

Contracts, Cuts and Closures:

An uncertain future for South West Social Purpose Organisations

South West Forum Funding Survey 2008

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On behalf of South West Forum and Creating Excellence**

Funded by Capacitybuilders

Quick summary of findings

- ⇒ General uncertainty
- ⇒ Commissioning processes unclear, timescales slipping
- ⇒ Big Lottery and other major non-statutory funders remain dramatically oversubscribed
- ⇒ Problem of short-term project funding
- ⇒ Voluntary organisations under serious threat, redundancies and possible closure
- ⇒ Inconsistent approach of public authorities to working in partnership with and funding for the sector
- ⇒ Cuts in services having a direct impact on service users and beneficiaries
- ⇒ Changes to EU, RDA and DEFRA funding for rural regeneration

Has VCS funding fallen?

For most respondents it has.

Problems are already being experienced this year. Although no dramatic “funding cliff” is being predicted for April 09 there are still lots of unknown factors – likely to be early 09 before we know.

SOUTH WEST FORUM FUNDING SURVEY 2008

Background and methodology

Early in 2007, regional funders and funding advisers reported an unusual flood of new applications for grants from voluntary and community organisations (VCOs) within the region. In April 2007, to try to find out what was going on South West Forum surveyed its members – and the results we received back were very worrying. Not only did we get details of numerous cuts of funding in the then current year 2007/8 but we also heard that the prospects for funding in 2008/9 were even worse. This 1st April 2008 phenomenon has come to be known as the “funding cliff”.

This survey funded by Capacitybuilders is a follow-up exercise to try to find out how far voluntary and community sector (VCS) funding has fallen and whether we are now heading for another funding cliff at the start of 2009/10.

Questionnaires were sent out to all South West Forum members as well as a number of other networks. The questionnaire was targeted principally at VCS infrastructure organisations.

Feedback was received from thirty nine organisations including

- VCS infrastructure organisations
- Voluntary and community organisations
- Local authority officers (x2)
- Funders
- Funding advisers

Information was obtained via questionnaires, telephone interviews and face to face meetings.

The current position: 2008-09

Only five respondents report an improved or stabilised financial situation in the current year either for their own organisation or organisations they support.

“...the position has stabilised and the funding of the LSP Third Sector Strategy has put us in a healthier position than anticipated... Capacitybuilders Modernisation Fund and Improving Reach all successful bids”

However the majority of organisations voice significant concerns and report at best static funding and at worst cuts in grants, the end of funding streams, deficit budgets and for five organisations the prospect of closure before the end of the financial year.

“...major funding runs out in September 08 – all applications so far for new funding have been unsuccessful”

“...a significant decrease in funding this year. Local authority has not funded where it previously did. May not be able to meet our core costs this year, the possible scenario is closure”

“...significant decrease, 60% drop in funding from previous year, three staff redundant”

“...no uplift for the last three years and therefore represents a reduction in funding meaning we can only deliver the core service”

Reasons suggested by respondents:

- ⇒ Reduction in Capacitybuilders support for sub-regional consortia
- ⇒ Diversion of funds to 2012 Olympics “money to get medals”
- ⇒ The Rural Community Councils have a new three year SLA with DEFRA managed by ACRE which is 10% less than before and with a different focus
- ⇒ Local government reorganisation ongoing, full impact not known, local authorities being cautious
- ⇒ Uncertainty surrounding the move to commissioning infrastructure services
- ⇒ Ending of EU and RDA funding for rural regeneration
- ⇒ Ending of RDA support for Market and Coastal Town planning

Impacts on organisations

- ⇒ Loss of capacity through redundancies, reduced hours, closures
- ⇒ *“Volunteer Centre Manager had hours reduced in April 08”*
- ⇒ *“We’ve had to reduce hours in order to remain viable”*
- ⇒ *“Rearrangement of duties between staff and possible job losses”*
- ⇒ *Redundancies, restructuring and streamlining of services, some organisations have disappeared altogether leaving gaps”*
- ⇒ *“Very stressful for all staff, the threat of redundancy has been hanging over everyone for so long”*

The outlook for 2009-10 and beyond

For most respondents the outlook is uncertain. Even those organisations who felt positive about the current year felt little optimism for the future.

