

Business Resilience Survey 2015

Summary of results

CCPS has been running a survey for several years to track changes in the way that major third sector social care and support providers are responding to the economic, social and public policy environment in which they operate. We recently reviewed the survey to refresh the focus and to link it more closely to our strategic plan. The results are used to gather evidence to support our policy work, to help us shape our work programme, and to measure progress against our objectives.

Method

An online survey using a Likert scale format and open text boxes for comments for each question. There are 6 parts to the survey covering the following areas:

- Optimism about the general business situation
- Financial trends, including income, surpluses, deficits, reserves, funding and sustainability
- Procurement Trends, including engagement and withdrawal from procurement exercises
- Workforce trends, including employee numbers, pay and conditions and recruitment
- Partnership and collaboration, including involvement with integration and other service planning
- Housing support and early intervention provision

The survey is sent to all CCPS members, as well as to the Criminal Justice Voluntary Sector Forum and Housing Support Enabling Unit stakeholders. This year, 45 organisations completed all or part of the survey, of which 5 are not CCPS members but provide housing support services. This represents nearly 50% of the CCPS membership.

In addition, results of the survey were discussed with a focus group of 8 respondents representing all of the different areas of care and support provided by CCPS members. Their input has been included in the analysis below.

Part 1 - Levels of optimism

The opening question asks about general feelings of optimism and what factors are influencing this feeling. The result this time - over 50% saying they are less optimistic – continues a trend reflecting increasing concerns with the overall business environment. In fact, it is the highest level of respondents feeling less optimistic since 2010.

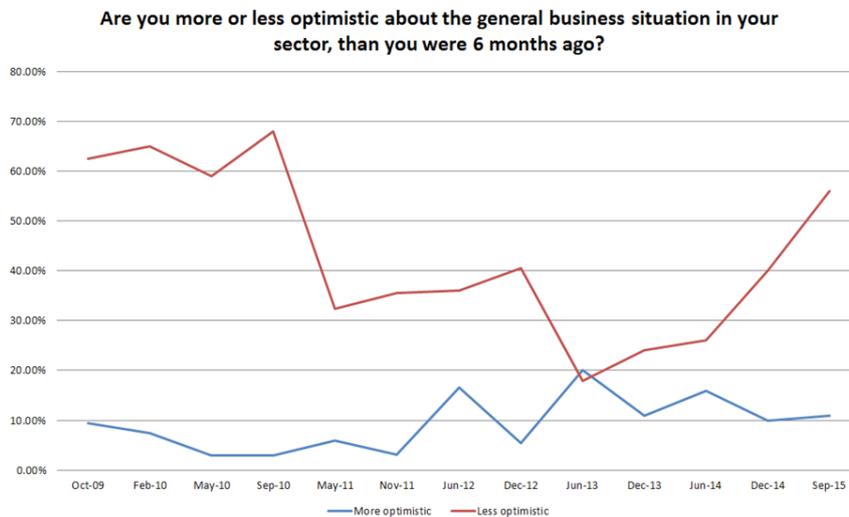
From the comments, it seems that there are four main themes influencing levels of optimism and which recur throughout the survey:

- Ongoing and anticipated future local authority funding cuts, no inflationary uplifts, and the culture of more for less.
- Staffing costs: including the living wage, the cost of sleepovers, holiday pay, travel time; pension costs and pension deficits
- Procurement and competitive tendering: contract values; procurement practices; the frequency of tenders

- The impact of different policy initiatives, including: SDS and the inconsistency or lack of implementation; integration of health and social care and its focus on structure over outcomes; and the slow shift to preventative spend

There were also a small number of comments noting opportunities for growth, for example in terms of new areas of service development, and even in the potential of health and social integration and increased direct payment work through SDS.

Overall, comments in the survey as well as the focus group highlighted the increasing volatility of the environment in which providers are working and the resulting impact on decent sustainable services. Many respondents referred to the demand on resources that comes with increasingly difficult recruitment and retention of qualified staff; complexity and frequency of procurement exercises; and the implementation of a range of policy and legislative changes coming from the Scottish Government and Westminster. As a result, organisations are largely 'running to standstill.'



