

Service Provider Optimism Survey

Winter 2012 - summary of results

This survey, based on the CBI business optimism survey, 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. This is the eighth survey and is currently run twice yearly.

The most recent survey results provide evidence of continued funding pressures due to local authority budget cuts; an increasing number of services operating at a deficit with corresponding reducing surpluses; and continued deterioration of staff terms and conditions.

Over the six months between June 2012 and December 2012:

- 76% report budget cuts from local authorities
- 25% report an increase in number of services operating at a deficit
- 30% report a reduction in staff terms and conditions

Overall levels of optimism about the general business situation continue to reflect low morale in a significant proportion of the sector, with 40% feeling less optimistic. These findings are consonant with information available from the Office of the Scottish Charity Regulator (OSCR) online database which show that over half of the 61 CCPS members whose financial data was available for the last complete financial year, have seen their income drop by up to 10%.

Respondents highlight concerns about the impact of continuing downward price pressure on staff terms and conditions and staff morale, and frustration that difficult public spending decisions are being taken without sufficient regard to the consequences for service quality, the stability of provider organisations, and individual outcomes.

This is an issue identified by Audit Scotland in its February 2010 report: Improving Public Sector

Efficiency: "...we found that baselines were in place for costs, but not for activity and quality; performance measures were not routinely being used; and reporting of efficiency savings was not supported by performance information on the quantity and quality of services provided... There is therefore a risk that reported efficiency savings might actually be cuts in service because it is not clear if they have resulted in fewer or poorer quality services being provided." Finally, the systematic review and reduction of care packages in some local authorities, as part of the 'personalisation' agenda, continues to result in major disruption, reduced service provision and loss of staff expertise and low morale in many provider organisations.

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
 Level of 'preventative' support services
 Operating surpluses
 Service deficits
 Numbers employed
 Changes to staff terms and conditions, and training budgets
 Competitiveness
 Levels of reserves
 Local authority funding cuts

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

Respondents

The survey has been adopted by the Housing Support Enabling Unit (HSEU: <http://www.ccpscotland.org/hseu>) and the December 2012 survey was the second time it was sent to a wider group of organisations, including all CCPS

members (73), all Scottish Federation of Housing Association members (118) and approximately 150 housing support organisations from the HSEU mailing list.

This report provides a summary of the results from CCPS members only. The HSEU has prepared a separate report (available at the above link) looking at the results from housing support provider responses. The findings are consistent with those of CCPS members. Comments from housing support providers highlight growing concerns about the impact of welfare reform and show a continued decline in the development of preventative services.

The survey was completed by 50% of the CCPS membership (37 organisations) during December and January 2012/13. The sample was broadly representative of the overall membership in terms of turnover, number of employees and main areas of activity.

Survey results

1) Local authority budget cuts fail to consider quality and value for money

- 76% of respondents report local authority funding cuts, with nearly 25% seeing cuts to more than 50% of their services across Scotland

The majority of respondents have faced cuts across multiple local authority areas, with 25% experiencing cuts to more than 50% of the services they are providing across Scotland. This remains consistent with the pattern of recent surveys and builds a picture of organisations struggling under the dual pressure of inflation and other rising costs coupled with continuous reductions in income. The consequences are felt in a range of ways, as illustrated by the following comments:

- 'Reduced surplus, increased deficits, focus on cost cutting and reduction through weakening of terms and conditions of employment rather than focus on quality of service.'
- 'Reduction in service delivery.'
- 'Loss of staff morale, uncertainty about

viability, services feeling threatened; Resulted in redundancies and changes in terms and conditions. Considerable workforce unease.'

- 'Growth and innovation are stifled; sustaining current standards in service delivery is the focus.'
- 'Yes, this reflects local commissioning priorities, preference for in-house delivery and protecting in-house structures through consolidation of service provision.'
- 'More cuts are being experienced with very short notice giving too little time to prepare. And there is no real debate on how to achieve saving, nor on the impact of cuts and the impact on quality and morale. We are starting to see an impact in Care Inspectorate grades, though this may be more to do with attitudes in the Care Inspectorate who come across as focused in on evidencing a deficit and translating this out wider across all services.'

