

Ensuring the Future Resilience of the Third Sector

Date: 20th February 2025

Report of: Director of Communities, Housing & Environment

Report to: Environment, Housing and Communities Scrutiny Board

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, made up of charities, social enterprises and voluntary groups, delivering community-based services, many of them essential in terms of helping to improve people's wellbeing, whilst also contributing to the city's economic growth, supporting the council and wider partners to deliver its Best City Ambitions.
- This report provides a summary of the challenges faced by the third sector as reported to Scrutiny in February 2024; and provides an update on the progress made against the identified actions.
- The last *State of the Third Sector 2022/23* report evidences the sector's resilience, however, also emphasises the stress it is under, specifically the reduced number of registered organisations, workforce, volunteers and the number of organisations reporting a zero income. The recent Forum Central Cost Pressures survey for October 2024 provides further evidence of the impact of sustained efficiency savings on third sector budgetary pressures. Work is underway on the analysis of the 2024 data for the State of the Third Sector Report.
- The council's investment in the third sector for 2021/22, 2022/23 and 2023/24 is outlined; this has broadly been maintained over recent years, despite the very significant and challenging public sector financial constraints associated with austerity, significantly assisted by covid and Household Support funding. Recent inflationary and cost of living pressures have led to increased costs to deliver services, at a time when demands have increased, and as a result, the sector is under significant financial pressure. Other investment in the third sector is outlined including NHS West Yorkshire ICB and Leeds Community Foundation.
- The council's investment in third sector infrastructure provides some additional flexibility, supporting frontline third sector organisations to enable the sustainability and resilience of a thriving third sector and ensures there remains responses to emerging issues, challenges and opportunities in the city and the sector.

- This report details the collaborative actions taken forward by the public and third sectors through the progressing of the Leeds Third Sector and Volunteering Strategies.
- Dialogue in late 2024 has been taking place with the third sector around the council's budget pressures and the future direction of travel and investment. Third Sector Leeds and the respective infrastructure organisations have supported the sector contribution to these discussions providing insight to support the ongoing discussions.
- The financial constraints of both the council and health partners and the additional 'cost of giving' crisis for charities continue to impact significantly on third sector organisations, further detail is provided on the opportunities and challenges presented.
- The report concludes with details of how the relationship and partnership between the sector, council and others is governed, organised and facilitated, to ensure the sector continues to influence and support a strong civil society that can and does deliver for all of the people of Leeds.

Recommendations

- a) For Scrutiny to note the findings of the report and make recommendations.

Why is the proposal being put forward?

- 1 To outline the council’s and third sector’s efforts and collaboration in ensuring a resilient Third Sector for the city, taking into account the financial challenge faced by the council alongside increased demand and pressures.
- 2 The financial constraints faced by both the council and health partners, coupled with the ongoing cost of giving crisis, will likely continue to significantly impact third sector organisations. It is imperative that we work collaboratively with the sector in innovative ways that align with the current financial framework within which the council, statutory partners, and the sector operate.

What impact will this proposal have?

Wards affected:
Have ward members been consulted? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

- 3 See appendix 1

What consultation and engagement has taken place?

- 4 Ongoing discussions with the Third Sector through the Third Sector Partnership and Third Sector Leeds. Further detail on this is provided within appendix 1.

What are the resource implications?

- 5 See appendix 1

What are the legal implications?

- 6 Not applicable

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

- 7 The financial constraints of both the council and health partners, and the cost of giving crisis, will continue to impact on third sector organisations. A further reduction in the number of organisations, staff and volunteers across the sectors is anticipated, along with individual contracts and services no longer being viable. There are opportunities for thinking differently about which services can be provided by the third sector, making the most of the wealth of expertise and local knowledge the sector holds, as well as the value for money, particularly in comparison to some private businesses, however capacity to engage with these opportunities by the sector is diminishing and further threatened. Maintaining existing good value third sector provision, through both prevention and ongoing support interventions; as well as shifting from extremely high-cost private providers to greater use of local, third sector organisations; provide opportunities not only to reduce costs, but to also maximise quality of service and positive outcomes, and provider better value for the Leeds pound.

Does this proposal support the council’s three Key Pillars?

- Inclusive Growth Health and Wellbeing Climate Emergency

Options, timescales and measuring success

a) What other options were considered?

9 Not applicable

b) How will success be measured?

10 See appendix 1

c) What is the timetable for implementation?

11 Not applicable

Appendices

12 Appendix 1: Ensuring the Future Resilience of the Third Sector

Background papers

13 Appendix 2: State of the Third Sector in Leeds 2022 (Infographic of Key Findings)

14 Appendix 3: Third Sector for Health & Care Cost Pressures, Survey Summary 2022 – 2024

15 Appendix 4: Cost of Giving Crisis

16 Appendix 5: Leeds Third Sector Strategy 2023 - 2028 (Executive Summary)

17 Appendix 6: Leeds Volunteering Strategy (One Page Summary)

18 Appendix 7: Third Sector Leeds Four Key Lobbying Messages

19 Appendix 8: Leeds Third Sector Ambition Statement

Appendix 1: Ensuring the Future Resilience of the Third Sector

The Resilience of the Third Sector - Scrutiny Reports Summary 2022 and 2024

The December 2022 Scrutiny report highlighted the resilience of the sector and the identified key challenges of funding, rising demand, workforce-related concerns, and overall instability as outlined in the Third Sector Leeds (TSL) *Cost of Living Position Statement* (September 2022).

