

**Children
England**

**Charities working for
children and families**

Counting the Cuts:

**The impact of public sector spending cuts on
children's charities**

March 2011

Summary

It is a challenging time for everyone involved in providing services to children, young people and families; public and voluntary sector alike. Public spending cuts, the 'Big Society' policy agenda and the forthcoming public service reform white paper expected to give prominence to the voluntary and community sector as public service providers, combine to create a climate of uncertainty and huge change. It is against this backdrop that Children England has undertaken a comprehensive survey of its members to gain a snapshot impression of the challenges currently facing the children, young people and families' voluntary sector.

With member organisations working in all parts of the country and ranging from small local groups to the largest household names in children's charities, Children England is in a unique position to represent a full and detailed picture of the current impact on the sector. Respondents to the survey alone have a combined annual turnover of more than £800 million representing a significant proportion of the children's charity sector.

Unsurprisingly, what we found is a sector facing considerable pressures and insecurity about the future, with 71 per cent experiencing some level of cut to their funding and many at the time of survey (7-21 March) still awaiting funding decisions affecting service provision and staffing. The impact of commissioning that we found in our recent study¹, is reflected in the financial situation many in the sector now find themselves in, with concerns about their own sustainability and that of the wider voluntary sector. This at a time when the Government is promoting the sector as the main vehicle for its renewal of civic society and public sector reform.

Perhaps unsurprisingly to those who know the sector, what we also found is a positive determination to meet the challenges head on and to ensure that service to the children, young people and families that depend on them continues as far as possible. There are examples of organisations meeting the challenges in a variety of ways: reconfiguring services and staffing, developing alternative funding and marketing strategies and investing in future sustainability.

The Survey

Children England's members were surveyed between 7-21 March 2011. The survey was communicated by email and then followed up with phone calls. The aim was to speak to as many people as possible directly. The survey was accessible online and some people chose to participate this way with follow-up conversations where possible. 70 per cent of Children England's membership participated in the survey in some way. Participants were representative of the full range of membership organisations in size, geographical reach, client groups and services provided.

¹ Commissioning: A Better Way? The impact of commissioning on the children and families voluntary sector, Children England (December 2010)

Not all organisations answered every question so there is some variance in response rates. The full list of respondents can be found at Annexe 1.

The survey asked questions about funding, staffing and volunteers, impact on services and the children, young people and families that they serve. It also sought to gain impressions, experiences and views from organisations about the current situation in the areas in which they operate and their responses to it.

Key findings

- **Most participants (71 per cent) are experiencing cuts to their budgets in 2011/12**
- **Of those organisations in receipt of local government funding 80 per cent are experiencing cuts**
- **Two thirds of organisations were still awaiting funding decisions from LAs for 2011/12, many not knowing whether services would still be running on 1 April and with staff on notice of redundancy**
- **40 per cent of organisations anticipating staff cuts in the first 6 months of 2011, rising to 66 per cent over the whole year**
- **Over a third of organisations who receive funding from charitable trusts, individual giving and corporates are anticipating an increase in funding from these sources**
- **There are 14 instances of service closures reported**
- **Children's Centres, Sure Start services, youthwork, family support services and play services are amongst the hardest hit**

Funding and the Future

Participants were asked to compare their overall projected income for 2011/12 to this year's and across the following different funding sources:

- National Government
- Local Government
- Individual Giving
- Charitable Trust and Foundations
- Corporate Funders

71 per cent of organisations responding to this question identified some level of cuts from this year to next ranging from 0-25 per cent to 75-100 per cent of their overall budget. The majority of overall budget cuts seem to be at the lower end of the scale but over a quarter of organisations are experiencing cuts of more than 25 per cent.

Table 1	% who report a reduction	% who report an Increase
All sources	71	9
National government	47	12
Local government	80	8
Individual giving	29	33
Charitable trusts & foundations	30	43
Corporate funders	12	35

Of the 51 organisations who receive funding through local authority contracts and grants, there is significant impact with 80 per cent experiencing or anticipating some level of cut. With many organisations still awaiting decisions and some with contracts being rolled over for three to six months pending future decisions, it has to be acknowledged that the picture is indicative rather than precise. Most organisations we spoke with are experiencing frustration about the process for decision making in local authorities in particular, and impacts on their ability to forward plan for their service users and staff. There was a huge variation in experiences of engagement with local authorities.

Many organisations are perplexed by what one Chief Executive described at the 'new era' of public and voluntary sector relationships. The move towards a 'pay as you go' type funding arrangement in the form of spot purchasing² and payment by results³ requires quite a shift for many organisations – the critical issue being the financial capability of organisations to meet the costs of providing services up front, while awaiting payment on production of their results. There is much to be learned here from the number of adoption and fostering agencies who participated in our survey and who have been operating on an interagency fee per placement model for many years.

