

# The voluntary sector and the cost of living crisis

## Introduction – the current context

The cost of living crisis is not unique to Wales. According to NCVO, across the UK inflation is expected to rise to 10% by the end of year. Wages and state benefits are not expected to keep pace with this rise and the number of people expected to be living in poverty will rise to 1.3m. This crisis therefore disproportionately impacts on the communities and clients served by the third sector.

Focusing on Wales, 8% of people in the country, or more than 100,000 households, are already living on a negative budget<sup>1</sup>. The Bevan Foundation recently reported that one in eight households either sometimes or often struggle to afford everyday items. An estimated 45% of Welsh households do not have enough money to buy goods and services beyond the essentials, rising from 33% in 2021<sup>2</sup>. The rise in food banks supported by our sector is the most visible manifestation of this.

Data from Connect Wales shows that, as of June 2022, over 20% of households in Wales are in serious financial difficulty, with a further 20% 'struggling' and 30% 'exposed' to the crisis. Immediate financial support is of course essential, but so is supporting households and communities to build themselves more resilient support systems.

Wales has the highest poverty rate of all of the UK nations at 23%<sup>3</sup>. Not only is the voluntary sector at the front line of supporting many households through these challenging times but many of our staff and volunteers may also be living in poverty.

In terms of housing and energy costs, Welsh Government has indicated that 615,000 people were fuel poor in April 2022, prior to further energy cap increases, and a 215% increase in six months. This is not only a factor of energy costs, but the condition of the house (thermal efficiency) and effectiveness of heating. Support for energy bills this winter is welcomed, but investment in our housing stock is also imperative.

It is also important to assess the impact of the cost-of-living crisis on different parts of Wales, where inequality of opportunity is an essential factor e.g., rural Wales and post-industrial Welsh communities. The same is true of population cohorts i.e., disabled, BME, etc., where for example, it is estimated that the everyday living costs of a pensioner with a severe sight impairment would be 73 per cent higher than for someone of the same age without sight loss.

WCVA has been running a survey about the impacts of the cost of living crisis on the voluntary sector. A full report on the survey will be issued; however, top-line findings show that:

---

<sup>1</sup> Citizens Advice Cymru (2022) [Cost of Living Briefing](#)

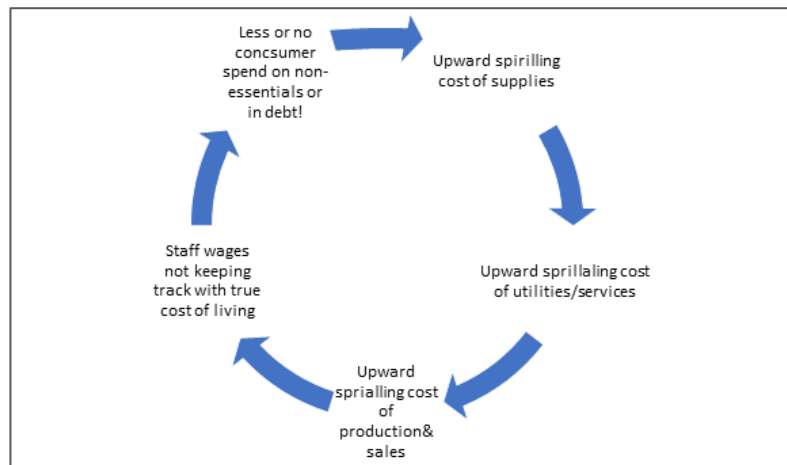
<sup>2</sup> Bevan Foundation (2022) [Snapshot of poverty](#)

<sup>3</sup> Welsh Government (2022) [Welsh Economy Dashboard](#)

- The sector expects a significant increase in financial hardship over the next 12 months for the people organisations work with
- Energy and electricity are the biggest cost concern for service users
- Most organisations expect an increase in demand for its services over the next 12 months
- Energy and electricity are the cost increases having the biggest effect on sector organisations

**The impact the rising cost of living is having on staff wages, and the real living wage.**

The cost of living crisis has created a domino chain impact. Cost of supplies for all private, public, sole traders, the gig economy and third sector organisations are spiralling upward at an alarming rate. Business owners are being challenged to consider prospering against survival and retaining essential staff.