In October 2022, a TSL workshop brought together senior officers from the council and the NHS. Shared principles were agreed, which were later documented in the TSL's *Cost of Living and Third Sector Resilience Position Statement* in December 2022. The following actions were identified:

- **Short-term:** quantify the impact of the cost of living crisis on the third sector to develop a clear picture of spend, and to understand the broader value of the sector in order to understand the impact of potential cuts to the sector from a system perspective.
- **Short to medium term:** 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.
- **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.

The Scrutiny update in February 2024 reported on the solidification of these developments in the *Leeds Third Sector Strategy 2023–2028*. This strategy was developed by TSL in partnership with key stakeholders, addressing the need for long-term resilience planning for the sector. It builds upon a decade of trust, understanding, and teamwork within the broad framework of the Best City Ambition. Additionally, it integrates Leeds policy commitments such as the Compact for Leeds, the Third Sector Ambition Statement, and the Commissioning Code of Practice. The Leeds Third Sector Strategy identified 9 priorities, with an initial focus on commissioning/funding, social value, and partnerships, identified by TSL members as part of the strategy's development and launch.

Building on the Third Sector Strategy, the Leeds Volunteering Strategy, led by Voluntary Action Leeds (VAL) and the Leeds Volunteer Managers Network, was launched in October 2023. This strategy envisions Leeds as the best city for volunteering, where volunteering is celebrated in all its forms, and all partners work together to support an innovative and diverse volunteering environment. The ambitions for change articulate a forward-thinking approach that celebrates volunteering in all its forms. The strategy outlines steps that partners can take to develop approaches to volunteering, making it easier for people to get involved, building a more inclusive city, and helping Leeds adapt to future challenges.

The above provides a summary of key actions taken forward as part of securing the resilience of the third sector as reported to Scrutiny in December 2022 and February 2024. The remainder of the report provides an update on the progress made against these identified actions.

The State of the Third Sector

Over the course of 2023, Forum Central, Voluntary Action Leeds, and Nifty Sustainability CIC collaborated to produce an updated *State of the Third Sector* report, initially commissioned by Forum Central in 2020. This report, published in 2023, uses December 2022 data benchmarked against December 2020 data, to provide a clear and robust picture of the third sector in Leeds and contribute to the development of a shared narrative for the city (appendix 2).

The report evidenced the sector's resilience, whilst also emphasising the stress it is under. Between 2020 and 2022 the third sector experienced a 10% reduction in the number of registered (charitable) organisations predominantly; a reduction in the number of small and medium sized

organisations; workforce decreases of 34%; a 25% decline in the number of volunteers; and the doubling of organisations reporting a zero income. An updated analysis is anticipated for April 2025 and some headline figures may be available during the Scrutiny Board meeting.

Forum Central's *Third Sector for Health & Care Cost Pressures, Survey Summary 2022 - 2024* (appendix 3) provides interim insights into the challenges facing the sector (with a focus on health and care organisations) and offers a comprehensive picture alongside the State of the Third Sector report. This helps to understand the ongoing impact of rising costs on the third sector and informs strategic planning to address these pressures.

The survey, conducted quarterly from September 2022 to April 2024, with an average of 47.5 participating organisations, offers a snapshot of the current issues with its limitations acknowledged. The report however asserts the findings align with national data from the National Council for Voluntary Organisations (NCVO) and Pro Bono Economics on the true cost of delivering public services and the charity sector's challenges.

Key headlines highlight:

- **Main financial challenges:**
 - Rising costs: inflation, staff costs, premises and energy costs.
 - Contract issues: no uplift in long term contracts, short term contracts and new contracts not covering true service delivery costs.
 - Funding shortages: lack of funding to cover operating costs.
- **Organisation viability:** 14.3% at risk of closure in April 2024, compared to just 2.2% in October 2022.
- **Service reductions and closure:** 87.7% risk of service reduction in April 2024, up from 68.2% in October 2022. 57% have reduced or closed a service since September 2022, an increase from 48.9% in June 2023.
- **Staff reductions:** 64.7% have either lost, or are at risk of losing, staff in April 2024, compared to 31.8% in October 2022. 24.5% of organisations responding in April 2024 have lost staff due to cost pressures.

Additional qualitative information, and a report by Forum Central into third sector pay, gives a more rounded understanding of what these figures mean for third sector organisations:

- Increased demand and more complex needs.
- Compromised staff wellbeing due to high levels of stress surrounding instability.
- Difficulty in recruiting volunteers and trustees.
- Difficulty retaining staff due to future insecurity.
- Organisations having to use up reserves to survive.
- Spending more time on contingency planning, rather than on service delivery.
- Moving away from Real Living Wage and standard (NJC) pay scales.
- Medium to large organisations, who had previously been better equipped to handle financial hardship than small organisations, are unable to meet the new Employer National Insurance contributions.

