

Southwark's Community Issues and Needs: Austerity measures, cuts and welfare reform

The picture of current needs and issues in Southwark would not be complete without some background on the current political and economic climate in the UK which, while not creating the needs discussed, have certainly contributed to exacerbating many, and making the climate that the VCS are operating in more difficult.

Following the global recession, central and local government was forced to make major savings to rebalance the books. Inevitably some of these cuts fell on spending on the services of those voluntary and community sector organisations in receipt of public money; although it should be noted that this applies to only one quarter (25%) of the voluntary sector.

In 2012 it was predicted that cumulatively, the sector stood to lose £3.3 billion

between 2010/11–2015/16². Between 2009/10 – 2012/13, income from Government fell in line with predictions, meaning a real terms drop in the sector's income from government of £1.9 billion less in 2012/13 than the peak seen in 2009/10³. However the latest figures have shown that income from government increased slightly between 2012/13 and 2013/14 by around £0.5bn, although the majority of this rise was in the very largest charities (with an income over £100m)⁴.

It's likely that some government bodies, including local authorities, will have 'frontloaded' their cuts within this period, conducting the majority of spending reductions in the first year and then allowing for more stability after that. This is not to imply that there will not be further cuts, especially since the rises have been seen mainly in the super major charities;



and each local authority has taken its own approach to the cuts they have to make.

Cuts have not been uniform, with some organisations and sectors experiencing much greater effects than others. For example, organisations working in social services saw the largest fall in funding between 2010/11–2012/13 (from £5.1bn to £4.7bn); while organisations working in employment and training saw a fall of nearly £400m between 2010/11 and 2012/13, and culture and recreation £244m. Some areas have been more protected from spending cuts; for example,

1. This varies by size, with 76% of major charities (incomes between £10–£100 million) and just 8% of micro charities (income less than £10k) receiving government income. (NCVO: UK Civil Society Almanac 2012. What are the main trends in statutory funding?)

2. All these figures depend on voluntary sector income from government falling at the same rate as total government spending. (NCVO: UK Civil Society Almanac 2012. How are public sector spending cuts affecting the voluntary sector?)

3. NCVO: UK Civil Society Almanac 2015. Income from Government.

4. Ibid.

health and international organisations have only seen a small fall in funding over that time⁵. And while small, medium and large charities get between 45%–50% of their income on average from public money, micro charities (those with an income of less than £10,000) get only 15% of their income from these sources⁶.

The other big change that goes hand-in-hand with the cuts is the switch from grants to contracts. Research shows that grants from government are at one-third of the level seen ten years ago⁷. In 2003/04 grants made up over half of all income from government, compared to 2012/13 levels where grants made up just 17% of income from government⁸. This has been grist to the mill for those insisting that the voluntary and community sector is being used to provide services which should be state-provided, and brings all manner of accompanying issues for smaller charities which find it harder to bid for contracts than grants.

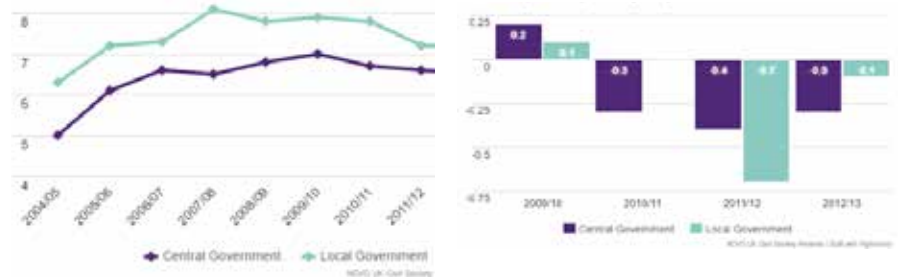
Other research has suggested that Londoners are being negatively affected by recent local

authority cuts, welfare reforms, the housing crisis and unemployment: ‘The cumulative impact of the economy, cuts and reforms have made the state safety net increasingly fragile, with more families now falling through’¹⁰. Cuts and austerity measures have hit particularly those in areas of deprivation and multiple disadvantage. Local authorities have experienced cuts in funding of 40% since 2010 which has had a direct impact on the reach and size of public services and widespread reductions in staff, facilities, activities and funding across many areas¹¹.

