



COMMUNITY CARE
PROVIDERS SCOTLAND

SOCIAL CARE AND
SUPPORT SERVICES
IN THE VOLUNTARY
SECTOR

FUNDING
SURVEY 2007

INTRODUCTION AND CONTEXT

This report presents and discusses the findings of a questionnaire survey conducted in February and March 2007. The questionnaire was sent to 60 of Scotland's largest voluntary sector providers of social care and support services. It was designed to elicit quantitative data relating to the funding difficulties faced by service providers, and the potential impact of those difficulties on services. The response rate was 62%.

The voluntary sector in Scotland provides 38% of all care and support services registered with the Care Commission¹. The Scottish Social Services Council estimates that the voluntary sector employs at least 25% of the social services workforce. The great majority of these services are funded from the public purse under contractual or other formal arrangements. CCPS has estimated that at least one-third of all publicly-funded social care and support services are provided by the voluntary sector on behalf of those public bodies responsible for arranging them, principally local authorities.

This survey was conducted amid growing concerns about levels of funding for these services, and about the system for distributing that funding. Funding is, and has always been, a matter of concern for the sector; however during 2006/07, a number of major service providers took the unprecedented step of serving notice on significant service contracts because the terms of those contracts were not financially viable. In particular, providers reported that they were not able to guarantee a quality service within the limits of the available budget.

This survey aimed to identify the scale of the problem, and to get a sense of how many organisations may be facing similar difficulties.

This report presents the key findings of the survey, draws out the key issues and challenges arising, and sets out a series of potential responses.

BASIS OF THIS REPORT

This report is based on a confidential questionnaire survey of major social care and support service providers in the voluntary sector, carried out in February and March 2007.

- The response rate was 62% of the membership of CCPS, representing 37 organisations.
- The total annual income of those responding is approximately £475M.
- The total number of staff employed by those responding is approximately 22,000.
- The number of people supported by those responding is approximately 60,000.

The principal focus of service provision of these organisations is:

- learning disability/autism (62% of providers)
- physical disability/sensory impairment/ long-term conditions (30%)
- children and families (30%)
- mental health/ex-offenders/homeless (30%)
- addictions (19%)
- older people (14%)

(NB adds up to more than 100% because some organisations cover more than one of these categories)

Annual income of these organisations:

- over £30M (10% of providers)
- between £20M and £30M (14%)
- between £10M and £20M (18%)
- between £5M and £10M (26%)
- between £1M and £5M (26%)
- under £1M (6%)

Total number of staff employed by these organisations:

- over 2000 staff (6%)
- between 1000 and 2000 (19%)
- between 500 and 1000 (23%)
- under 500 staff (52%)

These figures are broadly consistent with the overall profile of the CCPS membership: the sample can therefore be seen as representative of the membership as a whole.

KEY FINDINGS

The survey asked for information about the (then) current funding year, 2006-07; it then asked for information about funding projections and estimates for 2007-08. The findings for 2006-07 are presented first, followed by projections and estimates for 2007/08.

2006 ~ 2007

Deficits

- 35% of providers state that their organisation is likely to report an overall organisational deficit for 06/07.
- 80% state that one or more of their services is likely to report a deficit for 06/07:
 - at least 378 separate services across this sample are likely to report a deficit for 06/07: these services supported approximately 10,000 people during 06/07 (this is approaching one-fifth (17%) of all those supported by this sample)
 - 82% of providers have a problem in more than one service; 36% have a problem in 10 or more services; 18% have a problem in more than 20 services.
- 9% are still awaiting confirmation of 06/07 funding levels so cannot state definitely that they will or will not sustain deficits: this relates to a further 37 services that supported 420 people during 06/07.
- Only 6% state that neither their organisation nor any of their services are likely to report a deficit for 06/07.

Contract status/service closure

- 26% of providers have *either* served notice on one or more contracts, *or* closed one or more services, *or* both, during 06/07.
- Notice was served on a total of 9 contracts across this sample, involving services that supported a total of 318 people during 06/07. In 5 out of 9 cases, the reason given was either that rising costs were not covered by standstill budgets, or that the funding authority required costs to be cut, rendering the service unviable.
- 12 services were closed across this sample, supporting approximately 291 people during 06/07: in 5 out of 12 cases, the reason given was either that rising costs were not covered by standstill budgets, or that the funding authority required costs to be cut, rendering the service unviable.

