COMMUNITY CARE PROVIDERS SCOTLAND

Service Provider Optimism Survey

May 2010

Introduction and key points

This survey, based on the CBI business optimism survey[1], is designed to track changes in the way that major voluntary sector social care providers view their organisations' prospects and the environment in which they operate. The survey is repeated four times a year; this is the third time the survey has been carried out[2].

The impetus for the survey arose from growing concerns about the likely scale and pace of cutbacks in public expenditure from 2010 onwards, particularly in relation to local government, which has primary responsibility for funding the care and support services provided by the voluntary sector.

While the first two iterations of the survey (October 2009 and February 2010) established baseline data, results this quarter suggest that providers' outlooks have been affected by changes to the political and financial context in which they operate.

•The survey was carried out at a time of great uncertainty, with a new government elected to Westminster and large cuts in public spending predicted, although not yet quantified. The change in UK government and impending budget cuts have left providers uncertain about the future: **around 60% of respondents are less optimistic about the general business prospects for their organisation than they were three months ago.**

•In a Scottish context, guidance on social care procurement is awaited. Anecdotal evidence suggests that some councils are delaying procurement exercises until the guidance is published, and responses to this survey show that, over the last quarter, providers have indeed experienced less (re-)tendering activity by local authorities. Previous iterations of the survey have shown tendering activity to be the dominant influence on business activity in the social care sector; this reduction in tendering has therefore led to a slightly more stable situation, at least in the short term, for voluntary sector providers: **overall business has remained, and is expected to remain, relatively stable for the majority of respondents within the six month period covered by this survey.**

•Results re-iterate the findings of the February provider optimism survey that many providers are responding to difficult financial circumstances by re-structuring their organisations, cutting service levels or handing back contracts. Survey results further suggest this has led to an uncertain environment for staff: **fluctuation in staffing levels is increasing, including an increase of nearly a third in the percentage of respondents seeing the number of people employed by their organisation go down in the last quarter.**

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Method

Voluntary sector providers were asked to provide 'tick box' answers to an electronic questionnaire focusing on the following areas:

- General optimism levels
- Turnover/volume of business
- Operating surpluses
- Service deficits
- Numbers employed
- Competitiveness
- Levels of reserves

A box for comments was also available, to enable respondents to provide contextual information as appropriate.

The survey was completed by 51% of the CCPS membership during May and June 2010[3]. The sample was broadly representative of the overall membership in terms of turnover, number of employees and main areas of activity.

The survey will be repeated at regular intervals during 2010-11, and emerging trends reported.

Survey Results

•59% of respondents are less optimistic about the general business situation in the sector than they were 3 months ago.

Only 3% of respondents are more optimistic than they were three months ago: 36% of respondents' level of optimism has remained about the same, an increase from 28% in February 2010.

Some respondents feel less optimistic because of changes being made to particular services:
"Just lost funding for a large addictions project"
"Uncertainty of Direct Payment rates and cut to service hours"

however respondents who provided an explanation for their decreasing optimism were most likely to relate this to the change in UK government and impending general funding cuts:
"All indicators from the new government are for spending cuts and a reduction in services";
"The comments of the new Government suggest the public and voluntary sectors are going to take a hammering."

Some providers commented that the uncertainty felt throughout society at this time made it difficult to answer this question:
"There is a real sense of waiting to see what comes next at the moment and it feels difficult to feel optimism of pessimism under the circumstances. It is impossible to tell whether we will be faced with an upheaval of our business or whether the services we offer will benefit from a degree of protection because they're needed,"
identifying that:*"with challenges I see opportunities."*

•53% of respondents reported that their organisation's turnover/volume of business has remained stable during the last three months. 47% of respondents expect it to remain stable over the next three months.

31% of respondents reported that turnover/volume of business has gone up over the last three months (up from 20% in February 2010) with 16% reporting a down turn.

Where respondents have seen turnover/volume of business decrease, this has largely been due to local authorities making cuts or imposing standstill budgets:
"We had to make some redundancies & reconfigure services to reach a balanced budget for 2010/11 due to standstill statutory funding."

Respondents also mentioned councils reducing funding in explaining downward projections for the next quarter:
"Many local authorities are issuing notice of reduced funding or are in discussions to reduce funding and level of provision",

which in some cases has led providers to hand back contracts:
"We have taken the decision to hand one of our contracts back as the contract value did not allow us to deliver the service in the safe way we felt was needed."

Several respondents are also anticipating a change in purchasing behaviour from councils as funding cuts take hold, which some expect to have a negative impact on their organisations:
"Expecting spot purchases to reduce as Councils refer new work to themselves"
"Increasing pressure from local authorities to deliver services by taking back in-house"

and others hope may present opportunities:
"Changes in how social work services are commissioned could lead to more or less service provision."