² Spot purchasing involves commissioning services as and when needed, most often for individual clients or for particular services such as training. This can include *framework contracting* which means agreement to purchase a number of service units over a specified period of time

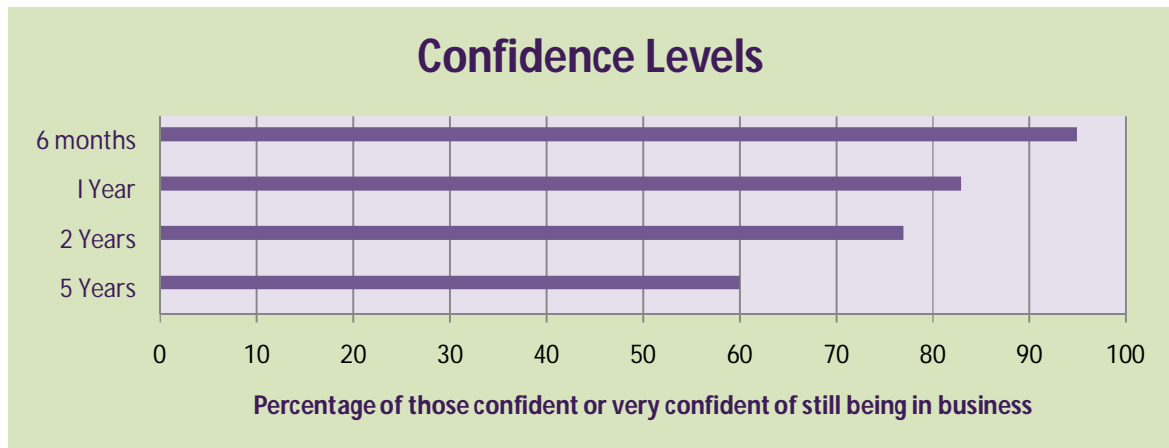
³ Payment by results essentially means that a proportion of the payment, from central or local government to providers, is dependent on achieving specified results - for example, a reduction in reconvictions among young offenders

Across the whole range of funding sources, the picture is more mixed. Around a third of those who receive funding from charitable trusts or foundations or through individual giving are anticipating reductions. There is also some level of concern about the impact of the economic downturn on other funding sources. Even for those organisations who receive no statutory funding there is some concern about increased competition for charitable trust funding. Conversely a significant proportion is expecting increases in their funding from these sources (see Table 1).

The picture in relation to corporate funders is less clear with only 5 organisations anticipating cuts to their funding, a third anticipating an increase and over half reporting no change. Our analysis suggests that most members do not receive funding from corporate funders which could explain any anomalies here.

Table 2	Reduction of 25% or more	Reduction of 0-25%
All sources	25	45
National government	31	16
Local government	36	45
Individual giving	6	22
Charitable trusts & foundations	13	17
Corporate funders	4	7

In terms of sustainability and future confidence, we asked organisations to indicate whether they felt that they would still be in business in six months, one year, two years and five years. The general picture is a steady decline in confidence from 94 per cent confident of staying in business for the next six months, falling to 60 per cent confident of still being in business in five years' time. There is a very mixed economy within the children's voluntary and community sector and unsurprisingly those organisations who have no engagement in public sector contracts are least financially affected by public sector cuts, and therefore more confident in the face of current challenges. In one sense the message seems to be that the charity sector is effectively dependent on itself for future sustainability in the form of charitable trusts and foundations and individual giving, rather than viewing public service contracts as offering a reliable or sustainable future for their work. A number of organisations report strategic decisions to move away from chasing statutory funding to focus more on charitable and corporate funding.



Staffing and volunteers

The main resource within the voluntary and community sector is people, and with 66 per cent of organisations anticipating staffing cuts in 2011-12, managing the loss and reconfiguration of staff and volunteers is a significant consideration. Of course dealing with the termination of funding contracts and resultant service closures is not new to the sector – most organisations who receive them are used to the upheavals of short term funding and contracts and the need for a clear funding strategy and continual funding bids.

What seems to be significant at this current time is the level of uncertainty – mostly due to delays in local authority decision making. Several Chief Executives stated that they had a number of staff on notice of redundancy since January to fulfil the notice period requirement, who at the time of undertaking the survey were still not sure whether they would have a job at the beginning of April 2011.