Investment in the Third Sector

The council makes a significant financial investment in the third sector each year. An annual analysis of the council's investment is presented to the Third Sector Partnership (TSP), allowing council colleagues, TSL and partners to track trends, scrutinise and build an overview of investment.

Provisional analysis shows the council's overall investment in the third sector to have been £136.1m in 2021/22 with 1,158 individual third sector organisations; and £149.6m in 2022/23 with 1,174 individual third sector organisations; and £151.7m in 2023/24 with 1,053 individual third sector organisations.

The council's existing commissioning and funding relationships with the third sector centre around our shared values, trust, flexibility and focus on delivering better outcomes for the public. The overall council payments to the sector have been broadly maintained over recent years, despite the very significant and challenging public sector financial constraints associated with austerity. The financial climate for local government continues to present significant risks and challenges, as well as a threat to the council as it seeks to deliver on its priorities and ambitions, as has been clearly articulated within the organisation and with partners. However, it should be noted that the sector does not receive the same uplifts that are applied to other providers, with many contracts remaining at the same price for some time. The sector has been clear that this, combined with the changing nature of some council funding, has caused issues for some providers.

Members Improvement in the Community and Environmental (MICE) allocation totalling £193,269.98 in 2022/23, and £246,416.00 in 2023/24, was largely invested in third sector-led, community-based initiatives.

The council facilitates the Funding Leeds Partnership to maximise external investment into Leeds through the third sector by making funding information and support accessible. This includes a Funding Support Service delivered by Voluntary Action Leeds and the Funding Leeds platform (available [here](#)). The Funding Leeds website, funded by the council, provides a comprehensive database of funding opportunities and local support, free to access for organisations and groups with an income of under £1m. Recently updated for improved usability, the platform has significantly contributed to a thriving third sector. Since its launch in 2017, organisations and community groups have self-declared obtaining funding worth £3.9m.

Investment in Third Sector Infrastructure

The council invests in third sector-based infrastructure which provides a range of support to frontline third sector organisations to enable the sustainability and resilience of a thriving third sector. Communities, Housing and Environment fund Voluntary Action Leeds (VAL) for the provision of generic third sector infrastructure support; and Adults and Health, with a contribution from West Yorkshire Integrated Care Board (WY ICB), fund Forum Central to deliver representation and support to the health and care third sector through a number of different forums.

The diverse range of support includes communications, funding advice, training, governance support, organisational development, volunteer management and brokerage services, partnerships and collaboration, and the facilitation of specialist and thematic forums and networks. This investment has a particularly important role in ensuring that there is support for small and emerging groups, and those groups from minority and marginalised communities and priority neighbourhoods. Furthermore, third sector infrastructure organisations support and facilitate strategic voice and influence with the council, WY ICB and other key strategic partners, with a developing relationship with the West Yorkshire Combined Authority (WYCA), which is increasingly relevant following the December 2024 devolution white paper.

Infrastructure organisations respond to emerging issues, challenges and opportunities in the city and the sector, providing leadership and facilitating collaboration on key issues, including the development of city-wide Third Sector and Volunteering strategies, as noted above, the citywide response to the cost of living crisis (through distribution of the Household Support Fund and

development of the city's Welcome Spaces network) and community level responses to support increased vaccine uptake (through the Community Champions project, originally developed during the pandemic).

In addition to local authority and ICB funding, VAL and Forum Central continue to secure additional investment to enable the provision of projects and services which contribute support to a thriving and resilient third sector. This includes NHS Power of Communities funding through West Yorkshire Integrated Care Board (managed in Leeds by Forum Central) delivering a range of projects to support sector resilience, and VAL's work to develop and facilitate the Leeds Community Anchor Network as a positive legacy of the pandemic, which received three years of Lottery Community Fund investment beginning in late 2023.

As part of the councils cost savings pressures both infrastructure organisations will have a reduction in funding applied in 2025/26. However, infrastructure organisations will continue to provide an ever-adapting range of support to the diversity of frontline third sector organisations across all neighbourhoods.

Other Investment in the Third Sector

The NHS West Yorkshire ICB in Leeds in the year 2024/25 is anticipating spending directly with the third sector just short of £20m (£19.87m). This is about £550,000 less than in the previous year, just under a 3% reduction. The £20m directly awarded is distributed across 42 separate contracts/grant lines to 23 providers ranging from £28,000 to £7.5million per year. In addition to this, the ICB also funds a range of third sector organisations jointly through Section 256 agreements and joint arrangements with council such as pooled budget agreements. There is still work to do to present and understand this picture more completely.

As part of new 'Provider Selection Regime' commissioning arrangements, the ICB is working with the sector to support the provider alliance approach, reducing the number of contracts held; using direct award processes which involve awarding contracts to providers when there is limited or no reason to seek to change from the existing provider; or to assess providers against one another; and make direct awards. Under the regime, competitive tendering is one tool for organisations to use when it is of benefit, alongside other routes that may be more proportionate, and which better enable the development of stable partnerships and the delivery of integrated care. The regime still requires relevant authorities to consider value for money as an important criterion, and to be transparent, fair, and proportionate in their decision-making.

