

# Equipped for the Future?

How social purpose organisations in the South West are geared up for the challenges ahead.



## 1. Key findings

- 50% of social purpose organisations feel **poorly or only partially equipped** for the future.
- 30% feel **less confident in or optimistic** about the future than they did 12 months ago, with 34% feeling about the same and 34% more confident and optimistic.
- 44% have **unrestricted reserves** equivalent to just 3 months running costs or less.
- 74% have **unrestricted reserves** equivalent to 6 months running costs or less.
- 47% feel their unrestricted reserves are **“not safe”**.
- 79% think it is **more difficult to fund** their work and 54% are finding it much **more difficult**.
- We asked about the changing pattern of **different types of funding**:
  - 33% report grants from trusts and foundations are **reducing**
  - 50% report local authority and public sector grants are **reducing**
  - 44% report direct public sector contracts are **reducing**
  - 25% report public sector sub contracts/consortia funding is **reducing**
  - 34% report earned income from trading good and services is **increasing**
- 66% generally get the **support** they need but 33% do not or only partially
- **Lack of budget** is the biggest single reason why organisations don't get support
- Help on **impact and social value** and **evaluation** are the greatest support needs looking ahead, with 69% and 59% respectively likely to need this.
- All but one respondent said the public sector has much work to do on **social value** – including fully implementing the Public Services (Social Value) Act.
- Only two respondents said sector involvement in **Sustainability Transformation Plans (STPs)** was adequate – 30% saying the sector was not involved at all.
- Only one respondent said sector involvement in the development of **devolution plans** was adequate – 39% saying the sector was not involved at all.
- 48% need support to help them be equipped for **personalisation and integrated personal commissioning** in health and social care.
- 47% need support to help them be equipped for opportunities in **social prescribing and similar developments**.

## 2. Survey – How and Why?

### Our approach

2.1 Between November 2016 and January 2017 we ran an online survey of social purpose organisations in the South West. We promoted the survey widely to our members, bulletin subscribers, twitter followers and other contacts. Some individuals and organisations also kindly promoted the survey to their own contacts. We used the SmartSurvey platform for our 22 question survey, which enabled us to collect both quantitative data and narrative comment. Although this report, in summarising the main findings of the survey, does not do full justice to the depth and richness of the intelligence we have collected, we will use all the survey responses to inform our services and how we speak up for the region's social purpose sector.

### Insight for influence

2.2 We undertook this survey for several reasons. Firstly, we wanted to gain an insight into the state of the sector in the South West and use this information to influence government, public bodies and other policy and decision-makers. In particular, we wanted to understand how well equipped groups in the South West were to cope with the challenges ahead. National policy and lobbying doesn't always reflect the experiences of local grass roots organisations outside London and the big cities and we wanted to ensure this was addressed.

### Getting support?

2.3 Secondly, we wanted to know whether organisations were getting the support they needed – and if not, why not. The provision of support for social purpose organisations has undergone considerable change in

recent years with the shift to a more market driven approach. Direct funding for support services has reduced, resulting in the closure of some well-established local infrastructure organisations and, generally, much more-patchy and variable access to support across the region. We wanted to know how the sector was responding. This evidence would also help South West Forum to continue to ensure its support services were closely geared to what organisations actually needed.

### Rhetoric vs reality

2.4 The importance of voluntary and community sector engagement in key areas of policy and service development has probably never been more evident or strongly articulated. The sector is now seen as crucial to delivering government and public sector priorities for improved outcomes, greater efficiency and reduced cost across many fields, not least in health and social care. But we wanted to know whether this was being matched by experience on the ground. So our third key reason for undertaking this survey was to understand whether the reality was matching the rhetoric in key policy areas.

### Change since 2014

2.5 We undertook a similar survey in 2014 and, as a result, can now make comparisons and begin to spot trends. Are organisations feeling less or more confident about the future than they did two years ago? Are they more or less financially secure? Are their key concerns any different now than back in 2014? Have their views on the public sector changed in that period? Our survey has helped answer some of these questions.