Part 2 - Financial Trends

Income trends

While overall optimism is in short supply, nevertheless, it is not all doom and gloom. Nearly 50% of respondents reported that income has risen since the last survey. In fact, 80% of respondents said income was either holding steady or increasing. Is this contradictory? Why would income levels be steady or increasing when the sector is under such severe pressure from all sides? Is this a positive indication of good management and overall resilience? Or, are there other explanations that paint a more complex picture?

“Lose some services, gain some more, so whilst it looks like a settled picture, in fact we have lost good services and good staff”

From the comments, we know that some of the reasons for an increase in income were because of service development or an increase in existing service delivery, diversifying funding streams, and in one case an increase in SDS business. Many respondents commented that the increase in income was marginal and incremental.

Decreases in funding were caused by other factors including funding cuts, eroding full cost recovery for services (which threatens service viability), no inflation uplifts for several years, hourly rates falling behind costs, re-assessment of care packages resulting in reduced hours, and procurement processes.

“Whilst we have developed some new services we have seen a reduction in other services

either by volume of delivery or a reduction in hourly rate or at best a standstill rate."

Although almost half of respondents reported that their income had increased in the last year, we know from comments as well as other sources like OSCR annual returns that these increases are marginal. From the focus group, we also know that many organisations are "running to stand still" and being spread more thinly because they are being asked to deliver more services, on a larger scale, often for less.

"Incremental growth in services but we are still doing a lot of 'running to stand still'"

"I expect to reduce somewhat on the basis that we will not compromise quality and we will not allow staff terms and conditions to be reduced"

Not only are providers being asked to deliver more for less but often they are being pressured to follow the market forces, which can result in what we termed 'bad growth'. During the focus group with providers, we explored this idea of 'bad growth' in more detail.

Several respondents commented about a pressure to follow tenders or expand in to services beyond their core business. This appears to be happening more frequently where a Local Authority would retender an amalgamated group of services. In order to keep the one service they are delivering, the provider had to tender for the entire contract though they did not necessarily wish to expand their services in that area. Being asked to deliver more for less, with increasing deficits, was also defined as 'bad growth'. Although income may have increased, it may be costing the organisation more to deliver services.

Participants in the focus group also raised the issue of the changing nature of the staff structure. Several respondents said that they were concerned that the number of experienced, highly qualified staff and managerial support is decreasing in relation to the number of less experienced frontline staff in response to cost pressures. This, combined with the increasingly complex needs of the people that they support, makes respondents concerned that the quality of service will be affected.

Operating surpluses and sustainability

50% of respondents reported decreasing surpluses. The main factors influencing this trend are rising staffing costs due to recent judicial interpretations of the European Working Time Directive (WTD) affecting wages in the context of sleepovers and holiday pay, increased use of agency staff, maternity leave, staff sickness or absence, payment of the Scottish Living Wage, and pension auto-enrolment; coupled with reduced funding and no inflationary uplifts.

"The increasing costs of pensions, sleepovers and national minimum wage will mean this trend will increase unless we negotiate significant increases in hourly rates from local authorities"

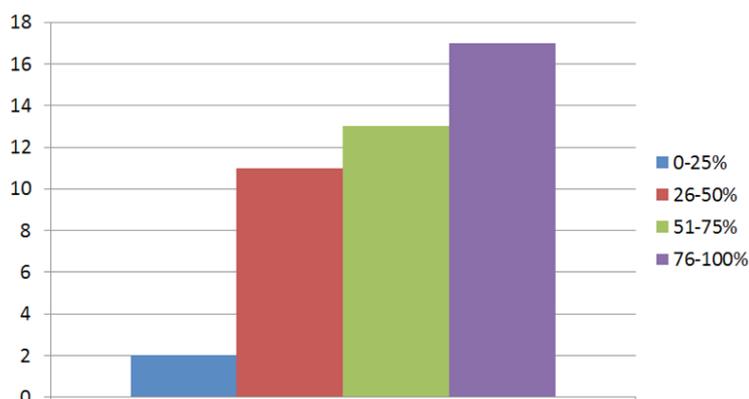
"Paying the living wage has reduced our surplus compared with last year and making provisions in the accounts for the impact of holiday pay claims and/or national minimum wage compliance on sleepovers has resulted in more funds being put away for that rainy day."