“In 2009/10 we will face a new round of service commissioning. We hope this will be positive but as yet the process has still to be announced. We haven’t had any consultation on changes and if they are to comply with the Compact, then the reality of a fair commissioning process in an appropriate timescale seems unlikely.”

“...our service level agreement has just been signed (it runs out in March 09)” **Infrastructure organisation**

“Unsure as our Service Level Agreement is due for renewal in 2010. Not clear whether there will be any uplift in funding for 09/10”

“Ever more uncertain, a three year SLA ends in March 2009...the Council plans to jointly commission VCS infrastructure across the county in the future”

“We have no idea what our PCT or local authority partners will fund after April 2009”

“In our area they’re putting all the contracts out to tender although it is still unclear what they wish to

purchase. They are looking for new and innovative ideas to deliver the LAA and it looks unlikely that funding will be available for a CVS type service.” **Rural Council for Voluntary Service**

“...funding for project work will continue to be available but as the full cost of this work is not recognised by any of our funders, we may cease operations” **Rural youth project**

“What will happen when Local Strategic Partnership funds from Working Neighbourhoods Fund ends in March 2009?”

“Bleak. BASIS 2 – timescales too long” and “Bleak unless some core funding packages can be sourced”

“...local authority reorganisation means too much uncertainty for the authority to consider funding for more than a year at a time. The fear is that local authority arrangements will take precedence over grant funding for VCOs and that their financial position will be uncertain”.

Local Authority Officer

Increased demand but no increased capacity

Several organisations report that they will have no increased capacity to deliver services, network or plan strategically in spite of increasing demands upon them.

“We have been unable to develop and grow...reduced capacity to be pro-active”

“...no room for development as there are a lack of funds around to be put into this sort of activity”

“...greater instability, loss of ability to effectively forward plan and meet actual needs/demands. Potential loss of staff through redundancies or resignations (due to concerns over job security).”

“Increased demand on services but lack of funding for additional staff capacity to support this demand. Few funding sources that will adequately support the type of on-going community development support that we specialise in.”

“...reduced staff time, no consortium development work, reduced service delivery for volunteering support”

“Reduced ‘visibility’ as rural communities within regional context at a time when this is critically important...reduced capacity to support member groups with finances, policy and strategy...reduced ability to network and join partnerships”

Rural Community Council

Longer term impact on sustainability

⇒ Impact on business as organisations need to charge real cost of services – *“because of the impact of this on organisations which are strapped for cash and losing or have lost staff, the extra training opportunities are not being taken up”*

⇒ *“We are increasingly having to change the way we provide support to the VCS – less specialist support and more generic advice being given, increased signposting. In addition we are forced to ‘bend’ our services away from actual demand in order to retain staff”*

⇒ *“Although funding has been kept static with inflationary increases, the demands for involvement at strategic level have increased significantly. To meet demands we have increased staffing levels from additional funds secured by ourselves and are running a deficit budget”*

Organisations report

- ⇒ *“Services to beneficiaries have been withdrawn”*
- ⇒ *“...two very well respected and used organisations/projects have disappeared in the last three months...at both ends of the spectrum (children and older people) people are being left high and dry”*
- ⇒ *“...we may have to charge the full cost of our training course later in the year which is a concern as they will be unaffordable for many groups”*
- ⇒ *“...fewer small grants and a major slowdown in the take-up of Community-led planning at parish/community level as there are no longer funds available. Reduced support for community buildings services and few parish plans. Cessation of five years of community-based learning programmes. Less social enterprise support, reduction in social inclusion support”*
- ⇒ *“Disappointment that actual needs are being met less efficiently. Confusion over diminished support and focus on other areas”*

Impacts on beneficiaries and service users

Organisations report a number of strategies they are using to prevent beneficiaries feeling the effect of these changes. These include restructuring, reducing staff hours, redistributing work across available staff and developing flexible ways of working allowing staff to move across projects as funding ends and thus retain skills and knowledge within the organisation and continuity for service users.