## 3. The Big Picture

### Funding pressures continue

3.1 There have been some big political changes since our last survey: not least a change of government, a new Prime Minister with a radically different Cabinet and new policy priorities and a referendum decision backing leaving the EU. Big changes bringing considerable uncertainty. However, what is certain is that the pressure on public spending continues and that means both a continuing struggle and challenge for social purpose organisations to secure the resources they need and increasing demand for their services as public services get cut back. It's probably fair to say that the social purpose sector is needed now more than ever before and so its resilience and capability to respond must be of major public and political concern.

### New structures, new geographies

3.2 Probably of greatest significance for many social purpose organisations are the big structural and policy changes taking place in particular fields. It's a truism to say that these represent both challenges and opportunities. But they certainly highlight the importance of organisations aligning to new geographies and

developing new relationships, not least to influence and deliver across unfamiliar territory. So consider:

- The establishment of Sustainability Transformation Plans (STPs) across “new” geographical footprints providing the blueprint for increasing efficiency, reducing costs, improving outcomes and driving integration in health and social care.
- Devolution and the shift of national powers and responsibilities to local/sub regional levels – in some cases to “new geographies” and generally with LEPs playing a key or even leading role.
- The development of combined authorities in some areas, as part of potential “devolution deals”, and greater co-operation and resource sharing between local authorities, especially rural districts.
- Big structural changes in the criminal justice sector with the establishment of Community Rehabilitation Companies and the National Probation Service – with more changes in the prisons sector, including greater autonomy and commissioning responsibilities for governors, in the offing.

## 4. The Findings

### Who responded?

4.1 Sixty organisations responded to the survey. While this is clearly not representative of the South West voluntary sector as a whole - there are over 17,000 voluntary organisations, mostly registered charities in the region - we think the results can be treated as indicative and certainly provide valuable insight and intelligence.

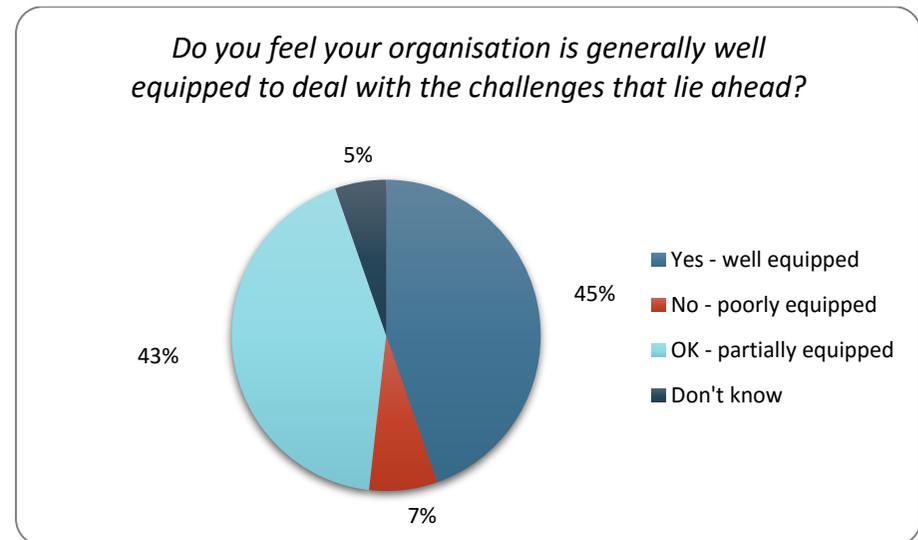
4.2 The majority of respondents can be regarded as being in the voluntary and community sector, with 73% reported as charities and just five, 9%, registered as Community Interest Companies and thus explicitly operating to a social enterprise model.

4.3 The profile of respondents reflects a higher level of income than the South West charity sector as a whole. This is not surprising as South West Forum contacts, used to promote the survey, are over-represented by medium-sized organisations. Just under half of respondents, 48%, had an annual income in 2015/16 of between £100,000 and £1million. This compares with 35% in our 2014 Survey. (Nationally, medium size organisations represent 14% of the total.) However, we think this cohort is particularly significant as it represents organisations that are frequently delivering critically important (public) services yet often lacking resilience, diversity of income and the capability to improve long term sustainability.

### Looking ahead

4.4 Survey respondents were split fairly evenly between those who felt more confident in, or optimistic about, the state of their organisation

than they did 12 months ago; less confident or optimistic; and about the same. Roughly one third in each category. This clearly reflects a mixed picture. However, the 2016 Survey data reveal a worsening position than 2014 – when 42% of respondents felt more confident about the future and 28% felt less confident.