The NHS West Yorkshire ICB in Leeds's first annual position statement (October 2024) is the result of a long-term working relationship with the sector and uses the Third Sector Leeds Strategy, Keep it Local principals and aligns with the Leeds Compact. The statement forms the basis for a strong partnership in the city, recognising all sectors on an equal footing. Several key points about the relationship and resilience of the third sector are highlighted:

1. **Strong partnership:** recognising the third sector as an equal partner in the Leeds health and care system, contributing significantly to the city's health and well-being.
2. **Challenges and resilience:** acknowledging third sector resilience, proactive and collaborative approach despite overwhelming demand and financial challenge, and the difficulties posed by short-term contracts.
3. **Strategic importance:** the third sector is seen as crucial for the vision of a neighbourhood health and care system, focusing on prevention and community-based care.
4. **Commitment to collaboration:** a commitment to working differently together, with a focus on early identification of risk factors, preventative care, and addressing health inequalities.

5. **Future funding and support:** a commitment to maintaining and potentially increasing funding for the third sector, with a focus on supporting deprived communities and improving early disease identification and prevention.

Overall, the report underscores the importance of the third sector in achieving a healthy and resilient population in Leeds through effective collaboration and shared goals; with representation from the sector on population health management boards and the ICB management committee.

Over the past 3 years, the West Yorkshire Combined Authority (WYCA) has been defining its role in collaboration with local authorities and the third sector. Through discussions with key stakeholders, including Voluntary Action Leeds, WYCA aims to add value by seeking to identify areas of influence that complement local effort, whilst maintaining a focused regional approach. WYCA has recognised the need, and is progressing work, to develop a cohesive platform at the West Yorkshire level to unify these discussions.

Leeds Community Foundation (LCF) reported to Third Sector Partnership a total grant third sector spend of £3.2m for 2023/24. Slightly more than last year, but less than the previous three years due to an influx of COVID-19 related funds for spend over that period from both national government, and local and national philanthropic sources. LCF predominantly funds organisations with turnovers between £10k and £500k, focusing on grassroots and newer groups, with some very small but also some larger organisations receiving funding. The highest grant was just over £60k, and in total 236 organisations out of 240 funded in the year, received grants in the region of £500 - £10,000. The process includes both open and closed rounds to meet specific goals.

Looking ahead, LCF anticipate being in a position to distribute in the region of £2.5m in grants for 2025/26, a significant reduction. Unlike prior years less than half of these funding streams are confirmed as of November 2024, with more fundraising needed. This is partly due to many statutory and philanthropic multi-year commitments coming to an end, and because there is little long-term sustainability in the funds LCF does steward. Hence LCF's new strategy to build on and increase unrestricted giving to the sector. The current trend reflects challenges across the country in securing commitments from businesses and individuals. The 'cost of giving' crisis for charities (appendix 4) results in further instability around the commissioning and funding landscape.

Ensuring the Future Resilience of the Third Sector

A number of key actions progressed to secure the future resilience of the third sector, vital if we are to achieve our ambitions for transformation and support the national direction towards prevention and community provision.

The Third Sector Strategy 2023 - 2028

The progress TSL has made against the 3 originally identified priority ambitions of the Third Sector Strategy (appendix 5) is set out below:

- **Partnerships:** *City anchors, businesses and the third sector work together in a fair and equitable partnership as a whole system to make Leeds the best city to live in. Partners are open and transparent, and leaders actively share their decision-making power.*
 - Developed key lobbying messages and met with a number of MPs to share these.
 - Hosted a session with Locality to better understand opportunities and approaches to national campaigning.
 - Engaged with the WY Mayor, meeting with her and senior WYCA staff to further develop partnership working.
 - Sought engagement with local candidates ahead of the general election and co-signed the council's letter to the new Prime Minister.

- Workshop held with ICB colleagues to work through a response to the Third Sector Strategy.
- Presented Third Sector Strategy to Inclusive Anchor Network and Business Anchor Network to highlight opportunities to work together.
- **Commissioning and funding:** *All partners invest in who is best placed to co-produce and provide the service or support needed in the city. Commissioning relationships are centred around trust, values, flexibility and outcomes and are a partnership of equals.*
 - TSL developed 'key learning' from reflections on the experience of UK Shared Prosperity Fund (UKSPF) and shared with partners.
 - Completed survey of Funding Leeds users and updated website to make this more accessible.
 - Scoped options for State of the Sector refresh and agreed joint Forum Central and VAL investment to pilot a live dashboard of third sector data to inform future work.
 - Developed a peer network for lead members in large consortia.
- **Social value:** *In Leeds, partners agree that social value activities should be delivered with and through the third sector. Leeds has a clear set of co-designed priorities for where social value activity will have most impact. There are clear routes for larger organisations to be matched with opportunities that create social value, and to see the impact this has on social value and partnerships.*
 - Agreed a broad definition of social value at Third Sector Partnership, along with key areas of focus (brokerage, social value fund, shared priorities).
 - Held a Social Value Roundtable and gained agreement from a range of partners (including Business Anchors) to progress work across brokerage, investment and commissioning.
 - Invited partners to nominate individuals to sit on working groups, which commenced in October 2024.
 - Developed a successful proposal to secure a 6-month fellowship to scope and cost a brokerage platform, with a focus on the tech sector.
 - Participated in the council's research to inform options for a potential social value fund.