2) Operating surpluses drop while service deficits rise

- 49% report that surpluses will decrease in the next 6 months
- 33% report that the number of services operating a deficit will increase

Operating surpluses have dropped significantly compared to the previous 6 month period this time: 46% compared to 33% in the previous survey. This trend is expected to continue in the next 6 months with 49% expecting surpluses to continue reducing.

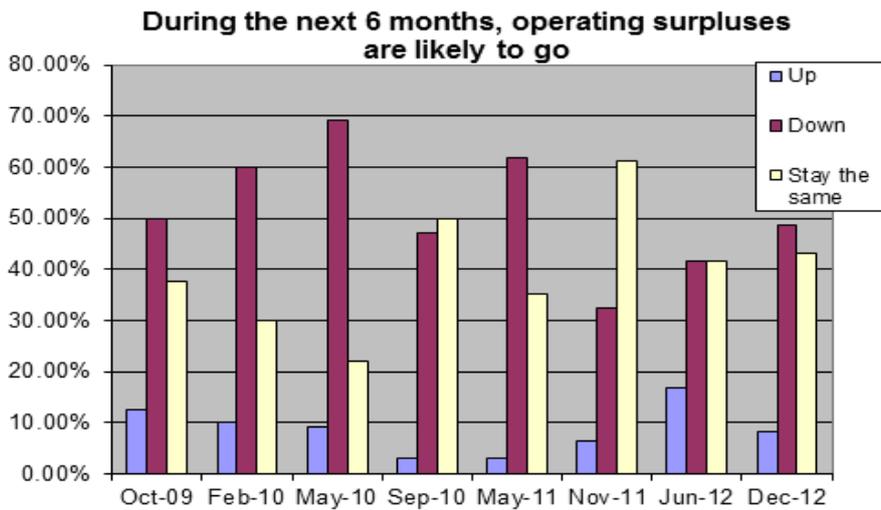
Recent draft contract terms set out in local authority tender documents bring home the importance of operating surpluses; for example, this type of term is becoming more common: "any additional or unforeseen costs incurred in providing the Services shall be borne solely by the Provider". Providers are being asked to carry the financial risk of service provision in circumstances where there is little if any leeway allowed for such unforeseen financial demands.

And while previous surveys show that providers have been working hard to minimise or eliminate deficits, including by discontinuing deficit producing services, the number of deficit services is growing again. 25% of providers reported an increase in the number of services

operating at a deficit in the past 6 months, with 32% expecting deficits to increase in the next 6 months to 32%. This latter figure represents a doubling of the number of organisations reporting deficit services from the last survey (16%).

The concern is that previous work done by providers to reorganise, rationalise management, find back office efficiency savings and reduce terms and conditions for staff appears to be insufficient in some cases to deal with the range of other external factors affecting service provision.

Figure 1:



Responses show a downward trend in organisational reserves, which corresponds with the increasing number of deficit services. Reserves at 2012-13 year-end are expected to have reduced for a growing number of providers: 41% compared to 33% in the last survey.

The following comments illustrate the circumstances for many providers:

- 'The speed of transition for the implementation of "personalisation" in one local authority meant that we had to cover the additional costs whilst we "rationalised" the workforce.'