The pressure of increasing staff costs was a dominant theme throughout the survey – which is no surprise given that staffing costs are a huge percentage of running costs for provider organisations (as much as 85% of total costs). Pressures to improve staff pay, terms and conditions are widely welcomed by providers but they are clear that they are not able to bear the costs of this without significant contribution from Local Authorities.

For those organisations that indicated that their surpluses had remained stable or increased, they mentioned a wide range of coping strategies, including re-organisation, improving efficiencies and revising staff terms and conditions. In the focus group, several people clarified that where surpluses did occur, they were tiny and in some instances the result of self-generated income.

13 out of 43 (30%) respondents said that less than half of their services were funded at sustainable levels. The main reported threats to sustainability are the recurring themes of staffing costs and reduced funding.

Services funded at sustainable levels



“Tricky to answer this as we are making ends meet at the moment, but the pressure on costs – especially the new national living wage – are going to make sustainability a significant battle going forward. Difficult to put an exact figure on it but we would expect sustainability to be problematic across most services.”

While the approach organisations take towards addressing unsustainable service varies, several respondents indicated that they would withdraw from services rather than compromise quality.

“Our organisation has a positive approach to service sustainability and will actively withdraw from services with financial deficits. It is the position that the organisation will not compromise on the quality of services for the people we support to accommodate imposed budget cuts.”

Trends for service deficits

In keeping with concerns about sustainability, 41% of respondents tell us that the number of services running at a deficit is increasing and that this is putting services at risk. Many respondents have withdrawn or are considering closing unsustainable services as a result. We will look at this in more detail below. A small number of respondents are negotiating with Local Authorities about funding but it is not clear how successful these talks are.

In the focus group, one provider commented that, at times, they will decide to subsidise service deficits for strategic reasons, including maintaining longstanding relationships, or because of an organisational commitment to the service.

Reserves

Results from the survey showed that about one third of respondents have reducing reserves, another third are keeping reserves steady and about one quarter have increased their reserves

by a small amount.

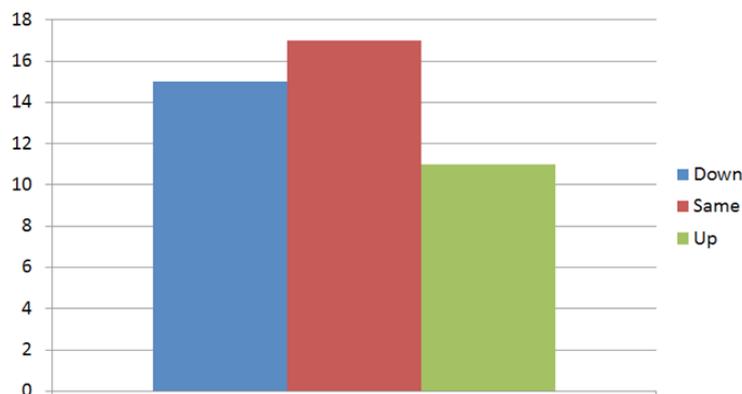
Those with stable reserves indicated that they were proactively working to protect reserves with strategies including “staff restructuring, delays in filling non-critical staff posts and improved cost-efficiencies.”

“continuing very tight scrutiny of budgets and staff levels as well as efficiency savings”

Respondents with increasing reserves said that this is a result of a diverse range of funding sources including income from property or a social enterprise element of the organisation. Some respondents indicated that reserves were earmarked for capital investment.