During the autumn of 2024, TSL hosted a series of TSL Goes Local meetings for groups and organisations across the city. At those events, members were asked to vote on an additional priority to focus on progressing, with workforce being identified. TSL will be working closely with Forum Central who are already leading on work around this issue, as outlined below.

- **Workforce:**
 - Forum Central has been leading work supported by Leeds Health and Care Academy to establish a workforce / HR network to provide peer support, and to share system wide resources through this difficult period for the sector. Whilst third sector careers are attractive, and values driven, third sector organisations are facing further increases in wage costs, which while welcome in terms of better paid third sector workforce, will mean changes in differentials between workers within organisations across the city. There is concern that some organisations will be unable to meet these costs.
 - The Third Sector HR Network now has 108 members with engagement increasing each month. Quarterly meetings take place with the most recent meeting focussing on Inclusive Leadership, Digital Badges, Artificial Intelligence & Recruitment and recent legislation affecting members. The network has a subgroup to focus specifically on pay and benefits. Recent discussions have focused on pay reviews, job evaluation, buying annual leave and the group have developed a survey to capture pay and benefits information. Resources include an active WhatsApp group and a newly created Teams

Channel to share the online resources, policies, information and signposting regarding workforce, HR, benefits, guidance, training, health and wellbeing. A monthly HR Network bulletin is also shared with members which includes resources, updates, events and support.

The Leeds Volunteering Strategy

Progress has continued to be made against delivery of the Volunteering Strategy (appendix 6) for the city, launched in late 2023. Against the overall vision of '*Leeds is the best city for volunteering*', and associated priorities, the following work has been progressed:

- Volunteers of Leeds celebration event and exhibition, aiming to showcase the volunteering experiences of people from a range of communities across the city.
- Development of the shared 'Volunteer Team Leeds' concept and associated branding.
- Launch of an Inclusive Volunteering Toolkit and principles for groups and organisations to sign up to signal commitment to creating an inclusive volunteering experience.
- Development of standardised volunteer induction training, in partnership with the University of Leeds.
- Research into volunteering passporting and further plans to pilot an approach in Leeds
- Consultation and review of the Be Collective online volunteering brokerage platform.

Dialogue with the Third Sector around Budget Pressures, Future Direction of Travel and Investment in the Sector

In light of the significant financial challenge faced by the council, ongoing dialogue with the third sector remains crucial. Prior to Executive Board and Full Council meetings on the budget proposals, the council's Deputy Chief Officer Financial Services provided Third Sector Partnership with insights in November 2024 and January 2025. This consisted of a more detailed overview of the council's financial position outlining the proposed budget, projected gap and the key risks, issues and uncertainties. Whilst TSL and infrastructure organisations acknowledge there are limitations to the council's engagement until the proposals are agreed, they continue to advocate for a system wide approach to managing challenges with a focus on the impact on communities, particularly those who are most marginalised as a priority. TSL and partners note that these early insights and detail of the timeline have been helpful to manage expectations and consistency in sector messaging.

Discussions also take place at Third Sector Partnership discussions on third sector spending by health, the National Lottery Community Fund and Leeds Community Foundation alongside LCC investment to better understand the funding landscape, opportunities and challenges.

In March 2024, TSL developed four key lobbying messages (appendix 7) focused on tackling poverty, improving housing, and prioritising local (with a focus on limiting profit from public services) and prioritising the third sector (with a focus on ageing well). TSL uses these key messages to influence decision-making with central government, local authorities and health partners. Prior to the general election, TSL built relationships with local MPs to influence the next government to ensure Leeds communities are supported.

TSL Leadership Group holds regular Breakfast Meetings with council leaders, including the Chief Executive Officer and Directors. These meetings serve as a key mechanism to facilitate open and transparent two-way communication with the sector. During the September 2024 meeting, a proactive discussion took place covering the key lobbying messages, the opportunities and challenges anticipated for Leeds communities with the new government, the role the third sector can play, and strategies to ensure any future growth funding is maximised for investment planning and has a positive social impact on communities. A further meeting is being arranged for early

2025, with a particular focus on the current challenges presented by the ENIC issue and the opportunity to build a strategic relationship with the new Chief Executive.

Opportunities and Challenges Presented

The financial constraints of both the council and health partners will continue to impact significantly on third sector organisations, and further reduction in the number of organisations, staff and volunteers across the sector is anticipated. Evidence suggests that a shrinking third sector will reduce social resources that help communities cope and respond to new and emerging threats, weakening community resilience. At a time of growing social and economic need and increased demand for statutory provision, this is highly concerning.

Although current circumstances present significant challenges, open and honest discussion between council and third sector colleagues has been a positive outcome of ongoing partnership working and has highlighted some areas of opportunity to work differently together. These challenges present a need to be clear on the functions of the council and what it can no longer afford to deliver, whilst remaining committed to our Best City Ambition. We do need to follow through our words and strategies with a clear press on actions.