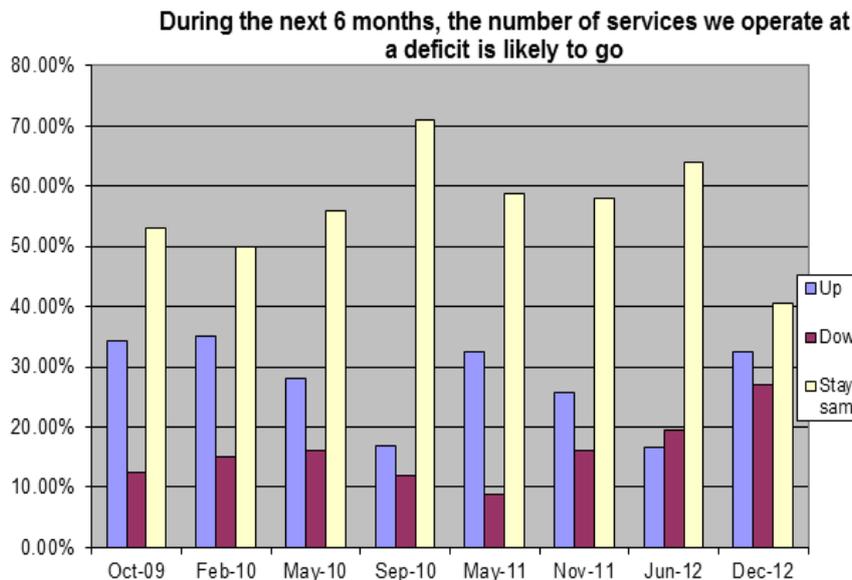
- 'The deficit has only gone down because we have been actively discussing with Local Authorities changes to these services, which mean that they no longer operate at a deficit and in some cases withdrawing from the provision of these services altogether.'

- 'Some contracts are coming to a close and we will not attempt to renew unless the price is right.'

- 'We cannot afford to run services in deficit and have had to drastically reduce services to individuals and keep a tight eye on budgets.'

- 'All services are costed and priced for sustainability. All are purchased on a cost and volume basis. The main problem arises when statutory body referral processes are inadequate to maintain capacity for breakeven.'

Figure 2:



3) Employee terms and conditions bear the brunt of funding cuts

- 30% of providers report a reduction in staff terms and conditions

There continues to be evidence of a worrying deterioration in staff terms and conditions. 30% of providers report a reduction in staff terms and conditions in the past six months. This continues the trend from the previous survey where 25% of organisations reported reduced terms and conditions. The number of organisations reporting an increase is a negligible 2%, a sharp fall from the last survey at 20%.

CCPS has expressed its concern regarding the impact on the voluntary sector work force of the adoption of the living wage by some local authorities. While there is broad support for the living wage campaign, local authority decisions to apply the living wage to council staff risk being at the expense of voluntary sector staff. We note that in at least two recent instances where local authorities have decided to adopt the living wage, they have also taken action to reduce funding to voluntary sector providers in ways (across-the-board funding cuts and tenders with capped hourly rates) that risk pushing voluntary sector salaries below the living wage threshold.

On a brighter note, consistent with our last survey report, there is evidence that providers are protecting staff training budgets to the extent they are able, with 72% reporting that staff training budgets have remained stable over the past 6 months.

The following comments provide a snapshot of the recent impact of funding constraints on the voluntary sector workforce:

Comments:

- 'more part time and short term contracts...'
- 'We are in consultation with staff about pension changes. We have also introduced a new grade of staff with lower pay and are increasing the number of flexible hour contracts.'

- 'a revision of terms and conditions has restructured certain conditions such as maternity leave to just statutory provision'
- 'We believe we must keep investment in learning and development in order to combat the lack of consolidated pay awards and the more for less that staff are feeling.'
- 'We have introduced a series of on-line training packages in an attempt to control training expenditure.'

References

1 CCPS is grateful to the CBI for their assistance in developing this survey. Further information on the CBI business optimism survey is on their website.

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

3 At December 2012, CCPS membership stood at 73 organisations, of which 37 completed the survey. A full list of CCPS members is available at <http://www.ccpscotland.org/about-ccps/members-list>



About CCPS

Coalition of Care and Support Providers in Scotland is the national association of voluntary organisations providing care and support services across Scotland. In 2010-11, CCPS members managed a total annual income of over £1.3 billion, of which an average of 79% per member organisation related to public funding.

Over this period, members supported approximately 300,000 people and their families, and employed around 45,000 staff.

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