

# Cost of living crisis

Sue Spiller, Sobus CEO

So, we survived 2 years of Covid, and had hoped we were on our way back to normality (even if it was the “new normal”), only to now be in the midst of a cost of living crisis that is having a huge impact on all of us. Inflation is soaring, the costs of EVERYTHING is increasing – and belt tightening is no longer a choice!



There are some truly shocking reports of children living in poverty – which is now around a third of children in the UK. With people now struggling for even the basics, the need and demand for support from the voluntary and community sector is higher than ever.

But organisations themselves are also pared down to the bone. The organisations that so many turn to for help and support are not exempt from

skyrocketing prices, and whilst the sector continues to work hard to support residents who are struggling, organisations themselves, their staff and volunteers are facing the same challenges.

CAF (the Charities Aid Foundation) undertook some research in Spring 2022, surveying 547 charity leaders. Their findings aren't surprising, but that doesn't make them any less worrying:

- 58% of said that generating income and finding financial stability was one of their three top challenges
- 86% are worried about the effect of cost of living increases will have on those that depend on their services
- 71% are worried about managing increased demand for their services
- 59% are concerned that people will not continue to or begin to donate to their cause because of the cost of living crisis
- 80% expect to struggle with increased cost of utilities for their own venues, as well as managing wage increases
- Overall, 35% believe their organisation will struggle to survive altogether

*“After two years supporting their communities throughout the pandemic, they are also having to find the funds to pay higher costs. With tightening household budgets impacting donations, there is a perfect storm facing the sector”*

*Alison Taylor, CEO of CAF Bank & Charity Services*

## What costs have changed?

- Partly thanks to the Russian Ukraine war, Inflation has risen to a 7% increase. It's currently the highest seen in the UK for over 30 years. Needless to say it's well surpassed the average national wage increases.<sup>7</sup>

- A rise in income tax, council tax, National Insurance and changes to the National Insurance threshold (although, it should be noted that benefits are failing to match inflation!)
- Fuel prices have increased on average 12.6p per litre since February 2022.
- Energy bills for the average household have jumped up by around £700 per year
- Food prices are predicted to increase by a whopping 15% by the end of the year (Source BBC)
- Although on average across the UK, pay rose by 3.8% between November '21 and January 2022, when you factor in inflation, this actually equates to a 1% decrease when compared to a year earlier).

All this means, that for the majority, disposable income has gone and for others, even the basics like rent food and heating are now beyond affordable.

## The impact on charities

It's already being reported that donations are reducing – with £1.6m less being given to charity in 2021 than was given in 2020. Whilst some of this might be the result of individuals wanting to donate to crisis response services during the pandemic, it in now way accounts for this level of drop—off.

Voluntary and community organisations are also reporting difficulties in paying staff competitive salaries and staff retention. The value of money that organisations possess has therefore decreased in value – they can't do as much with the money they have as they used to. Inflation predictions are that £20 donation in 2021 will be worth just £17.60 by 2024. Likewise, a £100,000 grant will equate to £88,100 over the same period.

So the bottom line? Charities will ultimately be expected to do more with a lot less.

## What can we do?

Whilst the news isn't good and the financial climate is grim, there are a range of initiatives in place to support local residents manage cost of living crisis.

Hammersmith & Fulham Council have put together some useful information for local residents on local sources of support and assistance, that provides a useful resource for VCS organisations too: <https://www.lbhf.gov.uk/cost-living-crisis-find-help-here>

We saw throughout the Covid-19 pandemic how amazing the VCS is at adapting to changing situations, swiftly responding to the crisis with alternative service offers and new ways of working. A number of organisations began to collaborate with others in new and different ways to ensure those they were supporting received the help they needed.

It is often the case that organisations will try to expand their service offer to provide additional services – even if a very similar service already exists. However, collaborating with other organisations to form **an alliance of support** is an approach that will enable organisations to become stronger and more resilient. It will allow organisations to ensure the wrap around support the client needs can be provided, and reduce duplication, as well as ensuring that organisations can develop their area of expertise to deliver support and not attempt to provide everything – *a Jack of all trades, but a master of none*. Funders are always keen on seeing organisations collaborate, and as a sector, we are stronger together!



There may not be new money available, but new ways of working can lead to more efficient systems and processes, that ultimately free up time to focus on the support they provide. You may need to take a critical and hard look at some of your systems, but this could result in a streamlined process that frees up valuable capacity.

Organisations need to ensure they are as sustainable and robust as possible – with good quality policies, systems and processes in place that strengthens their appeal to funders and supporters. With more competition for funding than ever before, funders will be looking for organisations who they are confident are well governed and well managed.

Organisations also need to consider alternative support that could be available – as availability of money, funding and grants is likely to become in even more demand over the coming years. Consider in-kind support that could be sought from statutory and commercial bodies; look at crowd funding initiatives, sponsorship and building relationships with individuals and companies that share your values.

It's going to be a tough journey ahead – but, we are here to support you. If you'd like a free 1-2-1 session with Sobus to look at how we can support your organisations development, links with others or potential network and collaborative opportunities – please get in touch!