COMMUNITY CARE PROVIDERS SCOTLAND

Service Provider Optimism Survey

October 2009

Introduction

This survey, based on the CBI business optimism survey, 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 will be repeated several times a year with a consistent sample of providers: this first survey provides a baseline for future work, as well as an interesting 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 50% of the CCPS membership during October and November 2009. The sample was broadly representative of the overall membership in terms of turnover, number of employees and main areas of activity.

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Survey Results

• 63% of respondents are less optimistic about the general business situation in this sector than they were 3 months ago.

Only 9% of respondents are more optimistic than they were three months ago: 28% of respondents' level of optimism have remained about the same.

Those who are more optimistic hope to win new business through forthcoming tender opportunities. Those who are less optimistic expect public service funding cuts to hit them hard, and are apprehensive that tendering processes which focus on cost rather than quality will have a negative effect on their ability to compete: *"Impending government cuts and growth in local authority re-tendering activity is producing considerable uncertainty."*

Some of those whose optimism levels have not changed in three months commented that this is too short a time period in which to expect change.

• 59% of respondents reported that their organisation's turnover/volume of business has remained stable during the past three months.

Turnover/volume of business has gone up for 25% of respondents during the past three months: it has gone down for only 16% of respondents.

By contrast, 41% of respondents expect turnover/volume of business to go down during the next three months, while only 18% expect it to go up.

Respondents indicated that their answer to this question was largely influenced by tender exercises recently concluded, ongoing or forthcoming, and their organisation's performance in relation to these tenders.

A number of the respondents for whom turnover had increased, noted that this had happened despite cuts in rates for service provision: *"volume is up but we need to do more with less income."*

Some respondents, commenting again on the three month time period, indicated that longer term projections would be less optimistic.

• 50% of respondents have seen their operating surpluses go down during the last three months.

38% of respondents said their operating surpluses have remained the same: only 12% have seen them go up. The percentages were identical for respondents' expectations of how operating surpluses would behave during the next three months.

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.

Many of those for whom operating surpluses have gone down or who expect surpluses to go down, relate this to a lack of full cost recovery from funders, noting for example that: *"increased overheads with no uplifts in income have resulted in reduced operating surplus."*

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

Only 3% of respondents have seen a drop in the number of services they operate at a deficit: 66% of respondents report that the number has remained the same.

Figures are similar for expectations over the next three months: 34% of respondents expect the number of services in deficit to go up, 13% expect them to go down, and 53% expect them to remain the same.

Several of those indicating that the number of services in deficit has stayed the same identify breaking even as a deliberate strategy: *"On the whole no change in the last 3 months to contracts previously negotiated, that were negotiated to achieve breakeven."*

One provider however noted that: *"The number of services operating a deficit hasn't changed, however the % of the deficit has increased."*

• 34% of respondents expect the numbers employed by their organisation to go down during the next three months: 19% have seen numbers go down during the past three months.

25% of respondents expect numbers employed to go up: an identical percentage has already seen numbers employed go up during the past three months.

The majority of respondents (56%) report that numbers employed have stayed the same during the past three months: slightly less (41%) expect them to remain the same during the next three.

Where staff numbers have gone up, this is primarily as a result of new business won through tendering.

Those who have experienced, or who anticipate, a reduction in the number of staff, say that cuts to staff numbers (including at head office/management level) have been necessary to keep the organisation viable: *"difficult to be precise at this point but further steps are being taken to reduce or eliminate deficits in some services and this will lead to at least a reduction in the number of hours worked and possibly job losses."*

• 59% of respondents report that business levels have remained stable in the current climate of increased competition in the sector.

22% of respondents have won more business than they have lost: 19% have lost more business than they have won.

25% of respondents expect to win more business than they lose during the next three months: 22% expect to lose more business than they win. Correspondingly, 53% expect that their business levels will remain stable during the next three months.

Again, the great majority of these experiences and expectations centre around tendering activity, with some developments in relation to self-directed support: one of those whose business levels had remained stable explained that: *"we have lost LA contracts, but gained services funded by Direct Payments."*

• Year end projections with regard to turnover are evenly split, with 34% of respondents projecting an increase in turnover, 34% projecting a decrease, and 32% projecting stable results.
• By contrast, 50% of respondents are expecting a decrease in levels of reserves at year end.

Only 6% of respondents anticipate an increase in levels of reserves at the year end: 44% are expecting levels of reserves to remain stable.

Key Points

o The impact of specific (re)tendering exercises on organisations is marked, with tendering activity acting as the dominant influence on business activity and performance.

o Despite this, 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: responses indicate that this is because they are likely to encounter only one or two major (re)tenders during the course of a year.

o There appears to be a marked and potentially increasing difference between turnover and costs: this is indicated by a much higher percentage reporting a reduction in operating surpluses and an increase in deficits, than the percentage reporting a decrease in turnover. It is also clear that many more respondents are expecting a reduction in reserves than in a decrease in turnover.

o Nearly two-thirds of respondents are less optimistic about the general business prospects for their organisation, than they were three months ago. This may be related both to the growing concern about the scale of cuts in public spending, and to the outcome of a number of recent high-profile (re)tendering exercises in social care.

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

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, member supported approximately 220,000 people and their families, and employed around 36,700 staff.

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