Sink or Swim?
Preparing Southwark’s Voluntary and Community Sector for the Future

Introduction

Southwark has a large voluntary & community sector (VCS), with 1,125 charities registered here, a further 1,000 civil society groups and an estimated 3,000 smaller unregistered groups.

Southwark Council has long supported the sector, providing significant funding through grants and contracts. But in the next financial year (2015-16) and beyond, the council will have an even smaller budget and this will have a bigger impact on the sector than ever before.

These cuts mean many organisations will lose funding, and some will close. With rapid change in ongoing funding, local needs and ways of working, there is a lot for VCOs to take on board.

There is a way to manage this if you act now. CAS is here to offer support but you need to be prepared to do things differently. It is time for real change.

This document sets out:

- Threats to the sector, using what we know to paint a picture of how things will be in five years’ time.
- Opportunities for those organisations willing to adapt and try new things.
- Actions you can take to make your organisation better equipped to survive and thrive, and the support you can get from CAS.

It includes some relevant national-level developments, but concentrates on the local context. For this reason it is quite council-focused. It will be most relevant to small-to-medium sized VCOs seeking to win funding from the council (or CCG) through grants or contracts.

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1. Funding reduction

**Council funding**

**National government** plans to continue reducing public spending until at least 2018/19. Public spending is set to fall from 44% of GDP in 2013/14 to 38% in 2018/19.

If Labour form the next government from May 2015, the level of spending cuts will be similar, though perhaps differently distributed.

**Southwark Council’s settlement funding** from central government, a major element of its income, is due to fall by a further 15% for 2015/16.

The council is therefore expecting to reduce its budget by 10% in 2015/16, 2016/17 and 2017/18. This would mean a 3-year reduction of 27%. **It could be even worse than this.**

On top of the 21.7% cut that has already happened since 2010/11, these further cuts will mean a total reduction of 43% of spending power over seven years.

The VCS is particularly vulnerable because so many organisations are funded through the **Children’s & Adults’ Services** department.

Nearly two-thirds (64%) of council spending is on these services. These departments will soon be cut much more than in previous years, according to the Cabinet Member for Communities.

Many VCOs will lose council funding from April 2015 as contracts and grants are cut back. The council’s vision for the future is one in which VCOs are no longer dependent on council funding to survive. It is important that organisations are aware of this challenge, and respond now.

**Challenge:** On top of existing cuts, central government plans to continue to cut spending. As a result, Southwark Council will continue to reduce its budget, at an even faster rate, at least until 2018. This inevitably means cuts in grant and contract funding to local VCOs.

**Take action:** Review business model, move to a more diverse income base, reduce Southwark Council funding as a % of income. Increase productivity and find ways to make resources go further. **Work with CAS** to develop a better business model.
Below are a few examples of the likely scale of cuts in different service areas – some could see much bigger cuts than others. **How would you be affected?**

### Cuts to Older People’s Funding

In 2014/15, council funding was reduced from £30.1m to £29.2m – a cut of £0.9m, or **2.9%**. Here is the potential scale of a range of cuts in 2015/16:

- 5% = £1.5m cut
- 15% = £4.38m cut
- 50% = £14.6m cut

### Cuts to Youth Services Funding

In 2014/15, council funding was reduced from £3.285m to £2.85m – a cut of £0.4m, or **13%**. Here is the potential scale of a range of cuts in 2015/16:

- 5% = £1.5m cut
- 15% = £4.38m cut
- 50% = £14.6m cut

### Cuts to Mental Health Funding

In 2014/15, council funding was reduced from £9.8m to £9.5m – a cut of £0.29m, or **2.9%**. Here is the potential scale of a range of cuts in 2015/16:

- 5% = £0.48m cut
- 15% = £1.43m cut
- 50% = £4.76m cut
Aside from cuts to council funding, here are some other ways in which the funding landscape is likely to change and how you can take action:

### Non-statutory funders

**Challenge:** With continued low interest rates, funders like trusts and foundations are under even more pressure to make their grants as effective as possible.