Involvement of the board of directors

- 89% of providers have discussed the viability of one of more services during 06/07 at board level, because of

inadequate funding. A total of 414 services across this sample were affected; these services support nearly 14,500 people (this is nearly one-quarter (23%) of all those supported by this sample).

- 28% of providers have discussed the viability of one of more services during 06/07 at board level, for reasons *other* than inadequate funding: these reasons include delays and uncertainty about funding; delays in local authority assessments and referrals, and consequent voids; continuing need to use agency staff to sustain the service; Care Commission regulations and suitability of premises; and concerns about occupancy levels.
- Only 11% of respondents have had no discussions about service viability at board level, for any reason.

'Crisis' or emergency funding

- 34% of providers had to approach a funding authority for 'emergency' funding input in respect of one or more services during 06/07, on the basis of the financial viability of the service(s). In this sample, 38 services supporting 730 people were the subject of such approaches.
- Of those providers who had to approach an authority for emergency funding input, 77% either secured *some* additional funding, but not sufficient to cover the full cost of the service, or no additional funding. In only a minority of cases were providers able to secure adequate additional funding for at least one more year.

Financial support for public services

- 74% of providers are, either by decision or default, financially supporting a publicly-funded service which would otherwise be unviable. This support may be drawn from organisational reserves; from surpluses generated by other activity elsewhere in the organisation; or by charitable or fundraised income. Where these resources are either not available or not sufficient to cover the full cost of the service, deficits are sustained (*see section on deficits above*).
- In this sample, at least 275 publicly-funded services are being supported financially by providers; these services support almost 8000 people.
- Of those providers financially supporting a service, more than a third (34%) can no longer continue to support the service(s) in 07/08, whilst more than half (54%) will only be able to continue supporting the service(s) for one more year.

Impact on services

- 53% of providers have had to make changes to services that have a direct impact on the people

they support, as a result of funding inadequacies or funding cuts. Of these providers:

30% have had to reduce or cease social or community support for individuals (including outings, holidays, sports, music and other ways of promoting community involvement beyond the service)

18% have had to reduce 'contact time' with the person supported

12% have had to reduce the overall level of service

12% have had to alter staffing ratios downwards

others (one instance each) have had to replace individual support with group support, in some cases; and make managers responsible for a greater number of services.

- Most of the changes made have taken place during 06/07, although in the case of three respondents in this sample, changes began to take place in 2003-04.

Impact on workforce

- 54% of providers have either made redundancies, or frozen/deleted posts during 06/07, because of inadequate funding: 28% have made staff redundant, totalling 72 posts across this sample; 34% have frozen or deleted posts, totalling 215 posts across this sample (NB this adds up to more than 54% because some respondents fall into both categories).
- 89% of providers paid an inflationary uplift to staff in 06/07, ranging from 1.5% to 3.8% (where specified) across this sample. The average increase across the sample was 2.5%.

2007 ~ 2008

Projected deficit

- 26% of providers state that their organisation is projecting an overall organisational deficit budget for 07/08.
- 46% are projecting deficit budgets in relation to one or more of their services for 07/08:
 - at least 281 separate services in this sample are projecting deficit budgets for 07/08; these services aim to support over 11,000 people during the year.
- 50% are *anticipating* deficits in some services, but cannot give details at this stage because funding arrangements are not yet confirmed.
- Only 6%, having confirmed funding arrangements for 07/08, are not projecting any deficits, either for the organisation as a whole or for any services.

Impact on services

- 89% of providers say that it is *possible* or *likely* that they will have to consider one or more of these options in 07/08:

• serving notice on one or more contracts

• closing one or more services

• discussing the financial viability of one or more services at board level during 07/08.