To survive businesses are having to run to tight and often impossible budgets, and facing difficult decisions regarding increases in wages. The impact of this leads to employees with less or no income to spend on anything other than essentials, and many struggling to achieve even the bare minimum, leading to debt and poor living standards.

The UK Government National Living Wage (Minimum Wage) for adults over the age of 23 is currently £9.50 per hour, whereas the Real Living Wage increased in September 2022 to £10.90 per hour, an increase of £1, £1.40 more per hour than the UK Government living wage.

The ONS states that householders are finding it increasingly difficult to pay household and food bills, especially for people in lower paid jobs. The New Economics Foundation is campaigning for a ‘Living Income’ which sets a level below which no one should fall, so everyone can survive and thrive. They argue that in such uncertain times, everyone should all be able to afford the basics for a decent quality of life, whether in or out of work.

**Social enterprise – unlocking the potential from within the sector.**

Access to business advice is perhaps going to be more important than ever for social enterprises and voluntary organisations during this cost-of-living crisis. As we witnessed during the height of the Covid 19 pandemic, business advice is crucial to helping organisations weather stormy periods. Without it, organisation failures would be higher than they would otherwise need to be, with the resulting negative impact on unemployment and services. Like traditional SMEs, voluntary organisations and social enterprises need expert advice to adapt their business if need be. They need to be signposted to relevant information, including any additional sources of finance. They need that advice and information to come from specialists that know our sector.

Whilst social enterprises and voluntary organisations face significant financial pressures, the demand for their services is likely to rise as inflation puts huge pressure on household budgets.

Social Business Wales provides just the type of specialist business advice service that is needed for our sector during the cost-of-living crisis, and we welcome the fact the Economy Minister has committed to continuing to fund the Social Business Wales service for the next few years. The integrated inclusion of Peer Mentoring within the renewed Social Business Wales service is also welcomed, demonstrating the increased capacity from within the experienced front-line practitioners to support and grow new social enterprises. This increasingly confident and competent 'self-help' offers hope for greater investment in to and between our community businesses at this time of crisis.

### **Fairness within financial support**

#### *Voluntary sector support*

During the cost of living crisis, we know that many public bodies are providing support to businesses, following on from work undertaken during the pandemic. Many voluntary sector organisations have benefited from this business support, from the UK, Welsh and local governments. We would urge the Welsh Government to ensure that any business support provided by itself or by local authorities is also available to the voluntary sector.

#### *Public sector support*

We are also concerned that support to local authorities will rest with publicly-run local services, and won't filter down to voluntary sector services, despite agreement that these services can provide high-quality, person-centred, and preventative support. We would encourage Welsh Government to include social value requirements within this funding.

### **Unlocking the potential of employee volunteering**

Research published by Business in the Community (BITC) on 11 October 2022, conducted by YouGov, found that a greater proportion (18%) of people in Wales felt it was likely that they

would need to rely on community support such as food banks or warm banks over the next six months than other parts of the UK. BITC also launched 12 key Calls to Action on 10 October 2022 to help businesses respond to the cost-of-living crisis.

One of the four categories of these Calls to Action is all around ‘Supporting Communities’, and chief among them is an ask of BITC members and other responsible businesses to promote employee volunteering. Many of Wales’ vibrant charities and community organisations face stark realities of rising costs, funding uncertainties, and increased demand. Now is a critical time for businesses in Wales to step up and harness the experience, resources, and knowledge of their employees to help support communities and boost local economic activity. We believe this is a core component of what it means to be a Responsible Business.

BITC’s skills-based volunteering programmes are helping to connect thousands of employee volunteers with community groups and charities across the UK, helping them to reduce costs and sustain or improve service-provision. In Wales we operate a range of programmes that help address both urgent, emerging needs, and create sustainable relationships that can benefit business and society. By working more closely with Welsh Government and other likeminded organisations in Wales, we hope to create more impact and drive lasting change.

### **Impact on community venues and their role as living assets**

Community venues are key to many aspects of community life from youth clubs to luncheon clubs and from sports to salsa to stitching. Covid suppressed occupancy rates and threatens many venues. Cost-of-living crisis now brings a second, equally challenging, threat as fuel bills rise. Creative activity is just one example of how the loss of venues will impact negatively on our society.