**Take action:** Make a more persuasive case to funders by improving how you demonstrate the difference your work makes.

### Public giving and donations

**Challenge:** Donations from the public and the private sector are stagnant. Only half of all charities maximise the value of donations by claiming Gift Aid, which increases the value of donations from taxpayers by 20%. New technologies are bringing opportunities, such as through online giving platforms like Hackney Giving. Some areas have their own local currency, such as the Brixton Pound.

**Take action:** Engage with new opportunities to gain funding, such as a potential future Southwark Giving online platform. Ensure that you claim Gift Aid on any donations you receive.

### Social investment

**Challenge:** Social investment is investment that has social outcomes or impact, e.g. reduced unemployment or homelessness. VCOs are increasingly winning loans this way, enabling them to develop new income streams or providing them with working capital. The government is supporting social investment through setting up the Big Society Capital and increasing tax relief on social investments. However, it is difficult for smaller VCOs to win investment, and many are understandably averse to taking on the risk entailed in loan finance.

**Take action:** Social investment is a potential source of revenue, particularly for larger organisations. Do some research into the topic, and be sure to understand the risks. Contact CAS if you want to find out more.

### Rising costs

**Challenge:** The costs of running an organisation are rising. These include rents, electricity, energy bills etc. There is plenty of advice out there on how to cut your costs.

**Take action:** Consider ways to cut your costs. Collaborating with other organisations is key, e.g. sharing space. Cut office costs; renegotiate your office contracts (e.g. printing, lease). Work with CAS to partner with other organisations, ensure you know how to properly price your services or develop your trading activities.
2. Personalisation and commissioning

While the council’s budget is falling, it will continue to commission an array of services over the next five years. This will be an important source of income for VCOs but there will be challenges.

The council is currently looking into market development, early action and the Social Value Act. It is also conducting a procurement review, and asking whether more services should be provided by the council itself (in-house). The resulting procurement strategy will have implications for the VCS. There will be more pressure on contractors to demonstrate the quality and value of the services they provide.

Value for money, added value & social value

Ensuring value for money is a key council priority. VCOs bidding for contracts will have to demonstrate the difference they make for every £1 received. A significant development in commissioning may be additional payments for providers who achieve set outcomes (payment by results).

Organisations that can clearly demonstrate added value (offering a better or more extensive service at similar cost) will be at a further advantage.

Under the Social Value Act, when commissioning services, the council and CCG have a duty to consider the additional ‘social value’ providers can bring, often going beyond the core purpose of the contract. CAS has established a joint working group with the council to scope out how to this should happen. Nationally, the act is being reviewed and potentially strengthened. These developments could lead to a stronger focus on social value in Southwark.

**Challenge:** Due to the ongoing cuts, only services that clearly and persuasively demonstrate value for money will receive council or NHS funding. The duty to commission for social value may bring opportunities to VCOs that understand what it is and can demonstrate how their work adds it. VCOs are often good at claiming they bring added value or social value, but are poor at robustly evidencing this.

**Take action:** Increase your understanding of value for money, added value and social value. Work with CAS to improve your skills around measuring and demonstrating the impact of your work.

Personalisation

Personal budgets are about ensuring that residents and service users can choose between a range of support options and providers. Purchasing power moves from the council to individuals.

The council aims to support a diverse local ‘market’ of potential providers of services. This market means VCOs may have to compete for ‘business’ when offering services to the council or to personal budget holders.

**Challenge:** Personalisation will continue, meaning there will be fewer block contracts. Additionally, each organisation is now just one of a number of potential providers from all sectors. For VCOs which currently receive council contracts to survive, they will have to make the shift towards getting more of their income through personal budgets – or diversify their income stream. There are other challenges around the costing of services to ensure full cost recovery.

**Take action:** Organisations need to develop a set of key skills to thrive in a landscape of personal budgets. These include: defining your unique offer; pricing your services and adjusting your business plan; promoting your services, including online. CAS is running a set of four training modules on these topics in December.
Contract size and collaboration

Nationally, there is a trend towards larger contracts, in order to make savings through economies of scale and lower contract management costs. Small and medium-sized VCOs often struggle to win these contracts and the council may be more likely to commission services through consortia of multiple organisations.