A London-wide survey¹² recently found that:

- 51% of organisations reported a reduction in their overall funding in 2012–13.
- 93% continue to change the way they work in order to adapt to changes and better meet users’ needs.
- 27% closed services over the year. 23% expect to close services in 2014–15.
- 82% have seen an increase in demand for their services in the last year, particularly for advice services and support following welfare reforms.

Figure 54: VCS income from central and local government⁹



Income from central and local government, 2004/05 to 2013/14 (£bn, 2013/14 prices)

Local and central government spending on the voluntary sector, change from previous year, 2009/10 to 2012/13 (£ billions, 2012/13 prices)

5. NCVO: UK Civil Society Almanac 2015. Income from Government.

6. Ibid.

7. Ibid.

8. Ibid..

9. NCVO: UK Civil Society Almanac 2015. Income from Government.

10. Trust for London: The Big Squeeze 2013: A fragile state The economic climate, Londoners and the voluntary and community groups that serve them.

11. NAO: The impact of funding reductions on local authorities.

12. Trust for London: The Big Squeeze 2013: A fragile state The economic climate, Londoners and the voluntary and community groups that serve them.

- Only 30% were confident that they will be able to meet any increase in demand for services.
- 53% used their free reserves to cover running costs in 2012–13. At the end of 2012–13, only 28% reported more than three months' expenditure in free reserves. 14% had no free reserves in 2012–13.

Austerity in Southwark

Since 2010, Southwark Council has had to make £156m of budget savings, (equivalent to one third of their original budget)¹³. Like many local authorities in more deprived areas, they have faced some of the largest reductions in government funding for local authorities¹⁴. After a cut to funding from central government, Southwark council face finding a further £75m worth of savings over the next three years, with more of the required cuts likely to be front loaded into 2016/17¹⁵.

The average annual council budget for VCS spending over the last five years has

been £23 million. At the time of writing this report the budget for 2017–18 had not yet been confirmed but it is expected that there will be cuts. The vast majority of cuts in 2016 – 17 (£34.5 million) fell on children's and adult's services¹⁷.

Cuts to service delivery also include 'a reduction in VCS grant and contract funding comprising both contract efficiencies and service reductions, with associated rationalisation of client-side support' totalling £829k¹⁸. Despite this, Southwark council backtracked on plans to cut funding for Voluntary and Community Sector grants for **youth and play services**, ensuring that a £500,000 pot will remain for a further two years from 2017/18, with £1m of extra funding coming from a target of retaining growth in the collection of business rates¹⁹.

Over the last couple of years there have been some significant shifts in the allocation of council money to the VCS due to the austerity cuts and to the prioritisation of housing and modernisation Southwark has needed to undertake to

Southwark faces a [similar] challenge. Projected reductions of £76 million in settlement funding over the next three years are expected to leave a budget gap of £96 million. Other parts of the local public sector are also feeling the strain. For example, Southwark's Clinical Commissioning Group (CCG) expects an annual rise in funds in the range of 1–2% per annum, while demand for hospital services is growing at 5% per annum. To deal with the significant deficit this entails, Southwark CCG is trying to redesign health and social care to achieve a 6% annual cost reduction by improved prevention and early management.

Southwark & Lambeth Early Action Commission (NEF, 2015)

13. <http://moderngov.southwarksites.com/documents/s59967/Appendix%201%20Cabinet%20report%20from%209%20February%202016%20and%20appendices.pdf>

14. IFS: Central cuts, local decision-making: changes in local government spending and revenues in England, 2009–10 to 2014–15.

15. <http://communitysouthwark.org/news-jobs/southwark-council-reverses-cuts-youth-and-play-services>

16. Policy and Resources Strategy – 2016/17 to 2018/19: Revenue Budget <http://moderngov.southwarksites.com/documents/s59967/Appendix%201%20Cabinet%20report%20from%209%20February%202016%20and%20appendices.pdf>

17. <http://communitysouthwark.org/news-jobs/southwark-council-reverses-cuts-youth-and-play-services>

18. <http://casouthwark.org.uk/news-jobs/what-does-southwarks-budget-proposals-mean-vcs>

19. <http://communitysouthwark.org/news-jobs/southwark-council-reverses-cuts-youth-and-play-services>

repair and regenerate its considerable social housing stock.

