



Cost of living crisis: SCVO and Volunteer Scotland briefing for MPs

This briefing has been prepared for MPs with constituencies in Scotland ahead of an in-person briefing at Portcullis House on 30 November.

Introduction and summary

The role of the voluntary sector and volunteers in Scottish society is vital, particularly in times of hardship such as those we are experiencing right now.

Rising inflation and the resulting cost-of-living increases are creating a long-term and deepening crisis that impacts voluntary sector organisations, staff and volunteers, and the communities the sector works with. The situation will continue to worsen without a fair deal on funding and other tailored support for Scotland's voluntary organisations.

As Scottish organisations, we recognise that the fiscal approach taken by the UK Government has a significant impact on the Scottish Budget, which provides nearly £500m of direct funding to Scotland's voluntary sector and over £1 billion of indirect funding to the sector through local authority budgets, as revealed in [SCVO's State of the Sector Statistics](#). Our specific calls on the Scottish Government to act to support voluntary organisations through this crisis and sustainably over the long-term will be harmed by any UK budget that reduces the funding available and does not keep up with inflation.

Based on a range of evidence, including Volunteer Scotland's recent research report, '[Testing our Resilience](#)', exploring the impact of the cost-of-living crisis on volunteering and volunteers, and the Scottish [Third Sector Tracker](#), which gives us a clear and up-to-date picture of the health of the voluntary sector in Scotland, our key points are that:

- voluntary organisations continue to see huge demand for a range of services, adding to an already perfect storm of increasing costs and either standstill budgets or a reduction in income
- financial difficulty and concern caused by rising costs is the main challenge that voluntary organisations in Scotland are facing
- any funding that does not rise with inflation will lead to real terms cuts, and further cuts will leave voluntary organisations with impossible choices
- volunteers were already under significant strain when the cost-of-living crisis emerged earlier this year leading to volunteer shortages in many voluntary organisations, with smaller organisations disproportionately affected

- the increasing demand for services provided by the voluntary sector is unsustainable and is likely to lead to staff burnout and the exploitation of volunteers
- much of the funding that voluntary organisations receive from the Scottish and local governments ultimately depends on budgetary decisions taken in Westminster
- MPs can support the sector in Scotland by making the case for why the UK Government must maintain available funding for the voluntary sector and that this keeps pace with inflation

Our calls for support from the UK government

SCVO and Volunteer Scotland are working with other infrastructure bodies based across the UK to ensure voluntary organisations are supported through the cost-of-living crisis. On 23 October, our organisations signed a joint letter to the UK chancellor ahead of the now **Autumn Budget**, urging him to give meaningful support to charities and to the people we support.

MPs for constituencies in Scotland can help us to secure the essential services our sector provides right now and in the future by supporting the calls set out by UK voluntary sector infrastructure bodies in the open letter, as well as our additional calls to safeguard the voluntary sector and volunteering in Scotland. Our calls include:

1. reassurance that the government will raise benefits in line with inflation, as usual, to make sure the situation of those accessing voluntary sector services does not get any worse
2. sufficient funding for voluntary organisations that rises with inflation, including a sustainable financial settlement for local government, is available to deliver services at the scale and quality required
3. continued support for voluntary organisations to pay their energy bills beyond when the current Energy Bills Relief Scheme ends on 31 March 2023
4. review DWP guidance relating to volunteering whilst on benefits. In the first instance, the publication online of a clear policy statement relating to the impact on Work Capability Assessments is urgently required
5. ensure that the principles of the Volunteer Charter are reflected in decisions about the role of volunteers in statutory services to ensure volunteers are not exploited or asked to undertake tasks previously undertaken by paid staff
6. increase the maximum approved mileage allowance payment (AMAP) rate, which has remained static for ten years, making it easier for organisations to reimburse volunteer travel expenses in line with current fuel prices

The impact of the cost-of-living crisis on Scotland's voluntary sector

Rising Demand for Services

Voluntary organisations in Scotland were already struggling to deliver public services as a result of unsustainable funding before the pandemic and the cost-of-living crisis. Our [latest research](#) shows two thirds of organisations have seen demand for their support increase over the period April to July 2022, with a quarter seeing significant increases. More than half of voluntary organisations in Scotland reporting rising costs have seen their services affected in some way, and 1 in 10 significantly so.

