

**Recession Summit  
Monday 24 November 2008 8-10am, NCVO**

**1. Attendees**

Stuart Etherington (Co-Chair)	NCVO
Kevin Brennan (Co-Chair)	Minister for the Third Sector
Stephen Bubb	ACEVO
John Low	Charity Aid Foundation
Lindsay Boswell	Institute of Fundraising
Keith Hickey	CFDG
Helen Donoghue	Charity Tax Group
Cathy Pharoah	Centre for Giving and Philanthropy
David Emerson	ACF
Andrew Hind	Charity Commission
Campbell Robb	OTS
Seamus McAleavey	NICVA
Justin Davis Smith	Volunteering England
Martin Ball	Voice for change
Richard Gutch	NAVCA
Jonathan Bland	Social Enterprise Coalition
Ruchir Shah	SCVO
Rachel Maskell	Unite the Union
Jane Greenoak	National Housing Federation
David Tyler	Community Matters
Baroness Pitkeathley	OTS Advisory Board
Pete Alcock	Third Sector Research Centre
Charles Middleton	Triodos Bank
Karl Wilding	NCVO
David Harker	Citizens Advice
Susan Mackenzie	Philanthropy UK

**2. Welcome and Introductions**

Stuart Etherington, opened the meeting, thanked people for coming and stressed the importance of the sector leaders coming together at a time like this.

**3. Scene Setting: The Economic Context**

Kevin Brennan MP, Minister for the Third Sector, gave the Government's perspective on the economic climate. The Government understands the urgency of the situation and its commitment to support the sector is stronger than ever. He went on to say that the Government recognises that the challenges facing the sector are complex and called for a needs-based solution, in particular the need for partnership between the sector and Government. In a time of scarce resources, knee jerk reactions must be avoided at all costs and realistic solutions sought.

He outlined the opportunities for the sector in this climate, identifying a greater mood for responsibility and more fair and sustainable solutions being sought to problems where the market has failed. He identified the contribution social enterprise could make, recognising the value of the sector's agile approach. He also spoke about the sector's role in providing social capital and reducing exclusion and isolation.

The Minister announced that the Office of the Third Sector (OTS) will be drawing together an action plan to set out how the Government and the sector can work together in the current climate, building on the evidence that has already been drawn together so far and more. The plan will be embedded in the work of the whole of the Department, and OTS will work across Government to ensure that it has reach and impact. The action plan will be published early in the new year.

## **Economic Downturns and the Third Sector – Evidence presentation and discussion**

Karl Wilding, Head of Research, NCVO presented evidence on how the Sector may be impacted by the downturn. The slides from his presentation and supporting background paper can be found on the research WebPages [www.ncvo-vol.org.uk/research](http://www.ncvo-vol.org.uk/research).

It is important to realise that a recession will not necessarily impact on voluntary and community organisations in the same way that it does on the private sector: we are very different organisations. Key sources of income are from individual donors and from the state. The impact will largely depend on changes in the behaviour of these two groups. In addition the sector is a net depositor, not a net borrower. There was general agreement that there is a time lag of 6-12 months before the impact will be widely felt.

There was agreement that there is a lack of comparable evidence to examine how the sector has dealt with a recession in the past: the economic climate is different to that of the last recession in the 1990's, as is the Sector's relationship with Government. Much of the existing evidence comes from the USA and the lessons are not necessarily comparable.

Recession will also impact very differently on different parts of the sector. Some will see a fall in demand for the services, others an increase, and new sub-sectors may emerge in response to new needs, as with the rise of homeless charities in the mid-80's.

There was a discussion around giving and in particular how high net worth individuals would react to the climate. Whilst giving will probably hold up, donors may become more conservative in their giving, focussing more on those they already give to rather than giving to new organisations, and seeking to give direct to causes rather than through activities such as charity balls.

The sector, academics and government will work together to improve the evidence base and to continue to gather evidence as the recession continues.

## **Roundtable Discussion**

Stuart Etherington opened the discussion by summarising some of the suggestions that had already been put forward in advance of the meeting. All agreed that there needed to be action by the sector and by Government. The key themes addressed were as follows.

### **What the sector should do**

#### *Plan for the downturn*

It was recognised that the lag period between the economic downturn and the impact it would have on the sector presented an opportunity for organisations to plan. It was suggested that the umbrella bodies should play a role in encouraging this. It will require capacity building support to provide the sector with the necessary planning, strategic and financial skills, but there is also a need for new products to help organisations self diagnose when they are at crisis point.

#### *Collaboration*

A strong case was made for the sector to review the scope for collaboration, including sharing back office space and even merging where it makes sense. The Charity Commission and NCVO already work closely on these issues but there is scope for more to be done. Government needs to recognise the costs of collaboration and support this.

### *Accountability, public trust and confidence*

It was recognised that there is a real opportunity to develop public trust and confidence in charities through enhanced accountability, building on the work of the Impact Coalition. In a period of downturn the public will want to be even clearer where their money is going.