Although the Local Government Finance Settlement, released in February, wasn't as bad as first feared, Southwark Council is facing a funding deficit of nearly £100m by 2020 compared to 2016. This is despite already identifying savings and cuts of £69m in its attempts to set a balanced budget. Whilst a large proportion of the savings will fall under the banner of efficiencies and improved use of resources, nearly 10% will have a direct impact on service delivery. These include a steep reduction in funding for the Voluntary and Community Sector²⁰.

The overall council budget for 2016/17 is £271.4m²¹ (in 2013-14 it was £323m). As previously mentioned, the council's priority for 2016/17 has shifted to housing and modernisation. A public consultation on budget cuts found that: A significant majority (87%) agree or strongly agree that it is right that the council should **focus on its priorities of growing the local economy, building new homes and creating more jobs through this period of cutbacks**²²;

although this prioritisation on housing comes at a cost to other services²³.

Southwark Council have put in place several strategies and agreements with the local VCS to try to mitigate the effect of the cuts, including the **Medium Term Resources Strategy**²³, **Southwark's Economic Wellbeing Strategy 2012-20**²⁴ (developed to support the delivery of its Fairer Future promises)²⁵, and **The Voluntary and Community Sector strategy** which sets out the council's commitment to regular and effective engagement with the VCS via Southwark Voice and Southwark Forum in order to encourage the delivery of activities involving partnership working between the council and the VCS.

These set out the following principles:

- Work in partnership to reconfigure and redesign public services to meet the needs of the most vulnerable
- Reduce the burdens imposed by commissioning relationships by streamlining processes so as to minimise transaction costs

Table 2: Change in total service expenditure by borough 2010/11 - 2015/16

	CHANGE IN SERVICE EXPENDITURE 2010/11 - 2015/16	CHANGE IN SERVICE EXPENDITURE PER HEAD 2010/11 - 2015/16
CITY OF LONDON	0%	-7%
CAMDEN	-20%	-30%
HAMMERSMITH & FULLHAM	-18%	-10%
KENSINGTON & CHELSEA	-20%	-20%
WANDSWORTH	-11%	10%
WESTMINSTER	-20%	-25%
INNER WEST	-18%	-20%
HACKNEY	12%	20%
HARINGEY	7%	13%
ISLINGTON	11%	17%
LAMBETH	-4%	-10%
LEWISHAM	10%	10%
NEWHAM	12%	10%
SOUTHAMPTON	14%	10%
TOWER HAMLETS	12%	14%
INNER EAST	-13%	-17%
GARROCK & GRAVENHAM	12%	10%

Figure 55: Change in total service expenditure by borough 2010/11 – 2015/16²²

Local charities said:

"Southwark Council is focussing on housing right now, because it has to, because this is what most people are complaining to them about. But it means less money for other services and needs".

20. Community Southwark research tender.

21. Policy and Resources Strategy 2016/17 – 2018/19 – Revenue Budget <http://moderngov.southwarksites.com/documents/s59966/Report%20Policy%20and%20Resources%20Strategy%20201617%20-%20201819%20-%20Revenue%20Budget.pdf>

22. Source: RUNNING ON FUMES? LONDON COUNCIL SERVICES IN AUSTERITY. Richard Brown and Brell Wilson, November 2015

23. http://www.southwark.gov.uk/downloads/download/278/medium_term_resources_strategy

24. The strategy can be found at: http://www.southwark.gov.uk/info/347/economic_wellbeing/2024/economic_wellbeing_strategy

25. http://www.southwark.gov.uk/info/200293/a_fairer_future/3165/fairer_future_promises

- Promote the sharing of back office costs, and collaboration and merger, where appropriate
- Better understand the overall funding landscape and how council funding helps the VCS lever in funds from other sources
- Support VCS organisations to access new sources of funding and resources
- Support the VC in developing effective and best-value-for-money services
- Support VCS engagement with the personalisation agenda
- Support the VCS to innovate and develop new models of service delivery
- Find ways of supporting the VCS in ways other than financial

