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Dear Catherine Atkinson & Baggy Shanker MP,

Impact of the Autumn 2024 Budget on Derby's VCSE Sector

I am contacting you as I am deeply concerned about the impact of some of the budget announcements on the financial sustainability of the voluntary and community sector (VCS) within Derby. At Community Action Derby, we support and advocate for local VCS organisations, and we know that many have been struggling to survive financially with reduced income and increasing demand and costs. **We would greatly appreciate your support in advocating for relief for charities that will have significant additional costs, to ensure that they have parity with the public sector and can continue to deliver their vital services.**

The VCS, reliant as it is on fixed grants and contracts and unable to charge more for its services, will find it very difficult to cover the additional costs, particularly from the increase in employer national insurance contributions. As you know, organisations in the sector are already greatly stretched and deliver huge benefit at a comparatively low cost, however many are already at capacity.

In Derby, organisations with grants and contracts from both local authority and NHS have seen limited or no increase in funding for many years. It is common for public sector contracts to remain flat or to taper over the period of the contract, and it is rare to see inflationary uplift clauses. Charities in receipt of funding from grant making trusts and foundations will have had to estimate their costs at the time of making their application, with no ability to ask for an increase in grant to cover additional salary costs. In addition, the businesses that VCS organisations buy from will be increasing their prices to cover their own additional staffing costs.

This will inevitably impact on delivery of essential activities and services for constituents and communities.

My own organisation, Community Action Derby, will see an increase in employer national insurance of £24,000 per year. To cover these additional costs in 2025-26, we will need to either reduce the services we provide, or reduce staff hours or posts. YMCA Derbyshire, who provide valuable services to those experiencing absolute poverty, homelessness and food deprivation, will see an increase in costs of £200,000 per year from increases in employer NIC's.

For some VCS organisations, additional costs such as these will be existential and lead to their permanent closure. For the VCS in Derby, many organisations will see an unfunded increase in employer national insurance contributions, even with the removal of the eligibility threshold.

Whilst we welcome the increase in the National Living Wage as a much-needed boost for low paid workers, these increased costs will still need to be accommodated within fixed budgets for many VCS organisations. This could lead to increased reliance on reserves, or a reduction in services or staff hours.

We recognise that some taxes need to be increased to fund improvements to public services. However, once again, the VCS will have to do more for less. For many affected VCS organisations, I am concerned that this could be the final straw. With the current pressures on our local councils and health systems, they cannot provide additional sources of funding. Without additional national support, current services for individuals and communities provided by the VCS will not be maintained. The additional support from the Chancellor for public sector employer national insurance costs needs to be extended to affected VCS organisations, so that they can continue to provide vital services.

Will you advocate for additional funding to be provided to affected VCS organisations to ensure they can deliver for people and communities in Derby? I would be very happy to discuss this with you further.

Thank you in advance for your support.

Yours sincerely,

Kim Harper CEO

Community Action Derby