Respondents in the focus group said that where, in the past, they might have used reserves for development or investment, they are now hanging on to them in case of a crisis. They also

Organisational Reserves



pointed out how the level of reserves looked at in isolation can be an imperfect indicator of the financial health of an organisation. For example, stable reserves in an organisation with increasing turnover and staff could potentially increase risk.

Inflationary uplifts for services

Almost 80% of respondents reported that less than a quarter of their services have received an inflationary uplift.

As in previous surveys, many respondents commented on the impact of having had no inflationary uplift for multiple years (more than six years in some cases).

“Most services received no uplift yet again which taking inflation into account is a cut in reality (fifth year), some services have had % reduction in hourly rates and some services where retendering of existing work has taken place have seen price cut as a result of the tendering exercise.”

“This threatens the medium to longer term viability of the services and has an impact on our ability to maintain reasonable staff terms and conditions”

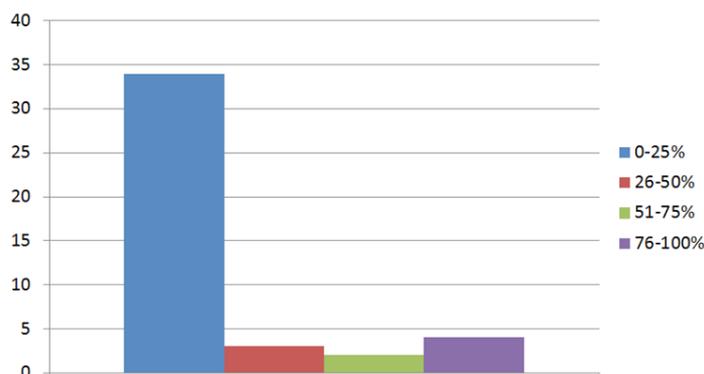
“We have not been able to make cost of living awards for yet another year and staff are starting to compare us unfavourably to other organisations.”

A small number of respondents mentioned increased rates, including the recent national

care home rate increase and local rate increases. Even for organisations that did report some increases, it did not cover all types of services.

“Rents and fees increases are still within our control and of course the NCHC (National Care Home Contract) rate increased by more than inflation. It was [Housing Support] that remained static.”

Proportion of services receiving inflationary uplifts



For all organisations, outside pressures on staff pay such as recent WTD rulings, the upcoming national minimum wage increases as well as the Living Wage Campaign were a cause for concern. These pressures on expenditure without a prospect of inflationary uplifts or other funding adjustments in the future may begin to threaten service delivery. Providers were clear that they are not in a position to cover increasing staffing costs without increased funding.

“Negotiations and discussions with our commissioning teams and the deficits in key authorities strongly suggest that there will be no movement in terms of uplifts in the immediate future. That said, I do expect there to be some movement in terms of funding shortfalls as a result of ECJ /employee rulings around overtime and NMW- whether or not this is addressed via inflationary uplifts or some other mechanism is yet to be seen.”

Local authority budget cuts

70% of respondents reported local authority budget cuts since last year and most fully expect this trend to continue into 2016.

Some specific services were mentioned as being targeted for cuts – Housing support (floating), early intervention and day services – all of which are preventative services. Despite a policy shift towards prevention, there continues to be evidence of a shift towards Local Authorities only funding acute and higher level services, and cutting early intervention services. However, there are one or two reports of authorities taking a more creative approach to managing their budget pressures:

“We expect the trend (of budget cuts) to continue or at best remain static. However, when presented with the financial facts and underlying problems, some local authorities have been open to dialogue and collaborative work to develop sustainable solutions through service redesign”

Part 3 - Procurement Trends

Abstained or withdrawn from procurement process

We asked respondents to tell us if they have abstained from or withdrawn during a procurement process because the terms were not financially viable. Over 60% said yes.

The main factors influencing this trend are the obvious problems of funding not being sufficient to enable delivery of a high quality service, as well as some specific issues, including the impact of TUPE and pension costs, and the contract taking no account of travel time.