There are opportunities for thinking differently about which services can be provided by the third sector, making the most of the wealth of expertise and local knowledge the sector holds, as well as the value for money, particularly in comparison to some private businesses. Shifting from extremely high-cost private providers to greater use of local, third sector organisations provide opportunities not only to bring costs down, but to also maximise quality of service and positive outcomes and provide better value for the Leeds Pound.

There are clear constraints on the funding available to the council, and how this is used. Whilst the council has a unique and specific role in lobbying central government around these issues and how they affect communities in Leeds, TSL has demonstrated its willingness to work in partnership to utilise other lobbying routes to support the council in this messaging.

Whilst already grappling with severe budget constraints due to rising costs and increased demand for services, TSL highlights the implications of upcoming changes to Employers National Insurance Contributions (ENICs) on the sector. The changes, set to take effect in April 2025, include an increase in ENIC rates to 15% and a threshold reduction to £5,000. According to estimates, the impact on the sector in Leeds alone could exceed £5 million annually. TSL warns these measures could devastate local charities and nonprofit organisations already grappling with financial challenges.

The recent increase to the National Living Wage will also impact the third sector. While the benefits to lowest-paid employees is welcomed, it does introduce added pressure on other salary bands, further straining limited resources. Additionally, the sector anticipates suppliers may begin to pass on the costs of increased ENICs within their pricing structures, likely resulting in additional, unforeseen financial burdens for our sector in the coming year and beyond.

However, it is noted that the situation with ENIC remains unclear, and the local authority are awaiting further detail from central government around conditions attached to additional funding made available to local authorities to compensate for the ENIC increase. The Final Local Government Settlement may provide further clarity. The resilience of the third sector forms part of the council's corporate risk register, and the ENIC increase should be considered in the context of the pressure it places upon third sector providers delivering commissioned services on behalf of the council and health.

TSL are advocating for transparency around this issue and are calling for parity in terms of the approach to commissioned providers, particularly taking into account the active lobbying from independent care providers on this issue.

TSL have written to the Chancellor and local MPs calling for an exemption and are inviting local MPs to meet with TSL's Leadership Group in February 2024 to discuss this issue and other key concerns. The council plan to support third sector efforts to mitigate the impact of the ENIC rise in the council's submission to the Government's Comprehensive Spending Review. The review is expected to report in June 2025, with the council submitting a set of key messages and asks from the council and on behalf of the city in February. WYCA have also offered to reflect this critical pressure on the third sector across West Yorkshire in their submission.

The Community Committee Review has now made a number of recommendations which aim to improve the way these operate, including improved connectivity to local people. To support this, it has been agreed that the resident engagement element of the committee function, will be separated out from the formal business meeting, and instead, each committee will develop a community engagement framework. Through the engagement framework, council and partner led services will undertake a range of engagement exercises which will then be fed back to Community Committees to inform their forward work programme.

In the first instance, themes for resident engagement will be informed by the recent 'Listening Exercise' that was led and co-designed by the Leeds Community Anchor Network (LCAN) with the council. A comprehensive community engagement exercise has taken place across each of the 6 priority wards, which included Armley, Beeston and Holbeck, Burmantofts and Richmond Hill, Gipton and Harehills, Hunslet and Riverside and the Seacroft and Killingbeck Wards. The Listening Exercise was funded by the UK Shared Prosperity Fund and has so far engaged with over 1,300 residents from across the 6 wards. Themes shared by residents include matters relating to the local environment, community safety, community cohesion and pride of place.

This feedback will now be used to develop content for the new engagement frameworks as outlined above, and there is an opportunity for the third sector to support this important work, working alongside council and partner services, which will support a broader programme of local and citywide service improvements through the Community Committee structures. We also envisage opportunities for the sector to lead on specific work programmes through this new way of working, working closely with the refreshed Community Committee Champions.

In terms of Asset Based Community Development (ABCD), Leeds has an over 11-year commitment of investing in an ABCD model to build on the capabilities and strengths of people in neighbourhoods and communities. Working in partnership with the third sector for a number of years, the council has funded free quarterly ABCD and asset-based approaches training to third sector organisations. This has built resilience, developed staff skills, knowledge, expertise, and created joined up working opportunities.

Partnership and Engagement Relationships

The council invests financial and staff resource in the development and maintenance of partnership and engagement relationships with the sector, including city-wide strategic bodies and a network of locality, service, thematic, community and equality-focused third sector forums. This facilitates strategic engagement with the sector, dialogue between the sector, council and a range of partnerships and forums. This enables the council to have better reach into communities through the third sector, resulting in more effective co-production and collaboration on key city and locality agendas. For example, the council provides executive support and plays a leading role in the Third Sector Partnership. This is a key part of the city infrastructure through which the third sector, council, NHS, universities and other public sector partners work together to ensure that

collectively the conditions are created for a thriving third sector, so organisations can deliver better outcomes for the people of Leeds.

Third Sector Commissioning, Collaboration and Partnership Group builds on the strong history in Leeds of collaboration and partnership working, to maintain and further develop the strength of collaborative working between the third and the public sector, particularly as it relates to commissioning and joined up service delivery. This has been particularly important, although it's acknowledged the financial pressures, timescales and approach of different directorates have made this challenging at times. As such the group has potential to provide a vehicle to ensure that investment, including in the third sector, is coherent and coordinated, and provides important discussion space for undertaking joint work and to address emerging priorities. Partners are currently reviewing the Compact and the Commissioning Code of Practice to ensure these remain fit for purpose.