## **How government can help**

### *Community*

The sector's contribution in the community, both supporting vulnerable people and also developing social capital was recognised. It will be imperative that voluntary and community organisations are supported and enabled to play their full role. One way will be through Local Strategic Partnerships. NAVCA are encouraging their members to discuss priorities with their LSP, to ensure that resources are directed as needed within their communities. Central Government should also be talking to Local Government now about what impact the downturn is having on their communities.

The Government could do more to support the sector's role through additional Grassroots Grants support and expanding Community Anchors. Many local authorities have signed up to National Indicator 7 (a thriving third sector). Government should consider establishing a Thriving Third Sector Local Fund to help local voluntary and community organisations.

### *Public services*

Voluntary and community organisations and social enterprises will all play an important role through the delivery of public services, and by providing employment and creating new jobs. Whilst those organisations with three year public service contracts have some protection, it will be important that contracts, and commitments to fair funding, are honoured. However, VCOs on shorter contracts, or dependent on grants, or whose contracts are due for renewal are concerned that commissioners will become too risk averse and may seek to transfer costs and risks to the sector.

Government must ensure that existing commitments to proper contracting and fair funding are adhered to. In addition, government needs to provide the same support to the sector that has been promised to business – in particular to prompt payment (within 10 days). Many VCOs are likely to experience serious problems with cash flow and access to short term finance.

### *Finance*

Access to finance is a particular problem for organisations. Attendees spoke about the possibilities presented by a Social Investment Bank and the importance of Government ensuring that money from dormant accounts is available to fund this. Government also needs to be firmer with banks to ensure that they are providing finance to charities and individuals, through guarantee schemes and other initiatives.

It was suggested that government should consider the creation of a resilience or modernisation fund, which could help address issues of cash flow, short term access to finance, and restructuring of organisations to make them better fit to cope during a recession and thereafter.

### *Employment*

It was also recognised that a recession will impact on the sector's workforce, including increased job insecurity and stress levels amongst staff and conflict over pay and terms. These pressures could be eased by Government providing minimum three year contracts for the Sector where possible; by the Sector and Unions working together to prevent and minimise conflict and through increasing the use of mediation services, which need to be provided at a cost which is accessible to the sector.

### *Volunteering*

A number of attendees stated that Government needs to re-look at the relationship between volunteering and benefits in a period of increasing unemployment. This should include training for front line staff, changes to the guidance and also funding for Volunteer Centres. It will also be important to ensure that volunteering is properly supported and funded: volunteers are not a free good, they need to be supported and managed, and their expenses should also be properly reimbursed.

Whilst volunteering opportunities can be invaluable to those who have lost their jobs, it is important that volunteering is not used as a way of providing cheap labour or trying to manage growing unemployment. Volunteering England is working with the TUC to revise guidelines on the relationship between paid staff and volunteers.

We may also want to learn from Scotland's experience, where they are looking into an alternative community based option to employment, in recognition of the valuable role an individual can play in the community.

### *Gift Aid*

There is still the potential to increase the sector's income by reforming the operation of giftaid. Currently £700 million goes unclaimed. One option is to change the rules relating to higher rate tax payers so that the money goes to the charity rather than the donor. The Minister committed to looking further into this. Other issues raised included the need for greater clarity on when a rebate becomes public expenditure and also the value of transforming Gift Aid into an accounts based system.

### *Tax*

Charities continue to face problems with VAT, in particular irrecoverable VAT which presents an enormous cost to the Sector. These kinds of issues, as well as legislation such as that around substantial donors, demonstrate that some departments still do not have charities at the forefront of what they do. In particular there was a concern that Her Majesty's Revenue and Customs (HMRC) are applying layers of legislation on charities which already exist in charity law. This is something that the Office of the Third Sector, Charity Commission, Treasury and HMRC should look into.

### *Pensions*

A number of attendees spoke about the difficulties organisations with defined benefit pension schemes are experiencing. These problems are particularly affecting some of the larger charities. The government must work with the regulator quickly to resolve these issues. One option would be to extend the time period by when pension funds need to be uplifted.

## **Role of the Charity Commission**

It was recognised that other partners could also play an important role. The Charity Commission is an important conduit of information about and to all registered charities. It also has an important role to play in helping to sustain public trust and confidence in the sector. It can help charities in the current climate by reviewing key guidance – for example on managing reserves or risk, and on mergers – to take account of the current climate. It can also support the sector by adding its voice to sector concerns, such as the pensions issue.

## **Conclusions and Next Steps**

Kevin Brennan thanked attendees for their contributions, and said these would be fed into the action plan. He welcomed the fact that all recognised that the key issue is how to ensure

the sector's role in supporting people and communities affected by a downturn, not the sector's own survival. He finished by saying that this is a time to be innovative, but to be realistic to ensure that the impact of scarce resources is maximised.

Stuart Etherington also thanked people for their contributions. All attending will feed their thoughts in to the OTS action plan, but he asked attendees to share their submissions with NCVO. In addition the sector will continue to work together and lead on providing support to our members.

The group will come together again in the new year, when the OTS action plan is published, to review its proposals. The summit will reconvene in six months to monitor the impact of the recession on the sector and the effect of action to help mitigate that impact.