There is also pressure to increase the quality of collaborative working. There may even be additional payments linked to a consortium achieving joint outcomes. Those VCOs that are prepared to work positively with other organisations (including in the public and private sector) are more likely to thrive.

**Challenge:** To win council contracts, VCOs need to work more in collaboration with other VCOs (and with public and private sector organisations). Forming a formal consortium with other groups requires time, resources, new skills and knowledge, and entails some as organisations must be open about working practices and costs. There is no guarantee a consortium will be successful in winning contracts. VCOs need to improve how they demonstrate the difference (impact) they make in people’s lives.

**Take action:** CAS has a dedicated member of staff to help you improve how you demonstrate the impact of your work. CAS also has expertise and experience developing formal consortia of local organisations. Get in touch so we can link you up with other organisations and take advantage of contract opportunities – from the council and other funders – through being in a consortium.

Contract length

There is uncertainty regarding the length of contracts in future. Short (e.g. 1-year) contracts give commissioners flexibility and avoid the risk of being tied into a contract with a poor quality provider. However, short contracts make it difficult for VCOs to plan ahead and retain or invest in staff.

**Challenge:** The size and length of future contracts is unclear. But regardless of how commissioning changes, there is a strong onus on VCOs to improve how they demonstrate impact, quality and value, work more fully in collaboration with other organisations, and diversify their income.

**Take action:** Take advantage of dedicated CAS support to help VCOs improve their impact measurement. Make stronger connections with local commissioners through attending CAS forums and events.
3. Changing local needs and priorities

Southwark Council’s perspective on local needs and how to commission services is changing. As the council budget falls further over the next few years, organisations that want to win funding from the council or NHS need to be fully aware of the key local needs, priorities and strategies for addressing them.

This section highlights opportunities – organisations that work to address priority issues will have a better chance of receiving funding, especially where they can meet a need or reach people that statutory services are unable to.

Preventative working and the ‘prevention pyramid’

There are moves nationally and locally towards funding work that prevents needs from occurring or escalating. The rationale behind this prevention (or ‘early action’) agenda is that a small amount of early investment will reduce pressure on the most expensive services, like hospitals, prisons or care homes.

Southwark Council has a focus on prevention in its commissioning strategies. The independent Early Action Commission will recommend ways that the council (and NHS Southwark CCG) should commission and incentivise preventative services.

In the context of rising demand on services and lower budgets, the council is viewing local needs and issues through a framework of different levels of need (see the ‘Prevention Pyramid’ below). Funding will be targeted to specific levels of need, within a broader strategy of preventing problems from worsening and becoming more expensive.

This means that while the council's budget is reducing, there are genuine opportunities. The council may pilot or fund new ideas and services that prevent priority needs from worsening.

Organisations that are successful at winning funding from the council in future will know exactly what level of needs they aim to address. They will also evidence the impact of their work in terms of prevention, e.g. showing that their work addresses ‘targeted’ needs, and has prevented people’s needs from escalating to ‘high risk’ level.

**Challenge:** The council and other public sector agencies have a new prevention framework for meeting local needs. They will commission services that prevent needs from escalating, and reduce the use of expensive acute services. VCOs that cannot accurately articulate the needs they meet with reference to the framework, or demonstrate the preventative value of their work, may struggle to win council funding.

**Take action:** Meet local policymakers at CAS Forums and events, and read our updates on the council’s perspective on meeting local needs. Receive CAS support around business planning to ensure your aims are clear. Increase your skills around measuring and demonstrating the impact of your work by taking advantage of the impact support available with CAS. Demonstrate persuasively how your work prevents local people’s needs worsening and therefore brings savings to the public purse.
Headline council priorities

Following the May 2014 local election, Southwark Council published ten ‘Fairer Future Promises’ that will guide its work over the next four years. These are:

1. Value for money
2. Free swimming and gyms
3. Quality affordable homes
4. More and better schools
5. Nurseries and childcare
6. A greener borough
7. Safer communities
8. Education, employment and training
9. Revitalised neighbourhoods
10. Age friendly borough.