4.5 Responses to other survey questions also reveal a similar dichotomy within the sector. For example, 45% respondents reported that their organisation was generally well equipped to deal with the challenges that lie ahead while 50% reported being poorly or partially equipped. Again this reflects a significant deterioration since 2014 when 67% felt well equipped for the future.

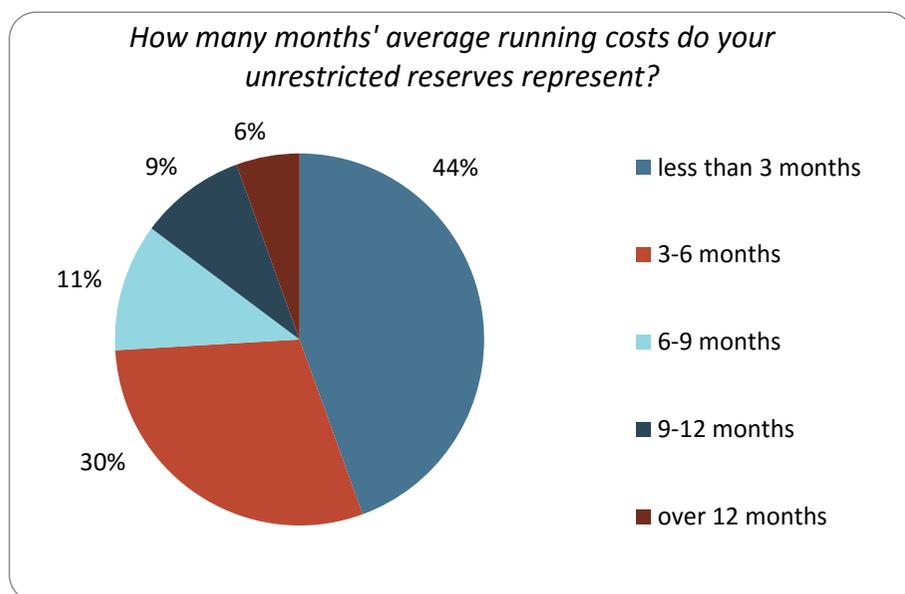
---

*We are less confident about the future so we have decided to merge with another charity.*

*I have had to work some many hours over my paid time, just to keep us going that I've reached breaking point. I simply cannot continue in the same vein anymore.*

---

4.6 And again, a roughly 50-50 split is evident in answers to the question about the state of organisations' unrestricted reserves – a valuable measure of organisational resilience. While 47% felt these were at a safe or adequate level, 47% also felt they were not. This is a slightly better position than in 2014 when 53% regarded their reserves as unsafe.



4.7 It is clearly a major cause for concern if almost half of social purpose organisations feel their reserves position is unsafe or inadequate. But this becomes even more worrying when looking at data on actual reserve levels. Forty-four per cent of organisations reported that their unrestricted funds were equivalent to three month's running costs or less; and a further 30% had the equivalent of only 3-6 months running costs in unrestricted reserves. These data reflect the high degree of financial fragility for a very substantial proportion of organisations. And it helps to explain why, in our experience, so few organisations are prepared to invest their "own money", even modest amounts, in strategically important organisation development.

---

*Not enough [reserves] to buffer cuts and deal with unexpected costs e.g. long term sickness of staff or recruitment costs and consequent additional costs*

*They [unrestricted funds] will cover minimum requirements, but give us no capacity to invest.*

*They [unrestricted reserves] have been going down since we had a major reduction of council funding, despite increase in funds from other sources the core costs are not sustainable now.*

---

## Funding

4.8 We asked organisations whether they felt it was becoming easier or more difficult to fund or resource their work. Seventy-nine per cent felt it was becoming more difficult, not surprising perhaps given the current financial climate. But the majority, 54%, stated that it was becoming “much more” difficult.