And set out the ambition to work with partners (including VCS partners) to make Southwark a place:

- Where people, especially young people, are equipped with the skills and ambition to make the most of the central London location
- Where businesses grow and prosper

- Where town centre's and high streets thrive
- Where residents are financially independent

Welfare reform

A concurrent issue to the economic crisis is the changes to welfare benefits which is having a massive effect both on the community and the VCS organisations which support the community. In 2013, changes to a number of benefits, including Council Tax Benefit, Disability Living Allowance, and Housing Benefit, as well as a cap on the total amount of benefits a household can receive, were introduced²⁶. In addition, 'Universal Credit' is due to be introduced as a means-tested benefit which will replace most benefits and tax credits for those of working age.

The result of these reforms has not been positive for all in the short-term, and may have negatively impacted the most vulnerable hardest.

Figures from the Nuffield Trust show that as a result of welfare reforms between 2011-14 the poorest families with children will see their income reduced by almost 9%; while research by the Children's Society found that over 70% of individuals who will see their household

income fall as a result of the housing benefit cap are children, who are nine times as likely to be affected as adults²⁷. Children in families with disabled parents are particularly vulnerable to welfare reforms, since disabled people are twice as likely as non-disabled people to lack work²⁸.

Impacts reported by advice agencies in Southwark to the council²⁹ include:

- Increasing numbers of people being referred to food banks
- Increases in possession cases (housing)

Local charities said:

"We are an independent advice agency and have seen a significant increase for help on benefits and poverty related issues as welfare reform and cuts to services impacts on individuals".

26. The LVSC/Trust for London report: 'Impact of Welfare Reform in London', June 2013., gives full details of recent welfare reforms and their consequences.

27. IN LVSC/Trust for London: 'Impact of Welfare Reform in London', June 2013.

28. GLA Datastore (2015) Unemployment rate, region. IN No Child Left Behind, 2016.

29. Southwark Council, Data and Policy Notes: Community Capacity programme 2016-17: Data and policy context.

- Increases in council tax arrears cases
- Increasing numbers of people unable to afford the cost of fuel
- Increasing numbers of people tipped into low levels of debt. Patterns of debt have changed in recent years from being predominantly consumer debt, to debts arising from difficulties paying for basic services e.g. fuel and water bills
- Increasingly harsh benefits sanctions
- Emergence of a new 'vulnerable group': people, especially single people / men, aged around 50-65 on low incomes, who have low skill levels and are not in a position to find employment and improve their situation
- Concerns that clients who are already disadvantaged e.g. by language barriers, unemployment, or poor mental or physical health are experiencing the worst impacts of the reform
- In addition, research has found that the majority (between half and two-thirds) of people visiting a food bank in 2014 had done so because of a

loss of income linked to problems with welfare benefits. While further benefits-related reasons for referral to food banks included³⁰

- A severe shortage of income whilst waiting for benefits to be paid and lack of access to/ awareness of Short Term Benefits Advances (STBAs)
- Income stopped or dramatically reduced by sanctions
- Income stopped or dramatically reduced due to problems with disability benefits
- Dramatic reduction in income through problems with tax credit payments
- In 2013/14, the majority of clients referred to the Southwark Foodbank by Southwark Citizens Advice Bureaux needed assistance due to a loss of income caused by sanctions on benefits and delays caused by mandatory reconsideration of benefits. It seems likely therefore, that the introduction of Universal Credit might have similar effects, while the process of transition to a new system could put those with few or no savings

in a more vulnerable position should problems arise³¹

Welfare reforms, in particular those affecting housing, have hit families in London hard. Changes to Local Housing Allowance, combined with the 'Bedroom Tax' and Benefit Cap have been particularly difficult for families due to the shortage of reasonably priced and sized housing in London.

No Child Left Behind

Local charities said:

"More families and children and young people are not meeting the criteria for support or intervention from council services and are no longer able to receive support or information from professionals connected to a council service and would more seek the support of the voluntary sector".