The council and TSL contributed to the Department for Culture, Media and Sport's Civil Society Covenant consultation in December 2024, which aims to reset the relationship between the government and civil society. The government has affirmed that the Covenant will be developed in collaboration with civil society and will be based on the guiding principles of recognition, partnership, participation and transparency. The Covenant acknowledges the vast experience and important role of local authorities in supporting, developing and delivering in partnership with civil society across the UK.

Ongoing Commitments and Developments

The council continues to drive and support a range of initiatives to ensure that Leeds has a thriving third sector and strong civil society that can deliver for all of the people of Leeds. For example:

- The Third Sector Partnership continue to build on the following policy commitments (all available to download [here](#), and underpinned by the Leeds Third Sector Strategy):
 - Compact for Leeds
 - Third Sector Ambition Statement
 - Characteristics of a Thriving Community
 - Leeds Pledge to Strengthen Civil Society
 - Leeds Commissioning Code of Practice
 - Leeds Code of Practice for Working Together
 - Social Value Charter
 - Leeds Health and Care Working with the Third Sector Annual Position Statement 2024 (available [here](#))

Council colleagues and third sector partners will continue to broker further discussions as necessary on budget, global, national, local and other emerging challenges that impact on Leeds, in order to drive new ways of working and contribute to the delivery of the city ambitions; specifically, to ensure that there is a diverse and thriving sector that continues to involve, engage and meet the needs and aspirations of all communities.

Appendix 2: State of the Third Sector in Leeds 2022 – Infographic of Key Findings

The Third Sector in Leeds 2022

How many Third Sector organisations are there?



How many of these 1,373 registered charities contribute to health and care?



What is the number of organisations by size, and what is their typical income?



How many people work in the Third Sector?

6,326
employees

7,960
trustees

31,134
volunteers



Changes between 2020 and 2022



How is the Third Sector funded and resourced?



What is the typical number of staff per organisation size?



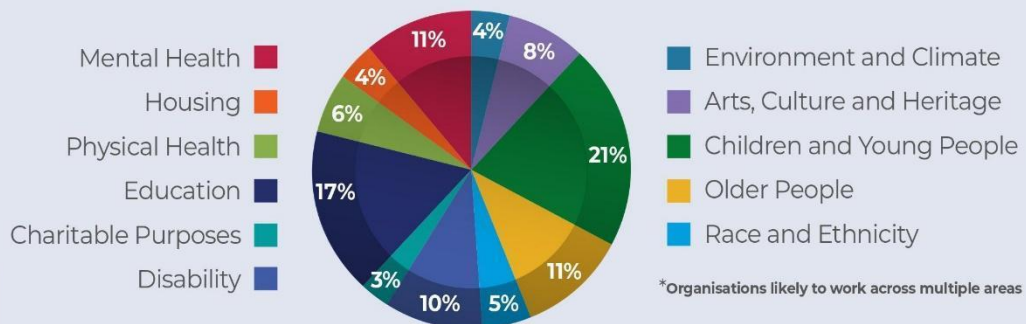
Key areas of work

- Advocacy
- Climate action
- Community development
- Digital inclusion
- Education
- Environment
- Health and wellbeing
- Housing
- Improving population health
- Relief of poverty
- Social isolation and exclusion
- Tackling inequalities

811,956 people live in **Leeds**
275,667 of them live in the **most deprived areas** of the city



What is the estimated proportion of organisations in different areas of work?*



Click here to view the **State of the Sector resources**

Based on 2022 data

Full paper: <https://doinggoodleeds.org.uk/state-of-the-sector/>

What the results tell us

Loss of staff

67.4%

have either lost or are at risk of losing staff in April 2024 compared to **31.8%** in Oct 2022

consistently **over two thirds** of respondents are concerned about staff reduction with peaks in June 2023, **83%**, and January 2024, **80.4%** of organisations responding 'yes' or 'maybe'



24.5%

of organisations responding in April 2024 have lost staff due to cost pressures

Third sector organisations are under intense pressure

Services provision overall seems to be reducing

The likelihood of organisations closing seems to be increasing

The third sector workforce seems to be reducing

The total size of the third sector may be reducing *

The levels of organisational risk being managed are increasing

Service reduction and closure

87.7%

report 'yes' or 'maybe' to the risk of service reduction in April 2024, an increase from **68.2%** in Oct 2022

57%

have reduced or closed a service since September 2022, an increase from **48.9%** in June 2023

*this is indicative only and should be viewed alongside other sources, such as the [State of the Sector Report](#).

What else we know

The snapshot data provides some indication of the challenges faced by the sector in Leeds but can only go so far in painting an accurate picture. Additional anecdotal evidence gives us a more rounded understanding of what the numbers mean for third sector organisations.

Organisations are finding it increasingly difficult to recruit Volunteers and Trustees.

Third Sector Organisation Boards are being asked to take high level risks: e.g. making decisions that they know could put business sustainability, staff levels, and service user wellbeing at risk.