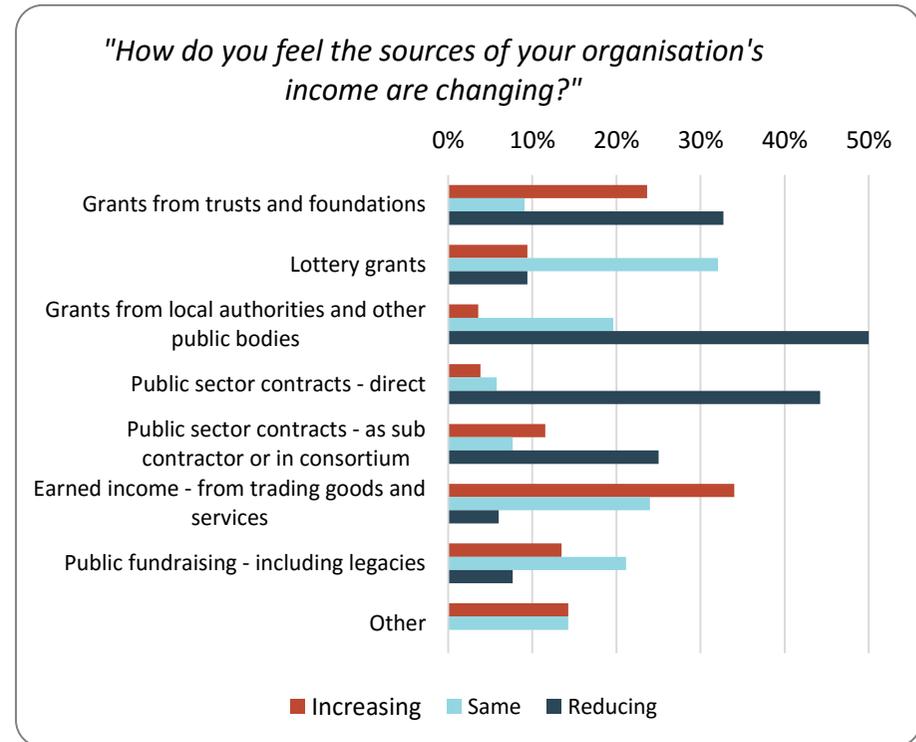
4.9 We get greater insight into organisations’ take on their future funding prospects by looking at data on how the sources of income is changing. The most significant findings here are that:

- 50% report that income from grants from local authorities and other public bodies is reducing;
- 44% report that income from direct public sector contracts is reducing;
- 33% report grants from trusts and foundations is reducing; and
- 25% report that income from the public sector through consortia and sub contracts is also reducing.

Evidently for the majority of organisations contracts to deliver services are not filling the gap left by the perceived decline in grant giving from trusts, foundations and the public sector.

4.10 The income type with the most positive response is “earned income - from trading goods and services”. Just over one third of respondents (34%) reported this was increasing which demonstrates that a significant proportion of organisations are responding to the challenging funding environment by adopting a more entrepreneurial and enterprise driven approach. But this is still the minority; the majority of organisations are not seeing earned income as a growing

source of funds. Generally public fundraising is not seen as a growth area either; just 14% seeing an increase in this type of income.



*Due to constant cuts in budgets more organisations are applying to the same pot of money. More restrictive criteria on grants i.e. often not full recovery costs and being in a position of trying to provide a decent service on a shoestring*

*More competition for funds. Reduced personal donations. Higher expectations from funders for collaborative bids, funders not will to fund full cost recovery, high expectations around monitoring and evaluation but no funding for this work.*

*Funders like innovation - whereas we deliver a single service in a way that we know works. We are constantly improving the service but not constantly introducing big new pieces of work.*

---

## Support

4.13 It is encouraging that exactly two thirds of organisations report they are getting the support they need, with the remaining third stating only partially (29%) and just 4% stating simply “no”.

Respondents told us that the main reasons they were not getting all the support they need were “lack of budget” (62%) and “services being too costly” (38%). But finance was not the only reason; service providers “not sufficiently understanding us” and “support not delivered in the way that suits us” were factors reported by 38% and 29% respectively.

4.14 What support respondents think that they will need in the future illustrates their views on the challenges ahead and on how best to equip their organisation. Those areas of support most likely to be needed over the next two years were:

- Measuring impact and demonstrating social value: 69% likely to need this
- Evaluation of projects and programmes: 58%
- Organisation development, business and strategic planning: 54%
- Engagement with public bodies: 50%
- Developing collaboration and partnerships: 50%

4.15 Interestingly though, 54% of respondents felt that they were unlikely to need support on commissioning and procurement and 48% were unlikely to need support on developing collaboration and partnership.