30. Emergency Use Only – Understanding and reducing the use of food banks in the UK, Child Poverty Action Group (CPAG), The Church of England, Oxfam GB and the Trussell Trust, November 2014. IN Community Southwark: 'Food Banks in Southwark', February 2015.

31. Community Southwark: 'Food Banks in Southwark', February 2015.

Effects on the VCS in Southwark

The effects of the global recession, combined with welfare reforms, are causing increased demand for support coupled with reduced funding for services provided by both statutory services and those VCS organisations which receive funding from the state. For VCS organisations not in receipt of public funding, the cuts are still having effects as they are having to mop up service users previously served by state or other providers.

The voluntary and community sector in Southwark is very vibrant and diverse. Most of the organisations surveyed for this research felt that the current quantity, quality and diversity of the VCS in Southwark is good. Most survey respondents feel that Southwark's voluntary and community sector is currently doing better than average in this respect, with just over two fifths (42%) feeling things were going 'well' or 'really well' and just over one quarter (27%) feeling things are going 'not so well' or 'really badly'.

The sector also has a great deal of resilience. Just



Figure 56: How are things going in Southwark in terms of: The Local voluntary and community sector (quantity, quality and diversity of organisations)?

over half (55%) also feel that things have 'stayed the same' over the last 12 months. However, resilience can only last so long, and some organisations are more resilient than others. A significant one third (31%) feel that things have got 'worse' in the sector in Southwark in the last twelve months. Those who felt that things had worsened tended to be from organisations which dealt with some of the most vulnerable people in society: single issues groups, carers, disabled people, faith communities, forces and ex-forces, people with addictions, prisoners and ex-offenders, trafficked people or sex workers and women³².

Perhaps the biggest hidden need is the need for core cost funding and day-to-day running which deed full cost recovery. Loads of groups doing really great work have disappeared and will disappear in future.

Deborah Hayman, Head of Support Services, Community Southwark

32. All of these showed at least a 0.2% difference between those who felt things had 'improved' and those who felt things had 'worsened' in the last 12 months.

In terms of the support that the VCS provides, this has had to stretch to accommodate increasing demand. **For a majority (77%) of voluntary and community organisations surveyed, demand from the people they support has increased over the last 12 months.**

VCS organisations are also facing pressures from Southwark factors and conditions beyond those for which their users seek primary support. This is causing an increased demand for core ‘traditional’ services, as well as an increased demand for new and different services. For many, demand has increased in both of these areas putting added pressure on services. While there are good intentions in the VCS to provide for the increasing need, capacity and resources are finite and it is becoming more likely that people will fall through the net. Local VCS representatives reported an increasing number of smaller organisations closing due to lack of funding.

There was a feeling that because so many organisations are closing down beneficiaries get passed around from pillar to post and may lose faith in the VCS system with more sensitive issues that poses

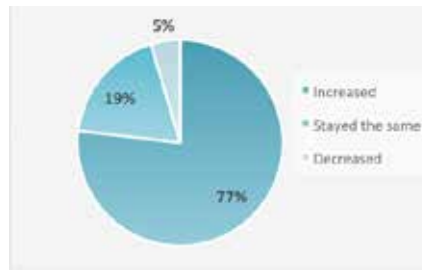


Figure 57: Over the last 12 months, has demand from the people you support increased, decreased or stayed the same?

extra problems for people in building trust.

Some Southwark VCS representatives were particularly worried about the **cuts to child and adult services** which they felt will result in: the cutting of so-called “nice to haves” (e.g. youth centres, mental health services) and more services being brought in-house (to the council) resulting in services becoming overstretched and less complex.

There was also great concern over welfare benefit reforms which are and will continue to cause difficulties to many recipients, with knock-on effects for the VCS organisations serving them, including increased needs, increased need for support in understanding and navigating the changes and changes to eligibility for some services in times of

Local charities said:

“Almost all the charities that provided similar services to us in Peckham are no longer operating here”.