Regular participation in communal creative activity has been shown to provide numerous benefits to individuals, including improved health, wellbeing and social connection. In order to practise their creativity together, local creative groups need affordable and suitable places to meet, to rehearse and to perform. Prior to the pandemic, creative groups were already experiencing difficulties in finding venues due to cuts to public funding resulting in the closure of public buildings, and commercial hire rates exceeding the budget of many groups. Since the lifting of pandemic restrictions, local creative groups have further struggled to find suitable venues in which to meet.

We are now concerned that further increases in costs will severely inhibit people’s ability to meet around shared interests and be involved in regular, life-enhancing creative activities. This in turn will lead to increased isolation and loneliness, with a consequent increase in the risks of physical or mental ill health.

The impact of increasing costs on creative groups will be immense. Already some are seeing the cost of their rehearsal space rise, which means that they will need to find a new venue, which may be too small, not well-ventilated, not accessible, out of town and difficult to reach for those using public transport. Some groups may struggle even more to find venues and may have to stop activity whilst they look for new premises.

This will also impact their performance space. For example, one music group that used to perform in the community hall started using the school hall when the hire fee was increased. However, the school was out of town and was not near any cafes or pubs. This disadvantages the group and the community in several ways, as the audience members and singers/players are no longer buying from local businesses (pubs, cafes and other shops) and are tucked away outside of the town centre. This has both an impact on the local economy and community.

The venue requirements for most creative groups are modest: accessible, affordable and flexible, and our research suggests that many venues would like to attract more creative activity to their spaces. As costs increase for everyone, participation in local creative activity becomes more important than ever, as it is often the one activity that remains affordable. One potential solution is to facilitate far more collaboration across sectors and make greater use of under-used spaces.

### **Getting ahead of the ongoing costs-of-living crisis by investing in the infrastructure of our community buildings.**

Above we have recorded that community buildings are now facing that second blow to their business plans with rising costs of energy coming on top of their difficult Covid bookings. Yet as we are also reporting they are needed no more than ever as key to keeping the community together as well as, in places, key to keeping the community warm during winter.

There are thousands of community buildings across Wales the majority of which are not fit – as physical assets – for the longer-term challenges they face to both meet the needs of their communities and do so within affordable bills.

Energy efficiency retrofitting and renewable energy installations are going to be key to keeping our community buildings open. As it happens, they are also key industries that can support the creation of jobs and the retention of wealth within those communities, helping make Wales a leader in these green industries.

Grant funding would be welcomed but it is unrealistic to expect grants to pay for this work. In fact it would be wrong to use grants for one off installations and once you have done the sums – there are a few thousand community buildings withing communities across Wales – the sum required is eye-watering. A different solution is required.

A pilot undertaken this summer between Development Trusts Association Wales (using the services of building experts Rounded Developments CIC) in tandem with Third Sector Support Wales (the network of support organisations consisting of the County Voluntary Councils (CVCs) and the national support body (WCVA) audited 25 community buildings across five counties. Using a network of experienced local Peer Mentors – those front-line practitioners with experience in energy management in buildings – it concluded that the challenge was huge but that to tackle it would require a novel partnership response.

The basic actions being to properly audit each building's energy use and pattern of use by its community with the subsequent Action Plan usually pointing to long-term sustainability of the building coming from a combination of retrofitting (such as the installation of energy efficiency measures such as new windows, lighting or wall insulation) and the installation of renewable energy (such as PV or heat pumps). The use of Peer Mentors creates a 'trusted broker' making sure advice is taken on board but the bills for undertaking the work are too large for most community groups.

The novel partnership response is one imported from Europe and which:

- i. Asks the community to play their part by being open and inclusive spaces for their communities and partnering over energy for the long-term.
- ii. Brings in a trusted (not-for-profit) broker for advice and hand holding to advise and support on the capital improvements to the building
- iii. Allows new finance – which can be community and / or private and / or public – to make the immediate investments.

The result is that the benefits of warmth are felt immediately, and the costs are covered by the future savings that are made. An invest to save model that the community can build and own and that not only keeps community assets open (which keeps people warm and well) but which also helps support an emergent retrofit economy in Wales. And it brings the added bonus of taking some community assets off the treadmill of seeking grants for building improvement.