Organisations are moving away from Real Living Wage and pay scales.

Medium to large organisations may be better equipped than small organisations to manage financial hardship.

Organisations are spending extra time and energy on contingency planning, rather than on delivering services and support to people.

Third Sector Organisations are surviving by using reserves

Services are dealing with increasing demand - often with greater complexity.

Staff wellbeing may be compromised - high levels of stress surrounding instability.

Organisation viability

14.3%

responded 'yes' to risk of closing in April 2024, compared to just **2.2%** in Oct 2022

24.5%

responded 'maybe' to risk of closing in April 2024. More than double compared to **11.4%** in Oct 2022

Support for charities

This isn't just cost of living crisis. For charities who give so much, this is a Cost of Giving Crisis.

As costs continue to climb, funding falls, and demand for services increases, the voluntary sector is in crisis.

Our research has revealed the alarming impact of this 'triple threat' to our sector, with 1 in 5 charities telling us they could be forced to 'disappear' – at least until things improve.

The charity sector needs urgent support, or the people and communities we help will be put at risk.

At NCVO we're working hard to raise awareness of this crisis and ensure charities get the action they need. We also have a range of services including online guidance, a helpdesk, webinars and training courses available for organisations.



**COST OF
GIVING
CRISIS**

Full article: <https://www.ncvo.org.uk/get-involved/cost-of-giving-crisis/>

Appendix 5: Leeds Third Sector Strategy 2023 - 2028 - Executive Summary

LEEDS THIRD SECTOR STRATEGY: OUR AMBITIONS

Leeds is a city where all partners work together to ensure that the third sector is more diverse and resilient, and therefore better able to continue supporting our communities.

COMMISSIONING



- Partners invest in who is best placed to design and deliver services
- Commissioning is based on trust, values and flexibility

WORKFORCE



- We have a thriving, valued and diverse workforce
- Third sector careers are attractive, sustainable and values driven.

VOLUNTEERING



- Partners celebrate volunteering in all its forms
- We create an innovative and diverse volunteering environment

DIGITAL



- Partners invest in training, systems and data-sharing to ensure the sector can support those that experience most inequality

CLIMATE ACTION



- Partners create capacity and empower communities to take action and develop climate change awareness
- All communities are involved in a just and democratic transition

SOCIAL VALUE



- Social value activity is directed toward the third sector
- There are clear routes and priorities for contractors to be matched with opportunities that create change in communities

INWARD INVESTMENT



- All partners support the third sector to attract more external funding to the city
- There is a consistent approach and clear priorities for utilising investment

EVIDENCE



- Quantitative data and community insight are valued and used to make decisions
- Data about the sector, funding and what works is gathered, analysed and made accessible
- Communities lead research and influence city agendas

PARTNERSHIPS

City anchors, businesses and the third sector work together in a fair and equitable partnership as a whole system to make Leeds the best city to live in. Partners are open and transparent, and leaders actively share their decision-making power.

Full paper: <https://doinggoodleeds.org.uk/leeds-third-sector-strategy/>

Leeds Volunteering Strategy Making Leeds the best city for volunteering.

Our vision

Leeds will be the best city for volunteering. A city that celebrates volunteering in all its forms, where it's easy for people to find ways to make a difference and get involved.

All partners work together to support an innovative and diverse volunteering environment.

Our values

-  Enabling people to grow
-  Collaborative
-  Inclusive and accessible
-  Supportive
-  Innovative



Ambitions for change

We reach reach and meet people 'where they are' creating a more diverse volunteer base that brings new skills, insights and lived experience.

Our inclusive practice is of a high standard and well resourced.



1: Volunteers are at the centre of volunteering in Leeds, they shape and influence volunteering and are valued and recognised.



2: The Leeds volunteering offer is inclusive and creates equity. Our volunteer base is diverse and represents the communities we work with.



3: There are a greater number of volunteers who lead on innovative social action for the benefit of communities in partnership with organisations.



4: Volunteering is well resourced and resources are shared, resulting in strong and effective volunteer management.

The voices of volunteers are heard - we understand their needs and wishes.

Volunteers are valued - their contributions to meaningful social action are recognised.

Innovation in volunteering is welcomed.

We are open to learning new approaches, increasing volunteer mobility between organisations, reducing barriers to volunteering and enhancing the contributions of businesses.



2023 - 2028

#volunteersofleeds

Full paper: <https://doinggoodleeds.org.uk/leeds-volunteering-strategy/>

Appendix 7: Third Sector Leeds Four Key Lobbying Messages

Third Sector Leeds' Four Key Messages

1. Tackling poverty: Household Support Fund must continue for at least a further year, and further investment in communities is urgently needed in the longer term to address the root causes of poverty
2. Improving housing: Community-led housing and planning is central to moving out of the housing crisis and preventing homelessness
3. Prioritising local: Limit the profit that private businesses can make from public money
4. Prioritising third sector: A stronger third sector prevents people from living in poor health as they age

Full paper: <https://cdn-doinggood.b-cdn.net/wp-content/uploads/2024/03/TSL-Four-Key-Messages.pdf>

Appendix 8: 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