One organisation received information that training budgets were being reduced by many organisations in order to save costs so they reviewed the content of their Open College Network Funding Advice Workers course and by simplifying the assessment process were able to reduce it from four to three days thereby reducing fees.

Several organisations are shortening their opening hours to the public and report increasing delays to their response times

One infrastructure organisation covering a large rural county comments:

“...we cannot provide people with the same level of delivery. Our community groups will not have the support they need to set themselves up appropriately unless they travel to training”

Other Impacts and Concerns

Several respondents mention reductions in and/or the demise of a number of key organisations in the South West which have occurred during the last twelve months including SAVAGE and Market and Coastal Towns Association. Lack of a regional presence from Sport England, the uncertain long-term future of the market town fora and reduced capacity within the South West Forum have all been highlighted.

Several organisations comment that they are no longer applying for short-term funding as the reporting requirements are out of proportion to the time spent on delivery.

Local organisations find that a tender is often won by a national organisation (smaller/regional groups are judged too small to bid) who then request the help of local groups to facilitate local initiatives and consultation processes – but there is no recognition or reimbursement for this.

Many respondents mention the stress that financial uncertainty has created for staff and volunteers. In addition in some areas VCS are also seeing their trustees leaving making some organisations in a poor position to recruit new trustees. .

One infrastructure organisation comments that the future funding landscape looked

“..very difficult if you are not keeping up with the pace of change and the complex interplay between policy agendas...small to medium size organisations will need to be more self-reliant by sharing expertise across the region, using IT more effectively and using the regional and national resources to better effect”

Reduced or withdrawn services and dashed expectations are counterproductive to the central government aim to get more people into volunteering.

In some areas local authorities are taking projects “in house” during reorganisation with experienced VCOs either losing contracts or the tendering processes. It is suggested that there is some conflict between implementation at a local level and the national rhetoric of supporting the VCS to become “delivery partners”.

There is recognition from several groups that the current funding climate has resulted in organisations having to collaborate which they had not previously done and that this had produced positive results.

“Infrastructure groups need to be fit for purpose and as such should be cutting edge at standards and of a nature which leads and sets examples. Groups need to observe infrastructure which makes a really positive difference to their future i.e. adds value”

Direct support to volunteers seems particularly badly hit

⇒ *“Reduced support to frontline organisations, reduced support to recruiting volunteers with special needs or support needs”*

⇒ *“...[reduced funding] puts in jeopardy all our other work such as volunteer drivers, youth volunteering, vulnerable adult volunteering, employment projects...no professional advice available to local people about how they can become more active in their communities and volunteer. No support and advice about how local people can develop and train in their volunteering roles and move on to new opportunities...deterioration in social capital in communities and poorer delivery of services by voluntary sector and public sector organisations”.*

“It’s going to be difficult to sustain volunteer based services”

Feedback from Funders

Feedback was received from a number of major funding organisations and their perception of the funding situation across the region matches that of VCO respondents:

- ⇒ The demand on non-statutory funds has increased dramatically over the last 12 months.
- ⇒ Funders are being forced to apply increasingly strict demand management and grant approval rates have dropped.
- ⇒ It is still easier for new projects to obtain funding, less easy for an ongoing project no matter how successful.
- ⇒ One funder comments that in this financial year £1M of their grants had been subject to a change-request by VCS organisations because their match funding had not materialised. It is likely that the real figure is two or three times that amount.
- ⇒ Local authority support for infrastructure organisations through Service Level Agreements is piecemeal across the region.
- ⇒ Statutory agencies are failing to implement the COMPACT in many areas.
- ⇒ A concern that commissioning of services will mean the “Tescoisation of the VCS” with the *“corporate voluntary sector organisations taking over, able to absorb the overheads but out of touch with the grass-roots”*
- ⇒ A concern that in such a funding climate only very small community groups will survive, whereas medium size groups “will face attrition”.
- ⇒ The demise of the Learning and Skills Council in 2010 will accelerate the change in the delivery of learning/skills across the region with large regional and national organisations as well as international organisations becoming the key players
- ⇒ A concern that as funding tightens work related to race equality, women’s aid, criminal justice, asylum seekers, refugees, etc will be threatened.

Overall themes

There is perception that there is (some) money available for coordinating the engagement of the VCS at strategic level but less for the VCS, whether infrastructure or front line, to deliver its core services.

Local Strategic Partnership support to VCS is variable across the patch with some areas seeing significant funding following LSP Third Sector Strategies other area with no funding allocated.

A theme repeated across the region is that the move to local authority and PCT commissioning of services risks further destabilising the VCS. Organisations report concerns about the time scales, the process of drawing up service specifications and that commissioners seem disorganised sometimes having no clear idea what it was they wanted to commission.

“A vibrant and thriving third sector needs infrastructure support for advice, information, training, representation, liaison and development. Without a sound support service the VCS will be unable to deliver ‘frontline services’ or have any chance of winning tenders to do so.”

There is a general agreement that only larger organisations are likely to benefit from the move to a commissioning culture with smaller and local organisations losing out.

Both Infrastructure organisations and VCS organisations are of the view that there is much more competition for funding of all kinds and many have recently experienced the failure of grant applications that in previous years they would have expected to secure.

April 2009 seems another key date for many organisations.

About half of the respondents suggested that urgent representation needed to be made to a range of agencies who they felt did not hear the concerns of the sector or appreciate the urgency of the current situation.

These include

- ⇒ **Central Government departments**
- ⇒ **SW Regional Development Agency**
- ⇒ **Local Authorities**
- ⇒ **Government Office for the South West**
- ⇒ **Defra**

“Everyone is being encouraged to work with the third sector but we do not have the capacity or support to engage with everything that’s going on.”

If there was regular core funding available to support our work this would be a help.

Also to stop setting up/funding separate projects to support work that is already being done by Volunteer Centres, adequately fund Volunteer Centres instead.”

Conclusion

Although the results should be treated with some caution because of the size of the sample, there is surprising uniformity in the responses whether from VCS infrastructure organisations, frontline organisations or non-statutory funders. A small number of organisations report improved financial stability in the last twelve months with combinations of successful bids to the Capacitybuilders Modernisation and Improving Reach programmes and successful negotiations with local statutory sector funders. Some of these organisations are able to report plans to deliver new services or an improved quality of service to their members.

Far more organisations report either static or reduced funding and continued uncertainty. And where they have been successful in securing funding in this financial year it is often being used to maintain existing levels of service rather than to build their capacity to support the sector. Several Chief Executives comment that they have been focussed on securing the financial survival of their organisations at a time when they should have been looking forward, planning and developing.

A significant number of organisations are waiting to hear the outcome of applications for BASIS 2 funding and the result of these bids may improve their financial projections for 2009/10. Several organisations are also currently tendering for services with their local statutory sector and again their future financial position may look different once these processes are complete.

This survey emphasises what a vital role local authority and health agencies can play in supporting their local VCS. In some areas significant funding is already being provided by the statutory sector to support local VCS infrastructure and these organisations are the most optimistic about their future. In other parts of the region there is much less engagement in particular by primary care trusts and much more lobbying to be done at local, regional and national level to improve their understanding of the role of VCS infrastructure. Local government reorganisation still underway in many areas and it is difficult to judge how far this will affect the VCS beyond 2009/10.

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