Voluntary organisations continue to see high and increasing demand for a range of services, including those that support mental health and wellbeing and financial hardship. Those needs have only worsened since April, especially in terms of financial hardship, with 3 in 4 organisations highlighting financial needs as a worsening concern. Rising debt levels are being reported to us, and there are real concerns for those households on low incomes, fixed incomes, or with specific vulnerabilities.

As discussed in more detail below, voluntary organisations also face rising costs, and no increase in resources. This means that at a time when more people and communities are looking to Scotland’s voluntary organisations for support, we will see a huge transfer of risk to voluntary organisations that are unrealistically expected to do more for less. This will ultimately lead to greater risk and hardship to people across Scotland. The real prospect of further cuts to public spending will hit voluntary organisations, and **governments must not take for granted that the voluntary sector will always be there to support people.**

Increasing demand for volunteering services resulting from funding cuts or staff shortages in the statutory sector will also increase the risk of exploitation and job replacement, where volunteers are asked to undertake duties previously carried out by paid staff. We have heard from volunteering services facing increased requests to expand volunteer roles or accept inappropriate referrals to help relieve pressure on statutory services. Similarly, Edinburgh City Council appeared to support volunteers who helped with refuse collection duties during the council worker industrial action in Edinburgh this summer.

Volunteer Scotland and the STUC launched an updated [Volunteer Charter](#) in 2019 which sets out the key principles for assuring legitimacy and preventing exploitation of workers and volunteers. These principles include that volunteers should not carry out duties formerly carried out by paid workers, that volunteers should not be used instead of paid workers or undercut their pay and conditions of service or undertake the work of paid workers during industrial disputes.

Rising Operating Costs

Inflationary pressures impact both our sector and the communities we work with. Like households, voluntary organisations are affected by rising energy prices and other rising costs. **Without resources and support, voluntary organisations will not be able to keep the lights on, meet demand, support volunteers, or uplift wages to protect the living standards of the skilled and experienced voluntary sector workforce.**

The findings from the latest wave of the Scottish [Third Sector Tracker](#) from summer 2022 show the impact of rising costs is becoming increasingly apparent. Overall, 93% of organisations said they were experiencing rising costs in at least one area of their business, compared with 86% in April.

A high proportion of organisations experienced rising costs across the following key cost categories:

- Materials and supplies (76% of respondents)
- Staffing costs (64% of respondents)
- Transport costs (61% of respondents)
- Energy costs (50% of respondents)

Of organisations seeing rising costs, 43% felt this was having a negative impact on their ability to deliver their core services or activities.

In the Scottish Third Sector Tracker's [Third Wave](#), published in Spring 2022, 62% of organisations said that financial difficulty and concern caused by rising costs was the main challenge that they faced. Organisations working in the field of culture and sport (37%) were more likely to report facing financial challenges due to rising costs – this is likely due to the additional costs required to heat and light buildings. 30% of respondents mentioned some aspect of service delivery as the main challenge rising costs are presenting their organisation, with small (25%) and medium-sized (30%) organisations more likely to report this as a challenge than large organisations. This is a significant finding, as small charities with incomes under £100k make up 80% of Scotland's voluntary sector, and medium-sized organisations make up 16.5% of the sector.

We welcome the UK Government's Energy Bill Relief Scheme that will protect **voluntary organisations from volatile and rising energy prices over the winter. However, there remains high uncertainty about the level of support for voluntary organisations to pay their energy bills after March next year, and there has been no announcement of how off-grid voluntary organisations will be supported under the current scheme.** [SCVO](#) has called for the Energy Bills Relief Scheme for voluntary sector non-domestic customers to be extended to voluntary organisations beyond March. If, as suggested, changes are to be made to the type of support available, we hope the UK Government will consider the different aspects of vulnerability that organisations experience.