One respondent interestingly noted that they had withdrawn from a procurement process because they knew another provider would do a good job; and one respondent cited withdrawal because of the focus or purpose of the tender.

In terms of withdrawing from current contracts, so far a lower proportion of respondents have taken this step but it looks set to increase. Nearly 20% reported withdrawing from a current contract, another 10% said they were considering this, were close to the wire or may consider this in the future.

"We have changed our attitude to contractual arrangements which have a poor financial outlook and are withdrawing at an early stage if we cannot see a way to square the circle."

It is encouraging to note that there are a few reports of Local Authorities being receptive to negotiation, which has enabled providers to continue with existing contracts.

In the focus group, we discussed the impact of handing back a service and concerns about the inefficiency of this outcome. Handing back a service can result in either the service being de-commissioned (which means that the people supported no longer have the support) or the service being transferring to another provider (or in one example, to many providers before eventually coming back to the original provider for the original cost). Either way, there can be significant economic inefficiencies, and often a very poor result for staff (caught in a TUPE roundabout) and service users (who may have a revolving door of support workers).

Part 4 - Employment Trends

Numbers employed

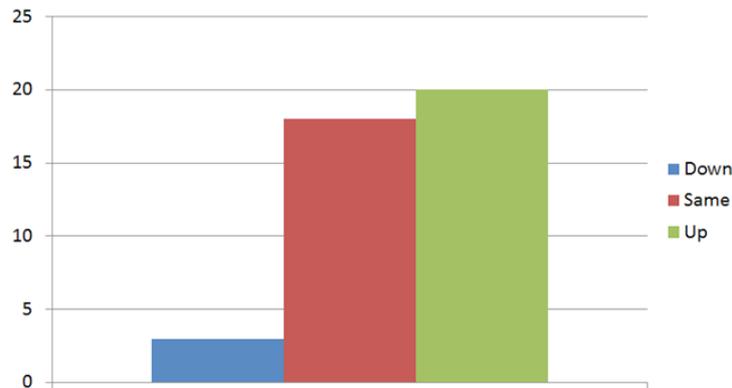
The most recent Scottish Social Services Council statistics show the Social Services workforce increased by 10,000 from 2013 to 2014. Our survey appears to mirror this trend - with nearly half of respondents reporting an increase in numbers employed, the balance remaining stable, and only a very small number seeing a decrease.

Nine respondents indicated that the increase was due, at least in part, to an increase in part time, fixed term and minimum hour contracts for staff.

"We have far more part time posts than full time posts now and rarely offer full time. We never use agency staff and do retain staff on zero hours but they often then become permanent contracted staff."

In response to our request for more detail about the nature of employment increases, there is evidence of very diverse and in some cases contradictory approaches, for example some have a policy to never use agency staff while others have increased use of agency staff; a policy

Numbers employed



of never using zero hour contracts vs. increased use of zero hour contracts; and improved recruitment vs increased recruitment difficulties.

Trends in staff pay and conditions

In terms of staff pay and conditions, there is a notable upward trend, with 66% of respondents saying they have increased pay in the past year. Only two reported that pay had decreased. Based on comments, it seems that the pay increase has come from two outside pressures – the Living Wage Campaign and the various WTD rulings. We would expect that these trends of increasing pay will continue given the new NMW (Living Wage) but that the challenges to maintain this will also continue. Respondents are concerned not only about the impact of statutory wage increases on the lowest paid part of the workforce, but also about the knock-on effect as increases also need to be made to pay grades above.

Where cost of living increases were awarded, these have been small (1-2% cost of living increases) and were reported by only seven organisations (or just over 15% of respondents). Both staff terms and conditions and training and development generally appear to be holding steady with two thirds of respondents reporting no change.

In the focus group, people mentioned that the shift in resources away from other things in order to pay for wage increases is not sustainable, especially with the pressure on wages set to increase.

Training and Development

Providers see their commitment to training and development as being directly linked to improved staff retention and quality of service.

“Importance of investing in staff retention – we wish to be an organisation that people want to stay with.”

