

COMMUNITY CARE PROVIDERS SCOTLAND

Service Provider Optimism Survey

February 2010

Introduction

This survey, based on the CBI business optimism survey¹, is designed to track changes in the way that the major voluntary sector social care providers view their organisations' prospects and the environment in which they operate. The survey is repeated several times a year. This second survey confirms the baseline information gathered in the first (October 2009) survey² and provides additional insight into providers' thinking at this time.

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.

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 63% of the CCPS membership³ during February 2010. The sample was broadly representative of the overall membership in terms of turnover, number of employees and main areas of activity⁴.

Key Points

- o Overall, findings from this survey are consistent with those reported in October 2009. As deliberate efforts to increase the response rate resulted in different samples completing the October 2009 and February 2010 surveys⁵, these results should be taken as confirmation of the baseline figures established by the October 2009 survey.
- o Correspondingly, as in October 2009:
 - 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.
 - There appears to be a marked difference between turnover and costs, as indicated by a higher proportion reporting a reduction in operating surpluses and increase in deficits than those reporting a decrease in turnover.
 - Nearly two-thirds of respondents are less optimistic about the general business prospects for their organisation than they were three months ago.
- o Both surveys confirm the impact of individual (re)tendering exercises on organisations, with tendering activity acting as the dominant influence on business activity and performance.
- o Comments gathered as part of this survey have also highlighted two additional influences on organisations: staff pay and conditions, and the decision to close some services.
 - This survey records for the first time that a number of the organisations which report surpluses/avoid deficits have been able to do so partly as a result of restructuring staff pay and conditions, while those report deficits often strive to retain existing salaries and conditions.
 - Several respondents note that they are considering closing, or have already taken the decision to close, existing services which are operating at a significant loss.
- o Respondents also noted in this survey that they are starting to put longer-term strategies to secure their financial futures in place, for example income generation strategies or organisational restructuring, but that the effects of these may take some time to filter through.

Survey Results

- **65% of respondents are less optimistic about the general business situation in the sector than they were 3 months ago.**

Only 7% of respondents are more optimistic than they were three months ago: 28% of respondents' level of optimism has remained about the same.

These responses do not vary significantly from those received in October 2009.

As in October 2009, those who are less optimistic are concerned primarily about commissioning practices and cuts in public sector budgets. It appears that more information is now available locally about the likely scale and effect of cuts: *“The impact of public service cuts is likely to be greater than initially thought judging by ‘intelligence’ we are picking up locally.”*

“The economic pressures on local authorities we contract with have been evident in funding negotiations over the last year and more recently discussions have been indicating more ‘efficiency’ drives, cost of living award freezes and potential reduction in business.”

A number of respondents mentioned the unpredictability of the commissioning environment. While some hoped that a recent high profile example of an unsuccessful re-tendering process in a particular council area would encourage other councils to become less reliant on competitive tendering, others continued to note this as a threat: *“A combination of an erratic and unpredictable commissioning environment and forthcoming public sector financial cutbacks merits a pretty gloomy prognosis.”*

• 22% of respondents reported that their organisation’s turnover/volume of business has gone down during the last three months. This is an increase on October 2009 figures, when only 16% of respondents reported such a drop.

The percentage of respondents reporting that their organisation’s turnover/volume of business has remained stable during the past three months was consistent with the October 2009 response at 58%.

Predictions for the next three months are also in line with figures from October 2009, with 20% expecting turnover to increase, 38% anticipating a decrease and 42% expecting turnover to remain the same.

Several, although not all, of those reporting a decrease in turnover have taken the decision to close some services: *“[Turnover is] marginally down but largely due to deliberate decision to shed small contracts with high transaction costs.”*

The majority of respondents reported that both increases/decreases are currently on a small scale and largely influenced by the results of particular tender exercises: *“Slowly and a service at a time.”* Respondents also pointed out the volatility of the situation, and that longer term projections may be different due to re-tendering and efficiency saving exercises they anticipate in the next financial year.

• 58% of respondents have seen their operating surpluses go down during the last three months. This is an increase on October 2009 figures, when only 50% of respondents reported a decrease.