Organisations are adopting a range of approaches and strategies to mitigate the worst effects of budget cuts on staff, such as vacancy freezes and reduced hours. The principle point seems to be that what is required is a great deal of flexibility and creativity and some rethinking about employment practices. A number of organisations reported using more sessional staff and employing people on zero-hour contracts⁴ – both of which mean that workers are only paid when they are needed. Some of this flexibility was linked specifically to being funded on a spot purchase basis, but in other cases it was simply a response to the changing nature of commissioning.

⁴ A zero-hour contract is a recent type of under which an employer does not guarantee the employee a fixed number of hours per week but is called upon when needed and receives compensation only for hours worked.

In some cases organisations have negotiated reduced hours with staff to avoid redundancy or are not replacing staff leaving for other reasons. One Chief Executive cited zero-hour contracts as a means to assist those staff not eligible for redundancy to retain their employed status and thereby be in a better position to find other work.

Most organisations reported little change to their volunteering capacity at this time but we also picked up a lot of concern about the lack of appreciation of its costs in the Government's promotion of volunteering. There were very clear statements about the fact that volunteers need to be properly supported and resourced to ensure a good experience for both the volunteer and the organisation, and ultimately its service users.

The Government's *Giving Green Paper*⁵ does recognise that volunteering is 'resource intensive' and there a number of programmes that have been announced to support volunteering. The Government's case is not helped however by the widely held perception among respondents that it views encouraging volunteering as a 'new' idea, within the 'Big Society' agenda.

Service Impact

For all organisations the consequences for the children, young people, families and communities who use their service is their critical concern in relation to the impact of the recession and funding cuts. Some organisations expressed some frustration with this survey in that it did not focus enough on this aspect – albeit that it was given equal weighting in relation to funding and staffing and volunteers.

The huge range of services that member organisations provide came across very strongly and is reflected in the distribution across our service user and service model response matrix. Respondents were asked to indicate across a range of service user groups and service types whether they anticipated reductions, increases or no change in service capacity. A number of organisations did not provide data for this question because they felt that it was too early to give a definitive picture.

Overall the impact is varied and because of the distribution across the range of services and users, it is hard to draw any firm conclusions. There are a total of 14 instances of service closures reported, and reductions in service across the full range of services and service user groups.

Many respondents felt that early intervention services are being harder hit than many other services that local authorities have a statutory duty to provide. This is supported to some extent in that a third of those who provide services such as Sure Start Children's Centres and related services, play services, family intervention services, short breaks for disabled children and youthwork services report a reduction in capacity. Advocacy and leaving care services also

⁵ <http://www.cabinetoffice.gov.uk/resource-library/giving-green-paper>

seem to be affected to a similar degree. The most notable anticipated increase in capacity seems to be in relation to adoption and fostering services with 40 per cent of organisations who provide them reporting an expected rise.

In relation to service users the picture is less clear. Some organisations responded to this question in terms of who their service was accessible to, and others only in relation to targeted services. It is hard to state conclusively but work with families, including fathers and teenage parents, and homeless children and families, all seem to be being hit. Many organisations expressed concern about increased demand for their services as a consequence of other local service closures and welfare, housing and other reforms. In some ways, the most interesting picture is emerging where organisations indicate funding and staffing reductions but report the service capacity to be remaining the same – there is a clear commitment right across the sector to retain service levels despite reductions.

A number of respondents said that they are concerned about the impact of the cuts on quality of service, with funding constraints and increases in service demand combining to create the pressure for services to do even more, for more people, for less money. There were fears that staff time and expertise becomes spread too thin, compromising the quality of service to individuals, and that the investment of time and resources in vital professional training, learning and quality assurance processes are squeezed out as being 'unaffordable luxuries'. This is a particular concern for those providing cost intensive services such as residential care. Organisations providing services to support professional development within the sector at local, regional and national levels, report feeling particularly at risk, with the drive towards paring down to essential and direct services. This concern is exacerbated by the significant changes to investment in sector training and skills.

Conclusions

In the current economic climate and at the current time, the most surprising outcome of a survey such as this would be to report little or no impact on the voluntary and community sector. Anecdotal evidence from our members, other surveys of this kind and wider analysis of the impact on the voluntary sector have all pointed to a gloomy picture. What is most interesting perhaps is that despite that context, the impact, experience and response is nuanced. So what have we learned?