Of these respondents:

21% are likely to consider serving notice on one or more contracts in 07/08: the total across the sample is 68 contracts supporting 4095 people

11% are likely to consider closing one or more services in 07/08: the total is 19 services supporting 577 people

43% are likely to consider discussing the financial viability of one or more services at board level during 07/08: the total is at least 152 services

54% say it is possible that they will have to consider doing one or more of these things, once funding levels for 07/08 have been confirmed.

(NB this adds up to more than 100% because a number of providers report that they will take more than one course of action in relation to the different services they provide).

- Only 11% of providers are unlikely to have to consider serving notice on any contracts, closing any services or discussing the financial viability of their services at board level during 07/08.

Impact on workforce

- 57% of providers are projecting either redundancies or frozen/deleted posts in 07/08, because of inadequate funding: 28% are projecting redundancies totalling 77 posts across this sample; 31% are projecting frozen or deleted totalling 81 posts across this sample.

(NB these figures are underestimates as 14% of those projecting redundancies or frozen posts cannot yet disclose the number, although they are certain there will be some - also note that this adds up to more than 57% because some respondents fall into both categories).

- 74% of providers have budgeted for an inflationary uplift to staff in 07/08, ranging from 2% to 4.5% (where specified) across this sample. The average budgeted uplift across the sample is 2.6%; 20% of respondents are awaiting confirmation of funding before budgeting for an inflationary uplift; 6% of respondents have not budgeted for an inflationary uplift, and are unlikely to do so, even after funding is confirmed.

KEY MESSAGES FROM THE FINDINGS

This survey elicited responses from 37 of Scotland's most substantial voluntary sector providers of social care and support services. Their combined annual income is approximately £475M; they employ approximately 22,000 staff and support approximately 60,000 individuals and families across the whole of Scotland.

As noted in the introduction, this survey aimed to identify the scale of funding problems faced by these organisations, and to get a sense of how many of them may be facing similar difficulties to those providers that have already taken the difficult decision to serve notice on significant service contracts.

A series of key issues and messages emerge from the findings, as follows.

Serious financial problems are widespread, and common to all across the field

Those providers that have already taken the decision to serve notice on contracts or to withdraw from areas of service provision during 2006/07 have clearly not been experiencing 'a little local difficulty'. Issues relating to the financial viability of services are extremely widespread, with 94% of providers in this survey stating that they are likely to report deficits for this year, either in relation to specific services or as an organisation.

When these findings are cross-referenced to type and size of provider, no pattern emerges, indicating that providers of all sizes, working in all fields of social care and support activity, are affected.

Similarly, 89% of providers have had to discuss the financial viability of one or more of their services at Board of Directors level during 2006/07 because of inadequate funding. Again, no pattern emerges as to the size or type of provider, or area of activity.

The two sources of funding that arise as a key factor in relation to services facing financial difficulties are, overwhelmingly, social work funding (a factor in at least 70% of all services facing deficits) and the Supporting People programme (a factor in at least 60% of all services facing deficits). Other sources of funding arising as a factor in relation to a minority of services are European Structural Funds, the Mental Illness Specific Grant and Sure Start funding.

Voluntary organisations view withdrawal from service provision as an option of 'last resort'

Although 89% of providers have discussed financial viability at board level and 94% are likely to report deficits for 2006/07, only 26% served notice on a contract or closed a service during the year: and only half of the withdrawals and closures concerned were attributed by providers purely to inadequate funding. This indicates that providers are extremely reluctant to withdraw from service provision, even in circumstances where the funding they receive does not cover the full cost of the service.

As well as the overwhelming majority of providers likely to report deficits, nearly three-quarters of organisations are financially supporting one or more of the services they provide on behalf of public authorities from non-statutory sources. This is consistent with a Charity Commission report issued in February 2007², and with a Scottish Executive-commissioned report published in the same month³ which stated that over 70% of voluntary organisations were 'subsidising' public services in Scotland by as much as £130M annually.

The same report recommended the following 'action point' in response to the problem⁴:

8.5 One of the reasons why there is a lack of trust, and an unequal partnership between the public and the private sectors, is that the voluntary sector rarely seems to be willing to walk away when faced with a public sector body that is unwilling to pay the full costs of service delivery. Until this is done there can never be an equal partnership. Accordingly:

Action Point 4

Voluntary sector service providers should be willing to withdraw from contract negotiations and service delivery when public bodies are unwilling to pay what are felt to be reasonable and realistic costs of service delivery.

