



LCVS
151 Dale Street
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FAO

Liam Robinson, Leader, Liverpool City Council
Andrew Lewis, CEO, Liverpool City Council
Jacqui McKinlay, COO, Liverpool City Council

Dear Andrew and Jacqui

We are writing to you on behalf of the recently renamed Well Placed Group. Established by LCVS in 2023, this group represents Health and Social Care Leaders from third-sector organisations across the city.

As you are aware, our sector has significant concerns about the upcoming National Insurance rises and the impact this will have on the sustainability of the sector.

From April 2025, we have calculated that the third sector in Liverpool will be facing a minimum £5.4m shortfall in funding just to stand still, with this figure not even considering the increases to the national and real living wages, which could potentially see these figures double.

The sector is known to be efficient and over the last 15 years we have responded to need in communities much more swiftly than the state has been able to. Estimates from the National Council for Voluntary Organisations (NCVO) suggest that public sector contracts delivered in the VCFSE sector are already being subsidised by as much as 20% already, with New Philanthropy Capital finding that 62% of charities are already having to cross-subsidise public service contracts.

We have conducted a detailed assessment of 9 members of its Well-Placed Group, a partnership of grassroots community organisations, to add some context to information that focused on the local third sector as a whole.

The results continue to paint a concerning picture of the impact these changes will have on the sector's sustainability and ability to serve local communities.

Financial Implications

- **National Insurance Costs:** The average organisation anticipates an additional £103,162 per year in National Insurance expenses.
- **Salary Costs:** Real Living Wage adjustments are expected to increase annual salary costs by £98,198 per organisation on average.

- **Overall Cost Impact:** These changes are projected to increase running costs by an average of 5.25%, a strain that most organisations cannot absorb without significant operational adjustments.

Impact on Workforce

- **Employees Affected by NI Changes:** On average, 137 employees per organisation will see increased National Insurance contributions.
- **Employees Affected by Real Living Wage Changes:** For each organisation, 84 employees are directly impacted by wage adjustments.

Impact on Services and Local Communities

The consulted organisations collectively serve 11,797 people annually, underscoring their essential role in supporting Liverpool's most vulnerable populations. However, the financial pressures caused by these policy changes are likely to result in significant service reductions:

- 89% of organisations anticipate having to cut staff.
- 67% expect to raise prices, a move that risks alienating the very communities they aim to support.
- 67% are considering closing or scaling back services, jeopardising access to critical support for thousands of people.

Additional feedback highlighted further coping mechanisms, such as:

- Salary freezes, undermining staff retention and morale.
- Utilising reserves, leaving organisations vulnerable to future crises.
- Excluding local providers from supply chains, resulting in lost economic activity within Liverpool.

Confidence in Passing on Costs

Organisations overwhelmingly lack confidence in their ability to pass on these increased costs to end-users:

- 0% expressed confidence in their ability to adjust pricing to cover the shortfall.
- 78% are either somewhat unconfident or very unconfident, reflecting the precarious position of the sector.

These findings highlight the urgent need for local leaders to advocate on behalf of Liverpool's third sector to central government. Without intervention, these essential organisations face unsustainable financial pressures, threatening not only jobs but also the services upon which thousands of residents depend.

By working together, we can hopefully:

1. Secure transitional funding to offset immediate cost increases.
2. Develop long-term support mechanisms for third organisations navigating economic challenges.
3. Protect the economic and social contributions of this vital sector to Liverpool's communities.

Liverpool's third sector plays a crucial role in addressing inequalities, supporting vulnerable populations, and driving local economic activity. It is imperative that we continue to work together to advocate on behalf of the sector on this issue and we remain open to providing any support that we can to help you in this.

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