These priorities are expanded in the Council Plan. The following sections give more detail on priorities in four different areas –

1. Children, young people & families
2. Adult health & social care
3. Economic wellbeing
4. Community safety

One key point that applies to all areas is the focus on **value for money**. VCOs that are poor at demonstrating value – the difference they make per pound – will struggle to win further council (or NHS) funding.

**Challenge:** The council will focus its falling budget on addressing a number of priority local needs. VCOs that work outside of these priorities will struggle to win any council funding.

**Take action:** Reflect on whether your aims or services reflect local priorities. Adjust your aims or services to address and prevent these needs, with full trustee agreement. CAS can support you through this process.

1. **Children, young people & families**

‘Best start in life’ for children and young people and their families is a key council priority, included in the [Council Plan](#), [Children & Young People’s Plan](#) and [Joint Health & Wellbeing Strategy](#), and reflected in the [Fairer Future Promises](#).

- **Employment, education & training:** Fairer Future Promise 8 guarantees ‘education, employment or training for every school leaver’ and promises to ‘support 5,000 more local people into jobs and create 2,000 new apprenticeships’.

- **Special educational needs & disabilities (SEND):** Support for children with SEND is changing significantly. Organisations need to promote their services directly to children and their families including through the Local Offer, price their services so they can receive income through personal budgets rather than contracts, and generally understand the new system of needs assessment and support. CAS has a specific programme of support in this area, including a series of training modules in December.

- **Families & parenting:** The national Troubled Families programme has been extended to 2020 and expanded to include support for under-5s. Southwark’s ‘Family Focus Plus’ programme will reflect this, focusing on improving parenting, especially in troubled or neglectful families. There may be commissioning opportunities for VCOs in this area.
Children’s health & wellbeing: There is a focus on tackling childhood obesity, teenage conceptions and risky behaviours including unsafe sex and relationships and involvement in crime.

Safeguarding: Keeping children safe from abuse, harm and neglect. Child sexual exploitation and neglect are key priorities, where the council is willing to pilot or fund new ideas.

Early years: Indications from central government are that early years (0-5) will continue to be a major priority at a national level, so funding may stay steady or even rise.

Childcare: Fairer Future Promise 5 means ‘investment in our children’s centres to deliver more quality, affordable childcare’.

Fostering and adoption: Finding stable and loving homes for looked-after children.

Youth services: There is no indication that youth services will change significantly in the coming years.

2. Adult health & social care

‘Healthy active lives’ for adults with health and social care needs is a key priority, as set out in the Council Plan and Joint Health & Wellbeing Strategy (council and NHS), and reflected in the Fairer Future Promises. Another key objective is for people to remain in their own homes for longer and enjoy independent lives.

Older people: Fairer Future Promise 10 is to have an ‘Age Friendly Borough’, including a new older people’s centre of excellence to provide support to people with dementia and their carers or families. Early identification of dementia is an important aim. More older people will access reablement support following a crisis or a stay in hospital, to help them live independently at home. Indications from central government are that older people/ageing society will continue to be a major funding priority at a national level.

Southwark & Lambeth Integrated Care programme (SLIC): This is a programme within the council and CCG to improve care for people with long-term conditions, older people and others with care needs. SLIC will engage with the VCS more in the next few years, with opportunities for VCOs to support people to self-manage their conditions and retain independence through peer support. ‘Social prescribing’ by GPs – referral of service users to the VCS – will be encouraged. SLIC could provide support to VCOs, especially those willing to work in consortia with others.

Better Care Fund: This is a central government grant to local authorities to accelerate the integration of health (NHS) and social care services (council). In Southwark there is likely to be a budget set aside for the VCS to deliver preventative services. VCOs that can demonstrate their effectiveness at preventing isolation of older people, or keeping people out of hospital or care homes, will be well-placed to win funding. VCOs may have other roles, such as representing people’s needs to the Health & Wellbeing Board.

Integrated Personal Commissioning: This is a national programme to enable people with complex needs to combine health and social care personal budgets. It starts in April 2015 for people with long-term conditions (including older people), people with learning disabilities, people with severe and enduring mental health problems and children with complex needs. There will be explicit opportunity for VCOs to be commissioned to support personal care planning, advocacy and brokerage.