This survey suggests that voluntary organisations are indeed unwilling to withdraw from service delivery. This is undoubtedly because voluntary organisations have a clear commitment to the people they support and will not 'walk away' unless there is absolutely no alternative. The survey also suggests, however, that alternatives to withdrawal may be running out: of those organisations supporting public services from non-statutory resources, over 80% state that they will not be able to do this for more than one more year.

Given the size and scope of the organisations in this sample, and the figures relating to the numbers of individuals and families that they support, withdrawal from service provision on any significant scale would have a major impact on social care and support service provision in Scotland, calling into serious question the wisdom of the Scottish Executive report's 'action point' as set out above.

There may be early indications that the quality of services, as well as workforce terms and conditions, is beginning to suffer

An earlier survey⁵ by Community Care Providers Scotland found that funding difficulties have led the great majority of voluntary sector service providers to abandon local government-equivalent pay scales for their staff, and to revise terms and conditions (in particular pension provision). This latest survey shows that providers are endeavouring to maintain inflationary uplifts to staff, in order to compete successfully in the labour market, even though they may either have to support these uplifts from non-statutory sources or face deficits.

This survey also provides some evidence, albeit on a relatively small scale, that the quality of services may be beginning to suffer as a result of funding problems. More than half of providers have had to make changes to services that they believe have a direct impact on the people they support, ranging from reducing or cutting altogether the more 'social' aspects of the support they provide, to stopping individual or 'one-to-one' services in favour of supporting people in larger groups. This appears to be contrary to significant strands of government policy emphasising the importance of personalised services that go beyond basic care and assistance, and help to promote the active involvement of individuals in their local community⁶.

Voluntary sector service providers are in general committed to this personalised or 'one-to-one' approach; if funding levels do not permit them to provide an appropriate quality of service, then this may add further pressure on them to consider withdrawing from service provision.

The outlook for 2007/08 is a matter for serious concern

Almost all the providers in this sample are either projecting or anticipating deficits in 2007/08, either as an organisation or in relation to one or more specific services. Only a very small minority of providers are confident that they will neither face deficits, nor have to withdraw from, or close, any services, or at the very least have formal discussions about the financial viability of

their services at Board of Directors level during the year. This may indicate that the service withdrawals and closures we have seen during 2006/07 are unlikely to be the last. It also indicates the significant level of uncertainty that exists as to how (or in some cases, even whether) providers will be able to sustain service provision into 2007/08 and beyond⁷.

There has been anecdotal support in the past for the theory that funding of voluntary sector public service provision operates on a 'famine/feast' basis: organisations get by on inadequate funding until crisis occurs, at which point they are bailed out by the relevant funding authority, only to repeat the pattern again as time goes on. This survey indicates that on present evidence, this funding model no longer applies (if indeed it ever did); as noted above, those organisations that have approached an authority for crisis or 'emergency' funding have, by and large, failed to secure it.

The prospect of 94% of service providers facing financial crisis, and not being assisted to deal with it, may therefore be a very real and serious one, with major implications for the voluntary sector, for the public authorities responsible for arranging service provision and, most importantly of all, for the individuals and families who need care and support.

THE WAY FORWARD

This survey provides compelling evidence for the proposition that social care and support services in the voluntary sector are unlikely to be sustainable, in some cases even in the short term, at current funding levels.

As the representative body for service providers in the sector, CCPS believes that swift and effective action to protect services is now crucial. This report will be circulated widely to key agencies and individuals in central and local government with a view to seeking and promoting such action.

In the short term, action may need to include an injection of additional resource specifically directed at the voluntary sector, in particular to ensure that service costs are uplifted to cover inflationary pressures in 2007/08⁸, which will help at least to ensure that deficits do not get any worse during the year. (The Scottish Executive allocated an additional £23.9M in the community care GAE for 2006-08 under the heading 'voluntary sector care providers', however CCPS has discovered through FOI requests to local authorities that very little of the 06/07 allocation has reached providers, since it was not ring-fenced. CCPS has recently written to authorities, with support from COSLA, encouraging them to use the remaining £13.6M for 07/08 to provide inflationary uplifts to providers).