---

*We are planning to become less reliant on one main source and have already started to diversify. We now have a fundraising strategy, funded through Big Assist vouchers - the organisation is now more confident about diversifying its income sources.*

*Whilst I think that we currently have the skills within the organisation to cover [listed support needs] to some extent - we may not have the capacity*

*[We need support on] working with and predicting changing trends and dealing with unpredictability and uncertainty*

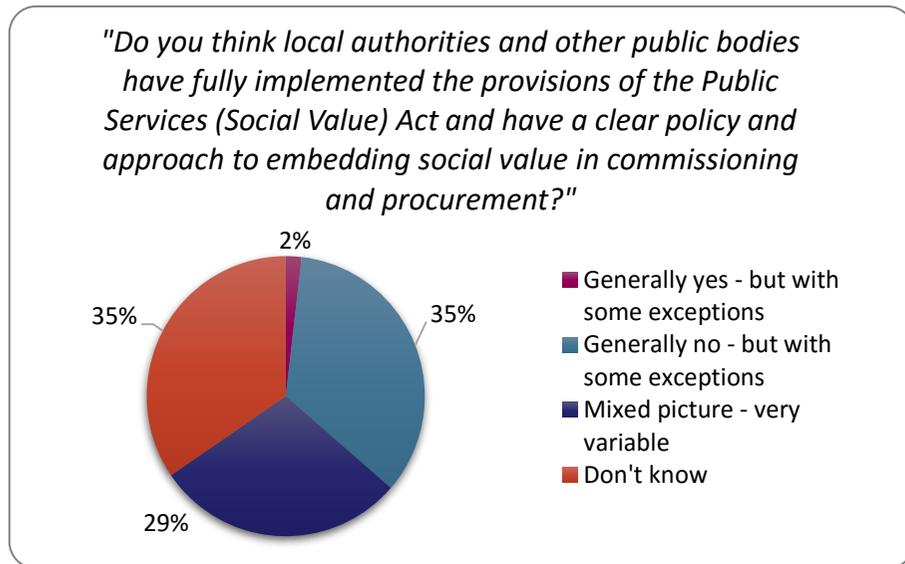
---

## Social Value in practice

4.16 The Public Services (Social Value) Act 2012 was seen as a significant advance in improving commissioning and procurement practice in the public sector. Local authorities, CCGs and other public bodies were now legally required to have regard to social value in commissioning public services. Many in the social purpose sector saw this as playing to their strengths and nudging the emphasis a little away from the financial bottom line. So what is happening in practice?

4.17 Our survey reveals that just one respondent thought that generally (with some exceptions) local authorities and other public bodies have fully implemented the provisions of the Act and do have a

clear policy and approach to embedding social value in commissioning and procurement. But most significantly 35% reported that the position was generally no - but with some exceptions and 29% reported a “mixed picture- very variable”. Thirty-five per cent didn’t know. This is a modest improvement on our 2014 Survey responses when 93% reported that the Social Value Act was not being taken seriously in commissioning and procurement by public bodies.



4.18 The general view however is that many public bodies, possibly the majority, are operating outside the legal requirements of the Act. Given the pressure on finances and the need to maximise value for money in the public sector it is perhaps surprising that public bodies are not using the Act to its full extent – to extract the maximum value it can from providers to achieve outcomes for individuals, communities and their own organisations.

---

*We deal at a local authority level where there has been a large amount of well thought out, communicated and considered consultation [on social value] however I do not feel that has led to any meaningful change - particularly within the procurement process*

*The answer is an absolute no [on the public sector implementing the Social Value Act] ...No evidence of implementation whatsoever across LAs, and health services.*

---

### Equipped for change in health and social care

4.19 A high proportion of social purpose organisations are involved in health and social care in some form. But there is major change underway in how the health and social care needs of the population are delivered, resourced and organised, reflected in the NHSE Five Year Forward View and, at local level, in the Sustainability Transformation Plans (STPs). We wanted to know how well equipped the social purpose sector was to respond to the changes in two key areas.

4.19 Firstly, in relation to personalisation, including expanding personal health budgets, direct payments and integrated personal commissioning (IPC), amongst those for whom this issue was relevant one third were “not well equipped and needed support” and one third felt “fairly well equipped but needed more support”. Twenty per cent were well equipped.