Ethical Care Charter: This will regulate the care workforce and includes an end to zero-hours contracts, and better paid carers. VCOs that provide care need to be aware of this; those that do not follow the principles will struggle to win funding. Organisations currently using 0-hour contracts may have to plan and change how they employ staff.

Carers: Under the Care Act, carers will have the same rights as people requiring care. Carers have an enhanced right to personal budgets so VCOs need to price and promote their services.
accordingly. The council and CCG’s joint Carers Strategy sets out priorities for supporting informal carers over the next three years. This includes reaching carers and offering information and support, supporting their mental and physical health and wellbeing, helping them live lives beyond caring responsibilities, giving them choice and control over the services they use and supporting young carers.

- **Care Act 2014**: There may be other opportunities under the Care Act for VCOs, such as providing financial information and advice to people with a range of needs. VCOs should have a basic understanding of changes to funding of care, to guide service users through the system. Under the Act, the council will prioritise people’s physical and mental wellbeing and prevention of health problems. VCOs that wish to win funding should adopt these aims and evidence their success.

- **Mental health**: The council and CCG are developing a mental health (MH) strategy, which will shape future commissioning. Objectives include higher levels of mental wellbeing, more personalised services, better recovery, physical health and more positive experiences of care and support. Giving choice and control to people living in MH care accommodation (including through personal budgets) is a key priority – an opportunity for VCOs to offer support.

- **Public health**: Since 2013, public health functions have sat with the council, which receives a ring-fenced public health grant. This may bring funding opportunities to VCOs, for example around smoking, alcohol, healthy weight or physical activity.

- **Free swimming & gym**: Fairer Future Promise 2 is to make it easier to be healthier with free swimming and gyms for all residents and doubling the number of NHS health checks. There may be opportunities for VCOs who help improve the health of vulnerable adults, such as by supporting them to be active and have a healthier lifestyle.

### 3. Economic wellbeing

Southwark’s Economic Wellbeing Strategy outlines key priorities including helping more people into work, financial wellbeing and independence. A number of detailed aims are set out under the ‘strong local economy’ priority in the Council Plan and Fairer Future Promises.

- **Education, employment & training**: Fairer Future Promise 8 is to ‘guarantee education, employment or training for every school leaver’ and ‘support 5,000 more local people into jobs and create 2,000 new apprenticeships’. This requires the provision of ‘advice, support and skills to overcome barriers to work’.

- **Work Programme**: At the national level, the Work Programme, which aims to support people at risk of long-term unemployment into work, may bring opportunities for smaller, local VCOs. This is only likely to happen if the government changes aspects of the programme, such as using smaller contracts and payment models that suit smaller organisations, as set out by NCVO.

- **Welfare reforms**: The council aims to mitigate the impacts of welfare reforms, including through benefits maximisation. At a national level, Universal Credit, the new system of combined welfare benefits, is to be fully launched during 2015 - there may be high demand for advice and support from residents. It is possible that there will be further benefits freezes.

- **Financial advice**: The council aims to ‘promote financial inclusion and responsibility through provision of advice on budgeting, arrears and employment.’ The council now has a deputy cabinet member for financial inclusion, reflecting this as a new priority.

- **Links with businesses**: The council wants stronger links between local business and the VCS, such as through pro bono support and sharing skills. Linking with bigger businesses might help VCOs to develop key skills for the new context of market competition, such as pricing and promoting services.
4. Community safety

‘Safer communities’ is a key priority, as set out in the Council Plan, Safer Southwark Partnership Plan and Violent Crime Strategy.

- **Domestic abuse:** This is a key priority, and a domestic violence strategy is in development. This may include work with young people who display abusive behaviours in their relationships. The council is also developing a Women’s Safety Charter, and has appointed a deputy cabinet member for women’s safety.

- **Rehabilitation:** ‘Reducing reoffending’ is a local aim. Nationally, the government is reforming its Transforming Rehabilitation programme, including greater commissioning of community support for low- and medium- risk offenders. If it takes on board recommendations to improve engagement with VCS providers, there may be opportunities for local VCOs to support offenders entering and exiting the criminal justice system.