In the longer term, CCPS is developing an agenda relating to funding, commissioning and statutory-voluntary relationships more generally, which we believe will help to address the systemic difficulties that have led to the serious financial difficulties evidenced by this survey.

The key points of this agenda are:

- that central government must review spending levels on social care and support in relation both to demand for services, and to the introduction of successive initiatives in recent years that have not been properly costed prior to implementation. The forthcoming spending review provides a key opportunity for such a review to take place. Providers recognise that local authorities in particular are themselves coming under serious financial pressure and that the difficulties experienced by the voluntary sector are in many instances a consequence of this;
- that funding for public services provided by voluntary organisations must cover the full cost of those services, unless there are compelling reasons for non-statutory resources to be brought to bear with the agreement of the provider (for example, a partnership initiative to develop a new service model, or the provision of service elements that exceed statutory entitlements and responsibilities). Non-statutory

resources should certainly not be a factor in meeting basic service costs, or compensating for inflationary pressures on a public service;

- that voluntary sector services, and service providers, must be funded on an equitable basis in relation to public authorities' funding of their own directly-provided services. One way of ensuring this would be formally to separate the purchasing/commissioning and service provision functions within authorities; there may be other ways to achieve the same ends and providers are more than willing to discuss and debate them;
- that reasonable safeguards must be placed around competitive tendering exercises for social care and support services, to ensure that competition does not become entirely driven by cost⁹ ;
- that Best Value guidance is reviewed and revised to ensure that current thinking about service quality in social care and support is given equal emphasis to cost considerations in funding decisions;
- that the need for decent pay and conditions of social care and support staff in the voluntary sector is taken into consideration in funding decisions.

Notes and references

- ¹ excluding childminders, Care Commission 2007
- ² [Stand and deliver: the future for charities delivering public services and Charities and public service delivery: an introduction and overview](#), Charity Commission February 2007. The report found that only 12% of charities in England and Wales providing public services received the full cost of those services from the public bodies that commissioned them. NB The Charity Commission is responsible for regulating charities in England and Wales only; the Office of the Scottish Charity Regulator performs similar functions in Scotland
- ³ [Report on costs and impacts of the implementation of the principle of Full Cost Recovery in the public sector contracts with the voluntary sector](#), Scottish Executive, February 2007
- ⁴ *ibid*, paragraph 8.5
- ⁵ [Staff pay and conditions: report of a survey of voluntary sector community care service providers](#), CCPS February 2000
- ⁶ See for example [The Same As You? A review of services for people with learning disabilities](#), Scottish Executive May 2000, and [Changing Lives, the report of the 21st century social work review](#), Scottish Executive 2006
- ⁷ A March 2007 survey by Glasgow Council for Voluntary Service (GCVS) found similar indications across a wide range of organisations working locally
- ⁸ CCPS made this request to the Minister for Communities in respect of Supporting People services specifically in February 2007
- ⁹ CCPS is shortly to publish (May 2007) a separate position statement relating to competitive tendering for social care and support examining the issues in more detail

ABOUT CCPS

Community Care Providers Scotland (CCPS) is the national voice for social care and support service providers in Scotland's voluntary sector. It exists to identify, represent, promote and safeguard the interests of voluntary sector and not-for-profit providers, so that they can maximise the support they offer to the people who use their services.

CCPS aims

- to be a recognised and respected source of expertise on issues affecting service providers
- to be an influential body able to use the collective experience of members to effect change
- to act as a key source of information and advice
- to champion service quality and promote the central role of providers in quality improvement
- to support providers in improving the experience of people who use their services, and their quality of life
- to promote and champion the role of voluntary organisations as service providers, ensuring diversity and choice.

CCPS has sixty members, comprising Scotland's most substantial providers of social care and support services to children and families, adults and older people.

© CCPS May 2007



CCPS
9 Ellersly Road
EDINBURGH
EH12 6HY
T 0131 337 3295
www.ccpscotland.org