The increase in operating costs is likely to be particularly challenging for physical spaces that are owned or managed by communities, such as village or church halls, which are vital for community connection and resilience, and for some it could present an existential threat. For example, the West Granton Community Trust which manages the Prentice Centre, a community centre in Edinburgh, recently made the difficult decision to close the centre due to financial challenges. However, it is vital that the UK Government understands that **the issue of rising energy costs is faced by large swathes of the sector.** Many organisations which are now vulnerable as a result of rising costs are not necessarily organisations faced with the highest outgoings but will encounter significant difficulties in continuing to deliver services even if, on paper, the rising costs they encounter look far smaller by comparison to those with large buildings.

Organisational income stagnation/reduction

For many of Scotland's charities and community groups, the outlook for 2020 was already 'unsettled' well before the pandemic hit. Respondents to SCVO's [2019 Sector Forecast Survey](#) echoed known challenges of increasing demand against a backdrop of shrinking public sector budgets. 34% thought their organisation's financial situation would deteriorate, 75% believed the sector's economic situation would worsen, and 82% were worried about funding cuts. **The pandemic and the cost-of-living crisis are simply the latest chapters in a far longer story of instability and unpredictability for Scotland's voluntary sector.**

The sector has diversified its income sources since the financial crash. Still, mixed-income streams were brittle during the pandemic due to reduced income from fundraising, trading, service delivery and increased costs. We are now seeing this play out in the current crisis, with the [Charities Aid Foundation's \(CAF\) UK Giving tracker](#) reporting that nearly one in 10 (9%) said they held back from donating. More than 3.2m people (6%) also said they reduced or stopped a regular payment to

charity because of increasing living costs. New analysis also estimates that the £5.7 billion of total donations made to charities across the UK in the first six months of 2022 will be worth £500 million less by the end of the year, a reduction of 8.5%.

The sector's role as a major provider of public services, ranging from health and social care to education and housing, means that its funding relationship with the public sector is a significant variable in its resilience. The Scottish voluntary sector receives more than £2bn in income from the public sector annually, including from local authorities (£1bn) and the Scottish Government (£500m). Much of this funding ultimately depends on budgetary decisions taken in Westminster. As with donations, any funding that does not rise with inflation will lead to real terms cuts, and further cuts will leave voluntary organisations with impossible choices.

This income reduction for many organisations, in real terms or through further cuts, will also likely significantly impact on their ability to sustainably engage volunteers. Quality volunteer management requires dedicated resources, such as paid volunteer coordinators and budgets to pay volunteer expenses, yet we know from the experiences of volunteer involving organisations during the Covid-19 pandemic that volunteering budgets can be deprioritised when facing financial challenge. In a Scottish Government survey in May 2021, 44% of volunteer involving organisations reported insufficient organisational capacity to support volunteers due to staff loss or furlough. If organisations are forced to make such difficult decisions again, the standard of volunteer experiences is likely to suffer which will likely contribute to increased volunteer turnover at a time when demand for volunteer-led services is high.

Reduction in volunteer participation

The Covid-19 pandemic had a significant impact on volunteer participation in Scotland. We witnessed an increase in volunteering during [2020](#), with 64% of the population giving their time in some capacity during the year. Indeed, there was an oversupply of volunteers compared to demand, especially in response to the Scotland Cares campaign during the first lockdown. However, a [Scottish Government survey](#) of volunteer involving organisations in 2021 showed that many volunteers were experiencing fatigue and challenges with their wellbeing. As a result, **volunteers were already under significant strain when the cost-of-living crisis emerged earlier this year.**

The most recent findings from the [Third Sector Tracker](#) reveal that 35% of organisations rated volunteer shortages as one of the three biggest challenges facing them, and that smaller organisations are disproportionately affected. Recent [research](#) from Volunteer Scotland exploring the impact of the cost-of-living crisis on volunteers and volunteer involving organisations explains why volunteer participation is likely in a period of decline. Volunteers are equally affected by the cost-of-living crisis, and some could be reducing their volunteering or leaving their roles due to rising travel costs or the need to work longer hours in their paid roles. In addition, we believe that the proliferation of negative news stories in recent months could be further contributing to poor mental wellbeing and apathy amongst volunteers. The perception of 'permacrisis' could be contributing to volunteer fatigue and a sense of hopelessness which could be impacting on volunteer participation rates.