- Overall the sector is experiencing a difficult time with high levels of anxiety about the future and the many impacts for the children, young people and families that it serves. Our survey shows that this concern is justified. With four out of every five organisations receiving public money experiencing cuts to their funding from local authorities and nearly half experiencing cuts in national funding, the impact is significant and it could be argued, disproportionate. The Spending Review settlement involves a 27 per cent cut in local authority budgets over four years, and a 12 percent cut in the DfE's non-schools budgets over the same period. In comparison, our survey finds over a third of our member organisations anticipating local authority funding cuts of 25 per cent or more in this year alone. It does appear that many in the voluntary and community sector are feeling the brunt of the impact.
- The Government has committed itself to supporting early intervention through the Early Intervention Grant (EIG) and through the work of the Early Intervention Commission. The EIG incorporates existing separate funding streams for Sure Start, early years funding, Think Family, a range of grants for work with young people including teenage parents, and short breaks for disabled children. Our survey shows that early intervention services are feeling the impact across Children's Centres, other Sure Start services, work with families, play services and youthwork. When considered against Government policy priorities to support families, to make an impact in the early years and to support early intervention across the age range, this finding should be of concern. The Government has said that it wants to remove ring-fencing to give local authorities the flexibility to respond to local needs and to drive reform. This raises the question of how to ensure a link between national government and local government policies and priorities in the face of public sector cuts, and whilst the Government is preparing to launch its proposals for public sector reform.
- It is clear that the role of voluntary organisations in delivering public services is critical and a tenet of the Government's public sector reform agenda. In its Programme for Government the Coalition made a commitment to *'support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services.'* The sector is resilient and tenacious with the ability to be flexible and responsive and an increased role in public service delivery has the potential to offer many opportunities. However

uncertainty in future funding is having a negative impact on strategic planning. Organisations that seem to be faring best in our survey are those who are not on public sector contracts, or have low proportions of public funding within a mixed portfolio of income sources. There are many examples of organisations changing strategic direction on funding and adopting different business models in response to a changing funding environment and climate. This is strong evidence of the sector's independence, resourcefulness and responsiveness to change. The challenge for Government, however, is that while they have ambitions to see far greater involvement of the voluntary sector in contracting to provide public services, the sector perspective and learning from this period will be that public contracts are a high risk, organisationally destabilising and unsustainable strategic option. The Government needs to address the deficit in confidence that is emerging within the sector urgently.

- Voluntary and community sector organisations are at the centre of delivering the Government's vision for the Big Society. They are rooted in understanding the communities they serve and support, and being responsive to need. It is a resilient and optimistic sector but the scale and speed of current change is having an impact. The sector is in danger of becoming the 'squeezed middle', taking the brunt of cuts and the effects of the economic downturn themselves along with the impact of chaotic commissioning processes in relation to staffing and services, whilst at the same time being closest to picking up increased demand for their services from families affected by cutbacks. There is a significant risk that while placing a growing voluntary and community sector at the heart of Government plans for a more sustainable economy, the Coalition may more immediately preside over a period of the most substantial reduction of the sector for many decades, before we've even had a real chance to contribute to Big Society opportunities.

For further information or discussion, please contact:

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Appendix 1

Children England Member Organisations who took part in our survey:

Active 8

Action on Addiction – Families Plus

ACT – The Association for Children’s Palliative Care

Action for Children

Adoption Matters Northwest

Aldlife

BAAF

Barnardo’s

Beatbullying

Birmingham Playcare Network

Browning House Family Assessment Centre

Calderdale Parent and Carers’ Council

Caritas Care

Catholic Safeguarding Advisory Service

Childcare – Brentwood Catholic Children’s Society

Children North East

CCHF All About Kids

Children’s Family Trust

Children’s Links

The Children’s Society

Churches Child Protection Advisory Service

Community Foster Care*

ContinYou

Daycare Trust

DFW Adoption

Faith and Football

Family Action

Families for Children

Family Friends in Windsor & Maidenhead

Family Links

Family Rights Group

Fegans Child & Family Care

Fostering Network

Friendship Works

Fun in Action for Children

Grandparents’ Association

Halton Autistic Family Support Group

Howgill Family Centre

Learning South West

M13 Youth Project
Mill Grove*
National Association of Child Contact Centres
National Children's Centre
Norfolk & Norwich Families House
Northcall
Norwood
NSPCC
Out and About
Ormiston Children & Families Trust
Partnership for Young London
Place 2 Be
RADICLE
Refugee Council
Royal Navy & Royal Marine Children's Fund
Shaftesbury Young People
Shelter
Sing & Grow UK
Spurgeons
St Michael's Fellowship
St Vincent's Family Project
Sutton CVS
Talbot House School
The Together Trust
Voice
Welcare
Who Cares? Trust
Working with Men
Yorkshire Clubs for Young People
Young Lives Consortium*
Youth Organisations Wolverhampton

2 organisations completed the survey anonymously

***Organisations who provided responses but did not complete the survey**