# appg on charities and volunteering

FINANCIAL SUSTAINABILITY

## 18 MARCH 2025

## Minutes

Mary Kelly Foy MP (Chair) introduced the four speakers, each of whom was invited to speak.

**Matt Hyde, Lloyds Bank Foundation**

* Charities‘ costs are going up, and the amount of money coming in is going down. Many organisations are facing existential challenges.
* This is especially impacting parts of the sector reliant on local government funds, which often deliver services that are hard to fundraise for (criminal justice, substance misuse, etc) and the vast majority of these organisations are small or micro
* We need to find new ways of bringing new funding into the sector. Impact investing and philanthropy models are incredibly important, and the Civil Society Covenant is an important first step for resetting the relationship with government
* Capacity building support is absolutely critical at this time, and funding must be prioritised for these ends. This could look like more than just money; for example, consultancy support or resource from experts in bid writing, impact evaluation, etc
* There is money within the system. Commissioning must be overhauled to help these funds flow to smaller organisations.
* A priority must be joining up work across government where the voluntary sector is concerned, to ensure solutions can cut across the breadth and diversity of the sector

**Clare Mills, Charity Finance Group**

* The sector is facing multiple systemic issues. A huge oncoming challenge is the increase in National Insurance (NI) contributions, and the lack of warning charities received; long-term planning and budgeting work has been uprooted.
* CFG carried out research on this issue, finding that 87% of respondents were worried about the affordability of the increases; 61% were thinking about how they manage this with redundancies and other headcount changes; 67% said they were cancelling development plans
* Need to look at how the sector can help improve society, but they are fighting to survive. They are not asking for money for the sake of it, but to funnel this money into services which help communities.
* Solutions could include deliberate and intentional focus from government on spending commissioning money on working with charities, who provide inherent social value; reinstating compulsory company reporting on charitable giving to encourage accountability and innovation; and supporting charities by increasing tax limits in line with inflation (e.g. Gift Aid Small Donations Scheme allowance has sat at £8,000 per year since 2017; this would be over £10,000 if it had increased in line with inflation).

**Richard Angell, Terence Higgins Trust**

* The sector focuses on services users when we speak to decision makers, rather than the specific challenges associated with delivery. This means the sector is undersupported as a result
* True cost of delivering public services is the challenge for organisations like THT. NCVO research on this issue has been very important to highlight the scale of the problem: 72% of charities are having to withdraw altogether from public service delivery. Subsidising contracts is widespread and expected by commissioners, but people don’t donate to charity to top up public services; there are implications for our social contract with communities and donors if the government insists that charities should be subsidising essential work. It also puts additional and acute strain on other parts of the organisation.
* THT did make the decision recently to stop delivering contracts, and there have been several key lessons learnt: caps on overheads for voluntary organisations don’t seem to apply when services are taken in-house; commissioners admitting outright that fundraising teams should be funding the work; government don’t feel like partners in delivering this change.
* We need to work on addressing the root causes of the problems but also the expectation that charities can and should continue subsidising public sector services indefinitely.

**John Hamblin, Shekinah**

* Example of good practice commissioning in Plymouth, working with people facing multiple disadvantage. Multiple contracts have been drawn together into a single alliance contract of £7m per year; 7 organisations working together to deliver the work. John confirmed that other organisations were not shut out of work by combining the contracts in this way, as the Alliance members were the original service providers.
* There are a number of significant benefits to this approach. The Alliance contract is a 10 year contract which makes an enormous difference. The Commissioner is part of the Alliance and joins meetings. Working together to tackle the challenges: has reduced competition between organisations and created a dynamic of working together to find solutions, rather than a top-down commissioner-led power dynamic (e.g. when cuts have to be made). They have also been able to identify and reduce duplication, and focus on each organisation’s specific added value.
* The contract focuses on areas for improvement rather than formalised outcomes, and captures information on this differently, with a stronger focus on gathering individual stories. Areas for improvement include fewer people street sleeping and more people in treatment services.
* Acknowledging difficulties in terms of competitive relationships between charities, as well as problems on the part of commissioners, has been critical. Both groups must reflect on behaviours in order to embed culture change.

**Q&A**

**Baroness Pitkeathley asked about mergers as a solution to some of these challenges.**

Matt Hyde highlighted that mergers may not always be the right solution because they can reinforce power dynamics in takeover style mergers and reduce focus on capacity building. Many organisations are already the right people to do the job, but are struggling for resource. Unrestricted giving with a focus on capacity building, influencing around root causes rather than symptoms of social issues, and place-based systems change, is key.

John highlighted that honest conversations early on prevent the damage done by takeover style mergers, and this is enabled by active focus on collaborative working models.

Richard highlighted that mergers are often a focal point, but can create additional problems; e.g. if a smaller local charity merges with a very large charity, they become ineligible for their grant funding due to significantly increased annual turnover. This helps neither party.

Clare highlighted the importance of not seeing mergers as a way to address straightforward duplication; it involves risk and liability and organisations need to be prepared for those elements or mergers aren’t a solution.

**Antonia Swinson highlighted the challenges around property for organisations in terms of financial sustainability.**

Charities are facing eviction from local authority spaces while being asked to continue delivering services. These premises need to be safe and secure and this is especially acute for BME-led organisations.

**Helen McGuire, MP for Epsom, asked some clarifying questions about the alliance contract in Plymouth, and the importance of corporate support for charities while highlighting that it accounts for a small percentage of sector income, and shouldn’t be considered a golden bullet.**

John confirmed that the alliance contract has actually leveraged additional funds from other sources; showcasing good practice and positive ways of working attracts money.

On corporates, Clare highlighted that if they had to report on their giving, businesses would look more critically at what they were actually doing. This is in their interests: the next generation of employees are not prioritising financial security because it is out of reach to them, but they are prioritising a values fit with their employers.

Matt highlighted the ways that corporates can contribute pounds, people and places. They can provide financial support; properties that are vacant; volunteers to provide capacity building support. We must be more ambitious about the social compact between charities, businesses and government to improve local community resilience.

**Sarah from the Cripplegate Foundation** highlighted their model of bringing together high net work individuals, corporates and other funders willing to address local impact innovatively. This model is being taken up in other areas too and is unlocking further funds.

**Amanda from the Cranfield Trust** highlighted the need for capacity building and that it has never been more important to encourage charities to focus on skills development. Financial forecasting is especially critical and small charities need support with this.

**Richard from THT highlighted that corporate behaviour around giving is changing, and borrowing the voluntary sector’s rhetoric.** More organisations are running campaigns to bring in funds, even if they are for-profit organisations, which warps public understanding and expectations. This takes resource out of the sector, and we need to start talking about it. Clare agreed, highlighting that this further supports the case for government to prioritise funding charities through commissioning: for-profit companies might look like they deliver inherent social value, but they don’t.

**Resources discussed**

NCVO: The True Cost of delivering public services - <https://www.ncvo.org.uk/news-and-insights/news-index/the-true-cost-of-delivering-public-services/>

NCVO: Rebalancing the Relationship (competition and collaboration): <https://www.ncvo.org.uk/news-and-insights/news-index/rebalancing-relationship-final-report/introduction/>

Centre for Social Justice: Supercharging Philanthropy: <https://www.centreforsocialjustice.org.uk/wp-content/uploads/2025/03/CSJ-Supercharging_Philanthropy.pdf>