However, there are concerns about increased regulatory requirements for registration and qualification (including vocational training) and whether support from the Voluntary Sector Development Fund is keeping pace with these increases. Respondents are generally very supportive of initiatives to strengthen the qualifications of the workforce, and have a continued commitment as employers to put money and resources into training and development, but the combined pressures from increased regulation and decreasing funding are unsustainable. There is evidence of pressure on housing support in particular at the moment, but also recognition of the support from the commitment from Scottish Government.

"We will see additional cost pressures as result of meeting SSSC requirements re staff qualifications."

"Our strategy focussed very much on the development and up-skilling of our staff and management via a revised approach to learning and development. Feedback and assessment of impact demonstrated emerging evidence of improved performance, management and leadership and staff morale. It is anticipated that our costs will revert in line with budgetary levels in the next business year."

Recruitment

Recruitment stands out as one of the biggest issues in this survey: 90% of respondents report some or a lot of difficulty with recruitment.

The reasons given for these difficulties are: geography (the most common factor); and unattractive pay rates; with a small number noting difficulty recruiting people with the right skills. The Housing Support focus group highlighted the importance of care and support work being seen as a valued and valuable career path.

We asked respondents to identify which types of job were more difficult to recruit for, and what were the main factors influencing this.

Types of service where recruitment is challenging include: care at home and housing support, SDS, and residential childcare; while for types of job/roles, the majority of respondents note front line support workers, and couple mentioned service managers.

"Care is not seen as a desirable career and is low paid therefore less people are choosing to take this path."

'Generally social care is a good career but the salary levels do not match the skills and knowledge we require to support vulnerable people. My personal view is that it is a national disgrace the way social care workers have been treated in recent years and we must find a way to improve terms and conditions and make social care a more appealing prospect for people.'

The impact of recruitment difficulties is an increased use of agency staff and more overtime; and increased need to run training to upskill existing staff. More generally, the focus group noted the significant level of resources that recruitment takes. Some organisations are almost constantly recruiting for support staff, which absorbs organisational time and energy and diverts resources away from frontline service delivery. For example, with service managers spending more and more time recruiting staff, they have less time to spend managing the service.

Part 5 - Partnership and collaboration

This is a new section in the survey, introduced to gather information on levels of partnership working and collaboration among CCPS members, with the wider third sector, and with the public sector. It provides us with a benchmark in the early stages of the integration of health and social care and other national policy developments which have adopted the Christie principles to a greater or lesser degree (e.g. children's services planning in the Children and Young People Act 2014, and community justice reform in the Community Justice Bill).

Involvement in partnerships with other providers

There is a very diverse range of partnership and collaboration going on among respondents:

- More than half are involved in some form of public social partnership
- One third are in some type of consortia for service delivery
- Over 40% are engaged in some form of shared training or other workforce development initiatives

What different does it make?

On the positive side, respondents noted that it facilitated growth, resulted in better outcomes for service users, and shared risk between organisations; enhanced knowledge and experience; provided opportunities to influence change; raised awareness of strategic directions at both local and national levels; and fostered a more equal feeling of partnership. They also noted that good relationships between CEOs are essential, and one said they have a strategic objective for more partnership work.

On the less positive side of the equation, several respondents said that collaboration has not been successful or has had no impact, some has taken much longer than originally anticipated, and many commented that it is very time and resource intensive.

Involvement in integration of health and social care and engagement with Third Sector Interfaces (TSIs)

We asked questions about the level of involvement with the strategic and locality planning groups for local integration partnerships and how much engagement there has been with TSIs, which is important because they are the link between the third sector and the integration joint board, and also have a role in facilitating third sector involvement with a range of other integration and community planning processes.

A small number of respondents are very active in a large number of integration partnerships. A small number have had little or no engagement and the balance, nearly 50% of respondents, said they are engaged in local areas relevant to their service delivery. This indicates that despite the challenges, providers recognise the value and importance of the process. However, comments show that it remains a struggle to prioritise without specific resources, and there are questions about the links with procurement and commissioning and the extent to which the integration partnerships will be influencing significant changes in the way services are planned and designed.