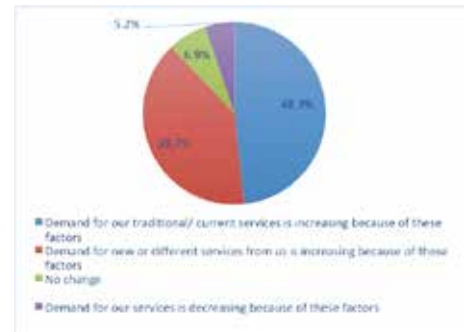


Figure 58: What impact, if any, are these external factors having on your organisation and the services it provides?

Local charities said:

“Southwark is average with its amenities and support for people from vulnerable groups. There are some groups for which help is no longer available or has been drastically cut through funding”.

greater uncertainty there is increased need for stability of service provision for the most vulnerable. This might involve core cost funding, and sustainability planning, rather than innovation. It was felt that ‘innovation’ can be over-used as a buzzword by funders for new funding, when what might be needed is continuation funding. Innovation is not always good for beneficiaries who need continuity of service, particularly amongst have vulnerable and hidden groups. They may feel that ‘innovation’ is a gimmick. The scarcity of funding may also lead to competition among VCS organisations which may not be productive.

The voluntary and community sector in Southwark has responded with a number of fears. In 2015, in response to a survey by Community Southwark, the proportion of organisations which fear they may have to close within the year was a significant 11% (the same proportion as in 2012). Nearly two-thirds (62%) of organisations said funding will be ‘a significant problem’ or ‘somewhat a problem.’ Only 12% said it is ‘not a problem at all’ or does not apply to them³³.

Figure 59: Top 8 fears for Southwark VCS in 2015 for the coming year

1. Getting enough funding
2. Increasing need and demand for service
3. Measuring and demonstrating impact
4. Premises
5. Skills of staff
6. Skills of volunteers/trustees
7. Staff recruitment/retention
8. Volunteer/trustee

Local charities said:

“The cuts are having a massive impact, e.g. mental health day centres and floating support services have all been cut / closed. Replaced with a Wellbeing Hub which is more about signposting. People are not happy about this, if they even know about it”.

Local charities said:

“[Insecure funding] means we can’t plan long-term. Things become more short-term and casual. The organisation is always at risk. Staff have to deal with the constant fear of funding being cut. There are lots of small organisations in the same position. And this on top of the 20% cuts in funding we experience every year. Staff are constantly having to apply for more funding as well as doing the work and running the projects. It’s exhausting!”.

Local charities said:

“Vulnerable people are feeling neglected due to the cuts in services”.

33. Community Southwark: Southwark’s Voluntary and Community Sector (VCS) in 2015: Value and Challenges.



Adult social care precept

29. As part of his autumn statement the Chancellor of the Exchequer announced that local authorities responsible for social care would be given the powers to raise a social care precept of up to 2% above the council's existing level of council tax. 30. Southwark are minded to implement the Government proposed 2% precept for Adult Social Care. This would raise in the region of £1.7m per annum. The budget for Adult Social Care is £80m.

Budget Consultation – Engaging with the Community

97. On 27 January cabinet noted the feed back from the public budget consultation exercise, this is included as Appendix I to this report. Over the last three years over 1,000 responses have been received to the budget consultation. 98. In total 303 people responded to the 2016/2017 budget consultation. A summary of the results is as follows:

- An overwhelming majority (94%) of those that responded agreed or strongly agreed that the council should continue to focus on being more efficient, protecting frontline services and directing resources to those most in need. This is consistent with the budget consultation exercises over the last few years and is also consistent with what is seen in budget consultation exercises across the country.
- People who responded are more likely to agree or strongly agree (84%) that the council should empower residents and communities to do more for themselves where they are able to do so.
- A significant majority (87%) agree or strongly agree that it is right that the council should focus on its **priorities of growing the local economy, building new homes and creating more jobs through this period of cutbacks.**

the effect of the provisional local government settlement at national and London levels and specifically compares these with Southwark. It shows that contrary to recent years, outer London boroughs are subject to a proportionately greater share of the funding reductions than inner London boroughs.

(<http://moderngov.southwarksites.com/documents/s59967/Appendix%201%20Cabinet%20report%20from%209%20February%202016%20and%20appendices.pdf>)