32% of respondents said their operating surpluses have remained the same; only 10% 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 October 2009, those for whom operating surpluses have gone up, or are expected to go up, indicated that this has been due to tighter management controls, 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: *“Due to the lack of inflationary uplifts for a number of years, even with tight controls over indirect costs, surpluses are being reduced.”*

• 28% of respondents report that the number of services they operate at a deficit has gone up during the past three months.

For 57% of respondents, the number has remained the same, while the percentage of respondents indicating that the number of services operated at a deficit has gone down has increased from 3% in October 2009 to 15% in this survey.

Expectations over the next three months are broadly similar: 35% expect the number of services operating at a deficit to go up, 15% expect them to go down, and 50% expect no change.

Where respondents have managed to or intend to reduce the number of services operating at a deficit, this is often the result of either cutting terms and conditions or closing services: *“All services will reach break even or surplus by end of next financial year or be terminated.”*

The main reason given for services operating at a deficit is lack of full cost recovery/inflationary uplift: *“Restricted or minimal inflationary uplifts from funders have meant that costs have increased at a higher rate than income, resulting in deficits in some areas.”*

A number of respondents also noted that referrals have decreased: *“Community based service referrals have decreased due to efficiency drives and cost cutting exercises.”*

• 35% of respondents expect the numbers employed by their organisation to go down in the next three months; 20% have seen numbers go down during the past three months.

20% expect numbers employed to go up; 25% have already seen numbers employed go up during the past three months. The majority of respondents (62.5%) report that numbers employed have stayed the same during the last three months; slightly less (45%) expect them to remain the same during the next three months. These figures are broadly consistent with responses in October 2009.

Where numbers of staff have gone down, this has been due to a mixture of redundancies due to funding cuts, staff leaving (one respondent suggests that staff are becoming more likely to leave the social care sector for more stable employment), internal restructuring and staff being transferred to other organisations as a result of re-tendering: *“Redundancies likely as a result of cuts identified above.”*

Where numbers employed have remained or are predicted to remain stable, organisations have generally experienced both losses and gains: *“We anticipate a reduction in funding for current posts but new posts being filled should equal things out.”*

• 53% of respondents indicated that business levels have remained stable in the current climate of increased competition in the sector. 65% expect their business levels to stay the same over the next three months.

22% of respondents have lost more business than they've won over the last three months; 25% have won more business than they've lost.

Only 10% of respondents expect to win more business than they lose in the next three months. This is a considerably lower figure than in October 2009, when 25% of respondents anticipated an increase in business. In October 2009 it was noted that most expectations related to particular tendering activities, and it is interesting to note that no respondents expecting to win more business over the next three months mentioned tendering opportunities. The change in expectation could be linked to fewer tendering opportunities being available over the next three months than there were in October 2009.

The finding that individual tenders affect expectations is borne out again in this survey, although more respondents in this survey than October 2009 note the impact of expansion or contraction of existing services: *“We only operate in Fife and there have been no services which we provide gone to competitive tendering.”*

“Any increase or decrease has primarily been due to incremental growth/change in existing services, not through tendering.”

• Year end projections are, as in October 2009, fairly evenly split with regard to turnover, with 30% of respondents projecting an increase, 33% projecting a decrease and 37% projecting stable results. By contrast, 53% of respondents are expecting a decrease in levels of reserves at year end.

As in October 2009, only 6% of respondents are anticipating an increase in levels of reserves at year end. Several respondents noted that reserves had been used during the year to meet gaps in service income and offset the effects of cuts: “*We have utilised reserves to replace lost income.*”

Some respondents commented on the difficulty of making these projections, even at this stage in the financial year: “*Hopefully we can come out at the other end in a stable state-however hard to know because of the dynamic nature of the market place.*”

References

¹CCPS 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>

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

³At November 2009, CCPS membership stood at 63 organisations, of which 40 completed the survey. A full list of CCPS members is available at <http://www.ccpscotland.org/about-ccps/members-list>

⁴The number of respondents was deliberately increased this time around to ensure that a higher proportion of CCPS members were participating in the survey, and that respondents were, so far as possible, more representative of the overall membership. This does mean, however, that responses from October 2009 and February 2010 are not directly comparable.

⁵Both samples were representative of the overall CCPS membership in terms of turnover, number of employees and main areas of activity. However, due to the increasing response rate, only 55% of those responding to the February 2010 survey also completed the October 2009 survey, compromising the comparability of findings.

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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