Finally, certain pre-existing structural barriers to volunteering are likely to have a heightened impact in the current climate. In particular, **the lack of clarity around the impact of volunteering on certain benefits is a significant concern.** Volunteer Scotland has been working with several partners, led by

Volunteer Glasgow, to influence the Department for Work and Pensions on these issues, most recently on the concern that volunteering will impact the outcome of Work Capability Assessments. The DWP have produced a policy statement on this issue but have not permitted its publication online. In a recent survey by Volunteer Glasgow, over 70% of people said the DWP statement left them afraid or unsure if their benefits would be affected by volunteering. This issue will undoubtedly present a barrier to volunteering for people reliant on benefits in these challenging times.

Taking all this evidence into consideration, it is clear that **volunteering is under considerable threat from the current cost of living crisis**. The implications of this cannot be understated. In 2018, volunteering was worth £5.5 billion to Scotland's economy. Even a 5% decline in volunteering would potentially equate to a £275 million loss to the economy.

Beyond the potential economic impact, a decline in volunteering would be devastating for Scotland's community resilience, particularly in a time of crisis. It is vital that we are able to realise the ambitions set out in the Volunteering Action Plan, published earlier this year, to develop and deliver volunteering that is truly for all. Whilst this plan was published by the Scottish Government, it reaches far wider than devolved issues and provides a holistic roadmap for ensuring that the potential impact of volunteering is maximised for the benefit of Scotland's society.

About Us

Scottish Council for Voluntary Organisations (SCVO)

[SCVO](#) is the national membership organisation for the voluntary sector (sometimes referred to as the voluntary sector). Along with our community of 3,200+ members, we believe that charities, social enterprises, and community organisations make Scotland a better place. SCVO supports the sector through delivering services, by giving the sector a voice at a national level and promoting and supporting innovation and improvement.

Contact Paul Bradley, Policy & Public Affairs Manager (paul.bradley@scvo.scot)

Volunteer Scotland

[Volunteer Scotland](#) is Scotland's national centre for volunteering. We believe that volunteering should be an enjoyable, rewarding and fulfilling experience for the volunteer; that volunteers have the right to be safe and protected in delivering their volunteering roles; and that to derive health and well-being benefits from volunteering requires regular and meaningful contributions of time.

We receive funded support from the Scottish Government and others to:

- research, demonstrate and measure the impact made by volunteers
- develop skills through training and useful volunteer development tools, policies and guides
- offer a one stop digital gateway to anyone looking for volunteer opportunities
- support organisations to advertise volunteer opportunities and events online
- provide an expert disclosure service for voluntary organisations
- promote and grow volunteering through partners, funders, Government, and policy makers
- work with others to support projects, innovation and creativity in volunteering

Contact Sarah Latto, Policy Officer (sarah.latto@volunteerscotland.org.uk)

Scotland's voluntary sector

Scotland relies heavily on its voluntary sector and volunteers to deliver a range of services, to provide tailored support in local communities, and to promote community connection and resilience. The sector is hugely diverse, ranging from tiny volunteer-run community groups like village halls and play groups to major public service providers in social care and housing. In Scotland, we enjoy the benefits of 46,500+ organisations.

Together these organisations employ over 135,000 paid staff – a third more than the 100,000 staff employed in the digital and technology sector in Scotland. A quarter of charities employ staff, and the average income of these charities is around £900k. However, three-quarters of charities are run entirely by volunteers and have an annual turnover of less than £100k.

- 4 in 5 Scots used a voluntary sector organisation in 2018
- In 2021, voluntary sector turnover in Scotland was over £8.5bn
- 89% of voluntary organisations in Scotland are local
- 35% of organisations are based in rural or remote areas
- In 2018, 48% of the adult population volunteered formally and informally, equating to 2.17 million people, and contributing an estimated £5.5 billion to the nation's economy.