct provision, infrastructure/representation and engagement
- Value of funding for services that are considered statutory/non-statutory (and how we define this)
- Where funding to the third sector comes from

Alongside understand the 'spend' through the third sector, it is also crucial to quantify the *value* of the sector in order to understand the impact of potential cuts across the whole system.

- Statutory partners have a detailed understanding of funding deficits – how can we quantify the deficit for the third sector? For example:
  - In 2020/21 the total income of health and care third sector organisations was £281,249,059 ([State of the Sector report](#)). Organisations contributing to the wider determinants of health make up around 77% of the third sector, so the total wage bill would be approximately £365,258,518
  - Staff costs account for 68% of sector income ([The structure, dynamics and impact of the voluntary, community and social enterprise sector report](#)) therefore the third sector wage bill in 2020/21 was approx. £248,375,792
  - If NJC pay scales equate to approx. an 8% pay rise in third sector organisations, this could equate to a deficit of £19,870,063
  - The above report also found that “the total added value which the VCSE sector produces is the equivalent of between 3.1 and 3.9 times the energy put in.” Therefore, the impact of a £19.9m deficit could equate to a value of at least **£61.6m** for the wider system in Leeds.
- We also need to understand the hidden cost of cuts to the third sector, for example cutting preventative services will result in future costs to the system / statutory sector and will impact the health and resilience of the third sector in the future
- Being able to quantify this would go a long way in supporting high level conversations about where to find financial savings – these conversations are happening imminently, so this is an urgent priority.

### **Medium-term: where reductions need to be made next year, seek to collaboratively restructure in partnership with the third sector rather than 'salami-slice' cuts**

Where reductions need to be made to reflect local authority or health financial pressures (in 2022/23) there was broad agreement to use these shared principles and proposed actions to do this, including:

- Move away from statutory/non statutory thinking or 'sectorism' which fails to account for the broader system impact of individual cuts
- Decision making with the third sector, looking at the total amount of investment and what communities need / aspire for us to deliver and collectively looking at who is best placed to do this
- Move away from a closed-door individual contract management approach – to focus on transparency and a system-wide approach.

## **Developing a city-owned Third Sector Strategy which sets out a joint plan for investment in the long-term resilience of the sector**

There is a need to plan for the longer-term resilience of the sector through developing a city-owned Third Sector Strategy in the short / medium term, which sets out a path for more detailed / longer-term work around key areas such as social value and inward investment. This would include:

- Strategic thinking about how we use grants ambitiously now and in future e.g. UKSPF.
- Shared principles to inform decision-making – based on the principles shared today
- Agree our shared vision/priorities so that we're ready to act when appropriate funding becomes available or proactively identify investment
- There are ongoing opportunities for the third sector to leverage in investment from other areas, lessening the pressure on statutory partners, this needs to be better understood and quantified
- Where significant funding comes into the city, there should be a partnership approach and oversight of how this allocated e.g. through Third Sector Partnership Group.