4.20 Secondly in relation to social prescribing<sup>1</sup> 25%, for whom this was relevant, felt “not well equipped and needed support”; 32% felt “fairly well equipped but needed support” and 33% felt “well equipped”.

4.21 In both areas then the majority of organisations (60-66%) for whom it was relevant, needed support to help equip them for the opportunities ahead. However, the provision of that support is not consistent and rarely explicitly resourced.

---

*We have worked hard to keep ourselves informed [on personalisation] (read up, attended training) but would like more opportunities to discuss the impacts and ways we can improve*

*We provide services that would be useful in some cases but do not know enough to promote these services with individuals*

*Again-this issue [social prescribing] is not being addressed properly at a strategic level-currently lots of individual separate projects which are not joined up*

*We are trying to promote social prescribing ourselves but health professionals don't seem to be able to get to grips with it.*

---

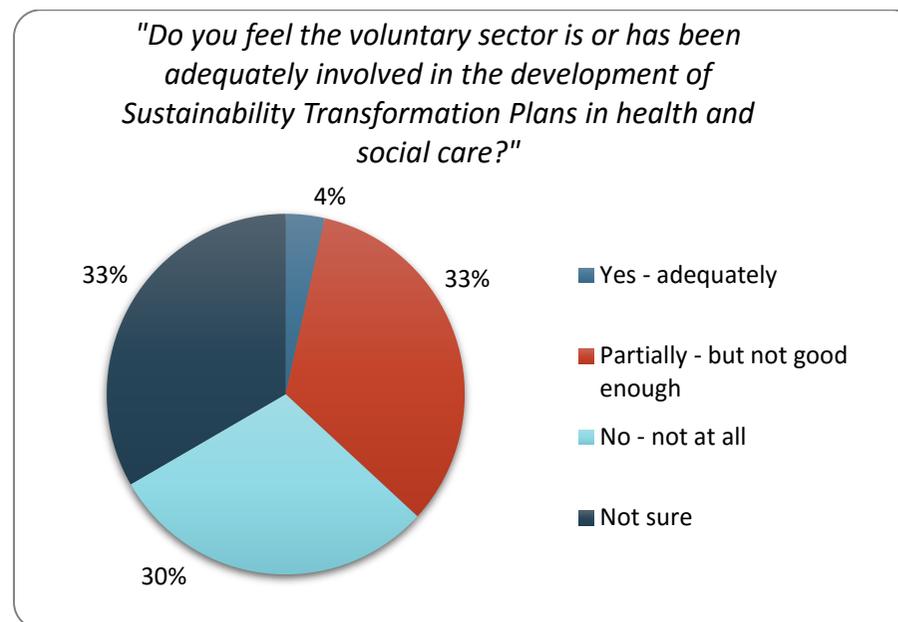
## Is the sector engaged?

4.22 Given the crucial importance of STPs in mapping the way ahead for health and social care at local level and the acknowledgement at government and local agency level of the critical role the social purpose

---

<sup>1</sup> Social prescribing provides patients, mainly but not exclusively of GPs, with direct personal support and navigation to enable them to access local non-clinical services which could improve their health and wellbeing.

sector has to play in delivering their aims and objectives we might expect to see a good level of sector engagement in the STP processes. But our survey tells a different picture.



4.23 Just two of our respondents said they thought the sector had been adequately involved in STPs. One third reported partially - but not good enough and 30% said no not at all. And 33% were not sure. The survey data are supported by our own informal intelligence from working with a range of organisations involved in health and social care. It is a disheartening example of the reality failing to match the rhetoric of government policy, intention and aspiration.

4.24 We also asked about the sector's involvement in devolution. The feedback is even more dispiriting on this topic. Just one respondent thought engagement had been adequate. Thirty-nine per cent thought the sector had not been involved at all and a further 18% reported partially but not good enough. Forty-one per cent were not sure. Devolution has the potential to bring about big changes in how local areas and communities are governed, how services are organised and delivered and priorities for investment. Yet the clear message is that in spite of their crucial importance in delivering services and articulating the views of the public and particular communities, voluntary organisations are simply not engaged – a reflection on the leadership of the devolution agenda and perhaps also the capacity and capability of the sector itself.