• 53% of respondents have seen their operating surpluses go down during the last three months. 69% expect to see them go down over the next three months.

28% of respondents said their operating surpluses have remained the same; 19% have seen them go up. The percentages were broadly similar for respondents' expectations of how operating surpluses would behave during the next three months.

As in the previous two surveys, those for whom operating surpluses have gone up/are expected to go up indicated that this has been due to tighter management controls (*"efficiencies and changes to staffing structure"*), rather than more generous funding packages.

For those whose operating surpluses have gone down, or are expected to go down, a key concern remains that the full costs of individual services are not funded. In particular, respondents noted that funders do not provide uplifts for inflation:
"Significant savings required by Council and cuts to supporting people funding"
"Despite fairly swinging reductions in indirect costs the lack of inflationary uplifts over a number of years has taken its toll."

•31% of respondents report that the number of services they operate at a deficit has gone up during the past three months.

For 47% of respondents, the number has remained the same, while 22% indicated that the number of services operated at a deficit has gone down.

Expectations over the next three months are broadly similar: 28% expect the number of services operating at a deficit to go up, 56% expect no change and 16% expect them to go down.

The main reason cited for increasing deficits is, as in relation to decreasing surpluses, the lack of inflationary uplift and downward pressure on contract costs:
"Lack of uplifts from funders is making it harder to manage services at break even or better",
meaning that some providers are now *"running off reserves."*

Providers are working hard to reduce or stabilise the number of services that operate at a deficit, through changes to structures, salaries etc, but these are short term changes that may not be sustainable over the longer term:
"We are taking earlier action to address deficits-reduce agency, fill voids, reconfigure and in some cases close services"
"Payroll has been very tightly controlled where we can but this is really short-term defensiveness"

A number of providers noted that their organisations had taken a policy decision not to operate any services at a deficit:
"Because the board will not tolerate deficit we will reduce service level or close services"

•28% of respondents have seen the numbers employed by their organisation go down over the last three months, up from 20% in the February 2010 survey.

31% expect numbers employed to go up; 22% have already seen numbers employed go up during the past three months.

Half of all respondents (50%) report that numbers employed have stayed the same during the last three months; the same percentage expect them to remain the same during the next three months.

Overall, there seems to be more fluctuation in relation to number of staff employed than in the previous quarter. The percentage of respondents reporting that the number of staff employed had stayed the same was down from 65% in February 2010 to 50% in this survey. Within this, several of those indicating that the overall number of staff had remained stable also noted that this had involved some job losses and some new staff being taken on:
"Stayed the same in total although we have recruited more than 60 new staff with the nature and volume of posts we have lost 40"

•69% of respondents indicated that business levels have remained stable over the last three months. The same percentage expect their business levels to stay the same over the next three months.

This is up from 52% who reported in the previous quarter that business had remained stable. Respondents suggest that this is due to a decrease in tendering activity by local authorities:
"Amount of tendering and re-tendering has slowed down"
"Unless councils make sudden moves we expect the next three months to be fairly static"

25% of respondents have won more business they they've lost over the last three months. Only 6% of respondents have lost more business than they've won; this is substantially down on the last quarter, when 22% had lost more business than they had won, but as no explanation is given for this change within respondents' comments, caution should be exercised in interpreting this figure; this could be an erroneous result, and will be monitored in the next iteration of the survey.

•Year end projections are more positive than in February 2010, with 44% of respondents projecting an increase in turnover by year end, up from 30%. 34% are projecting a decrease and 22% are projecting stable results.
•By contrast, only 18% are expecting an increase in levels of reserves at year end.

41% of respondents expect that reserves will have decreased by the end of the financial year, with several respondents noting that reserves have been/will be used to invest in the organisation and its workforce:
"We have invested substantially from reserves in Learning and Development to get the workforce qualified by 2013."

References

[1]CCPS is grateful to the CBI for their assistance in developing this survey. For further information on the CBI business optimism survey, go to http://www.cbi.org.uk/ndbs/content.nsf/802737aed3e3420580256706005390ae/31ed571e0d73a30b80257410005ce1c6?OpenDocument

[2]Previous surveys can be accessed at http://www.ccpscotland.org/publications/research-reports

[3]At May 2010, CCPS membership stood at 63 organisations, of which 32 completed the survey. A full list of CCPS members is available at http://www.ccpscotland.org/about-ccps/members-list

About CCPS

Community Care Providers Scotland is the national association of voluntary organisations providing care and support services across Scotland. In 2008-09, CCPS members managed a total annual income of nearly £1.1 billion, of which an average of 70% per member organisation related to public funding. Over this period, members supported approximately 220,000 people and their families, and employed around 36,700 staff.

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