A similar number of respondents said they are engaged with their local TSI (or in some cases several) though again only half of respondents answered this question and of those, 6 said they have no contact with the TSI. Of this small number of respondents, most noted a desire to be more involved generally with TSIs, because it is seen as a way in to engagement with planning, or because there is concern that the TSI is not representing the voice of larger organisations.

Involvement with children's services and criminal justice services planning

Involvement with children's services planning remains patchy, with 30% of respondents saying they have none. Criminal justice planning involvement is even more limited. Both these areas are evolving, with new or upcoming legislation that will require greater collaboration with the third sector, communities and services users. This presents opportunities and challenges for providers that will require a careful balance between maintaining existing relationships and considering new ways of working with other providers, service users and the wider third sector.

CCPS and other national representative organisations have been advocating for a stronger role for providers in these arenas and recognise that a lot of work needs to be done locally to support effective participation.

Part 6 - Housing support and early intervention work

In this last section of the survey, we have asked three questions that aim to gather data about levels of housing support provision and whether there is a trend towards more or less early intervention, preventative support. In terms of housing support provision, about 80% of those who responded said that it has remained constant or increased. However, at least 4 of the 6 who reported significant decreases (down by more than 25%) in housing support services, are large national providers. This may therefore be more significant in terms of overall provision.

"In terms of housing support it would appear the changes within welfare reform have increased the need for support and advice, particularly around benefit and money advice. Public sector cuts are meaning more work needs to be done around appropriate and safe assistive technologies for individuals. It is also important to note that while the demand is increasing the funding isn't - operating within a more for less culture that has it limits for all organisations."

The pressure on supported accommodation, in particular, is expected to continue following the Autumn Budget announcement that Housing Benefit levels for supported housing will be capped at LHA rates.

Early intervention services have remained constant as well, with 50% of respondents reporting no change, 25% reporting a decrease and 25% reporting an increase.

"We have seen a reduction in budgets for our self-harm services and young people (walk in) services. This has caused some uncertainty amongst experienced staff and we have seen an increase in staff turnover where budgets are cut or the threat of retendering has been suggested."

Conclusion

Both this survey and its predecessor, the Provider Optimism Survey, focussed on the impact that financial and legislative changes have on providers and services. However, in comments in the survey and in the focus group, providers mentioned again and again the ultimate impact on service users.

"They [service deficits] do threaten the services; currently we have supported them from reserves. The trustees can no longer do that, but the alternative is people leaving their homes and going into shared care. Most of whom could not and would not cope without medical intervention."



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 2012-2013, CCPS members managed a total annual income of over £1.3 billion, of which an average of 76% per member organisation related to public funding. Over this period, members supported approximately 350,000 people and their families, and employed around 43,000 staff.

About HSEU

The Housing Support Enabling Unit helps providers to demonstrate the impact of housing support and to raise awareness about the role housing support plays in helping people to secure and maintain appropriate housing.

The HSEU works with and assists providers of housing support across the independent and third sectors.

The Housing Support Enabling Unit is a partnership initiative between Coalition of Care and Support Providers in Scotland (CCPS) and the Scottish Federation of Housing Associations (SFHA), funded by the Scottish Government.

About CJVSF

The Criminal Justice Voluntary Sector Forum (CJVSF) is a collaboration of voluntary sector organisations working in criminal justice in Scotland. A list of our current members can be found [here](#). We warmly welcome new members. If you are a voluntary sector service provider working within criminal justice in Scotland and would be interested in joining the CJVSF, please get in touch.

CJVSF is hosted by CCPS and funded by The Robertson trust and The Monument Trust.



CCPS is a company limited by guarantee registered in Scotland No. 279913, registered with the Office of the Scottish Charity Regulator as Charity No.SCO29199. The company's registered office is at Norton Park, 57 Albion Road, Edinburgh. EH7 5QY.