---

*We're a key strategic networking partner for a key behaviour fundamental to the prevention, self-care and mental wellbeing and are working hard, but struggling to get any meaningful information or opportunities to engage [in the STP process]*

*Some [public agencies] (e.g. CCGs) need to develop better understanding of VSCE realities and educate VSCE about their context, priorities and language if they are to enable VCSE engagement, which is often claimed to underpin key aspects of their future ability to cope*

*[Public bodies need to] recognise the expertise that VCSE has but also the limited capacity when writing bids and also payment by results is an issue because of cash flow. Grants are better and create a sustainability*

*Very few people have been involved [in devolution discussions] and information is hard to access on how to be involved*

---

## 5 In Conclusion

5.1 The state of the South West social purpose sector should be of vital interest to government; local authorities, Clinical Commissioning Groups, Local Enterprise Partnerships and other public bodies with strategic and/or commissioning responsibilities and public, private and voluntary agencies that (need to) work with social purpose sector to deliver their mission and achieve good outcomes for individuals and communities. Few question that the work of the social purpose sector, whether formally commissioned and contracted or not, is now critical to improving quality of life and wellbeing and delivering these outcomes efficiently, effectively and with reducing budgets. So all should take heed of our findings and other research into the sector including NCVO's UK Civil Society Almanac 2016 and Local Giving's Local Charity and Community Group Sustainability Report 2016.

5.2 We draw seven overarching conclusions from our research:

- 1) The social purpose sector appears to be divided between organisations apparently thriving and reasonably well equipped and confident about the future and those that are struggling, relatively poorly equipped and fragile. Maybe it was always thus but there now seems to be a much sharper divide between the haves and the have nots.
- 2) There is a substantial cohort of medium size organisations providing crucially important services which are fragile and seriously at risk of closure or making drastic cut backs in services because of their financial vulnerability and lack of resilience.
- 3) The sector is facing a funding squeeze from several directions and for the majority of organisations there is little prospect of reductions in grant and contract income being offset by increases from other sources. Coupled with the general fragility of unrestricted reserves this indicates that the long term sustainability of much of the social purpose sector, and the crucial services it provides, should be a real cause for concern.
- 4) Much more needs to be done to support and equip social purpose organisations to respond to the challenges and opportunities ahead and be better able to help the public sector cope with the unrelenting pressure on their budgets. Our findings show that the market driven approach to sector support is not working for many organisations and access to high quality support – especially for organisations not in receipt of substantial grant funding – needs to be improved.
- 5) Finding ways to help organisations to build and maintain unrestricted reserves at adequate levels should be a high priority for policy-makers, funders and support providers. This could, for example, involve grant funders allowing (even encouraging) recipients to allocate a small percentage of their grant to unrestricted reserves.
- 6) Funders, commissioners and social purpose organisations themselves need to recognise the benefits of modest investment in improving organisational capability, for example in sustainability planning, impact measurement and contract and commission readiness. The Comic Relief Core Strength

Fund, Cabinet Office Impact Readiness Fund (which operated in 2015 and 2016) and BLF/Cabinet Office Local Sustainability Fund - all heavily over-subscribed – are good examples of investment in building capability but they need to be part of a longer term consistent programme of support.

- 7) Public bodies need to “walk the talk” when it comes to engagement and involvement of the social purpose sector and in implementing social value. The political, policy and legislative levers are available but too often the rhetoric of sector involvement is not matched by the reality on the ground.

## 6 Further Information

6.1 A simple analysis of all the quantitative data from our survey is available in a separate Data Report – available at [www.southwestforum.org.uk/survey](http://www.southwestforum.org.uk/survey) and on request. We may also be able to provide more detailed data on specific topics on request. Please do not hesitate to contact us.

## And finally...

...thank you to all the individuals and organisations who took part in the survey – we really appreciate your time and effort and hope you will be able to use the findings of the research to inform and support your own work; and

...if you want to be well informed on the latest news and developments affecting the social purpose sector and keep in touch with how we can help then do join South West Forum as a member – it’s free - or sign up to our e bulletin [www.southwestforum.org.uk/join-us](http://www.southwestforum.org.uk/join-us)

## About South West Forum

South West Forum is a registered charity that supports voluntary organisations to be effective, collaborative, influential and independent; local councils and public agencies to have strong partnerships with voluntary organisations; and businesses to work with voluntary organisations to mutual advantage.

**January 2017**