- **Gangs:** Working with young people at risk of involvement in ‘gang or serious group violence’ is part of the tackling crime priorities. The VCS is explicitly mentioned as a key partner. In future, interventions will be more targeted to specific areas.
4. Other challenges and opportunities

- **Neighbourhood working**: Health and care services in future may be delivered through a network of neighbourhood ‘hubs’. These could integrate services such as GPs, social care, and community nursing. VCOs could link to these networks, delivering services, helping people navigate the system and giving advice.

- **Southwark’s changing population**: Southwark could have a very different profile in five years’ time. The number of older or young people could change, or the size of ethnic minority communities, the number of people in debt or homeless families. The rate of change may depend on future welfare reforms - for example, the Conservative Party has outlined proposals to cut a range of benefits and tax credits for working-age people and reduce the benefits cap.

- **Volunteering**: Volunteering will continue to be a vital resource for local organisations, although there are challenges around getting quality volunteers and retaining them over time. Following successful volunteer activity during the Olympics & Paralympic Games in 2012, the council plans to create more volunteering opportunities over the next four years, including a ‘volunteer passport’ and better collaboration between organisations. Nationally, volunteering is increasing.

- **Local authority collaboration**: Some councils facing deep cuts have responded by working more collaboratively with neighbouring authorities, sometimes developing joint strategies to address common needs. It is an unknown whether this will happen in Southwark but VCOs should consider this possibility.

- **Transparency and accountability**: There is increased media scrutiny of charities and a broader move towards ‘open data’. VCOs that can find ways to be more transparent will be better-placed to win trust and funding in future.

- **Localism**: The Localism Act presents a number of challenges and opportunities. VCOs can use the Right to Challenge to propose outsourcing of services run by the council, NHS or other public sector agencies. More use of the Right to Bid could mean more community buildings are kept for community use rather than sold off.

- **Lobbying**: The Lobbying Act puts restrictions the lobbying and campaigning activity of charities. While it mainly applies to larger organisations, all VCOs should be aware of the rules on what they can say and publish, particularly in the run-up to the General Election in 2015.

- **Mutuals**: The government continues to encourage public sector staff to ‘spin out’ and establish independent mutuals that continue to deliver services. Further incentives for them to do this could result in more competition for public service contracts.
5. Take Action!

There is an urgent need for VCOs in Southwark to take action.

It is clear that the impact of budget cuts will be much more severe from 2015 than it has been to date. It is vital that Southwark continues to have a voluntary sector of local organisations uniquely placed to meet local needs.

CAS is here to help ensure this is the case. We are confident that, with the right support and planning, many organisations can survive and thrive.

The main areas that organisations need to work on are these 6 Ps –

- **Proving** – Improved ability to prove the quality and impact of your services.
- **Prevention** – An ability to show convincingly that your work prevents a range of needs from escalating, and therefore prevents higher demand on services like hospitals.
- **Partnering** – Working more in collaboration with other organisations and public sector agencies, understanding and forming consortia with other VCOs.
- **Planning** – Organisations need updated, clear organisational plans, that account for changing needs, policies and funding.
- **Payment** – Having a fully diverse and resilient income base.
- **Promotion** – Gaining valuable commercial skills to help you promote your services online and to personal budget holders, and to improve contract skills such as bidding and monitoring.

CAS can support you through –

- **One-to-one guidance** to improve how you measure the impact of your work.
- **1:1 in-depth support**, for example around strategic planning, income strategy, re-focusing organisational aims.
- **Training sessions** to develop your skills in areas where you need knowledge (for example around personalisation).
- **Helping you partner with other organisations**, including forming consortia.
- **Signposting** to other organisations that can provide in-depth advice and support in specific areas.

Get in touch with us

We want to hear from you to find out about your work and support you to plan for the future.

- To find out more about the **development** support on offer (skills, planning, governance, training), contact Graham Collins, Development Manager, at Graham@casouthwark.org.uk or 0207 358 7011.
- To find out more about our **policy** work (how things are changing, influencing decision-makers), contact Rachel Clarkson, Policy Officer, at Rachel@casouthwark.org.uk or 0207 358 7047.