Feeling the Squeeze

State of the Voluntary Sector in Nottingham 2015-2016

Summary Report
Acknowledgements

Thank you to Nottingham’s voluntary and community sector for understanding the importance of this research, and for their contributions and honest responses.

To Roz Kelly (former Policy and Communications Officer) and other members of the NCVS staff team of 2015-2016 who contacted, supported and interviewed groups and organisations.

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Thank you to all the voluntary groups and organisations who participated in the 2016 survey behind this fourth State of the Sector report. We value the significant commitment from everyone who makes a contribution to this work.

Demands and pressures on our sector are higher than ever, and NCVS itself is not immune to the ‘squeeze’. In fact the impact of austerity is partly to blame for the delayed appearance of this report as our organisation continues to react to funding challenges and workforce changes.

The space between the first analysis of survey responses in summer 2016, to now in April 2017, has allowed for a period of reflection. It has also seen many of the issues highlighted by our respondents rise higher on the agenda of general public awareness. There are times when the voluntary and community sector hardly receives a mention in mainstream media. Unfortunately, the second half of 2016 appeared filled with reports about a decline in public trust in charities alongside growing reforms and an ever-tightening regulatory framework in which to operate.

Not all of this is negative for future development. Efforts to promote greater transparency and accountability are welcome. There is a need for the sector to take a look at itself and to pull together via partnerships and consortia to increase our influence.

Infrastructure support would seem to be in a precarious and confusing position in Nottingham city according to voices in this survey. There is evidence, however, that a need for the assistance of organisations such as NCVS may be growing. Caroline Schwaller, Chair of NAVCA has stated that, in this climate, “local infrastructure organisations are more important than ever, to stimulate, strengthen and advocate for civil society.”

The message comes through that we need to shout about our contribution to the resilience of local communities and strengthen our influence. There is increasing focus on small charities in national policy. The first Local Charities Day was organised by government in December 2016, supported by Rob Wilson, Minister for Civil Society. This is important because small charities are often an afterthought in policy design in a sector where income size is confused with success.

Cuts in public spending have left many smaller voluntary organisations with less money, meeting higher social demand. Many of our respondents had reduced their hours of operation in order to survive, with the majority remaining optimistic that complete closure was not yet on the horizon. However, Nottingham has experienced the sad disappearance of some highly influential organisations in the last few months alone. For smaller and medium-sized charities (usually defined as having an income under £1 million – although just a dream for many of the groups we work with), at its worst, a single funding decision can make the difference between survival or shutdown of the whole project.

Small local charities are vital, but how can they be put at the heart of public services in a fair and just way?

The effects of public sector commissioning processes on smaller, local groups were heavily criticised in the Lloyds Bank Foundation Commissioning in Crisis report (published December 2016). Organisations are forced to bid for under-resourced commissioner-led funding rather than needs-led tenders. These contracts are less likely to cover core costs and sometimes operate on a payment by results basis, which can see a small voluntary organisation with an almost non-existent cash-flow subsidising public sector services. This can’t be sustainable.

Our previous state of the sector report produced in 2014 was entitled ‘Picking up the Pieces’. We find ourselves in this position still, although the constant bending and over-reaching of our capacity is now playing havoc with core delivery, and essential services are beginning to crumble.

Are we being squeezed or are we being stretched to breaking point? I would suggest we are being buffeted and exploited, and this is not about to change. Sustainability is the buzzword of the year. Creating a sustainable future for our organisations is likely to be the biggest challenge in 2017.

Nicki Hastie
NCVS Policy and Communications Officer
April 2017

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Nottingham CVS’s fourth ‘State of the Sector’ survey asked voluntary and community organisations in the city of Nottingham a series of questions examining their experiences across a two year period – 2015 and 2016 – and their expectations for the year ahead.

The survey was conducted between May and July 2016 and attracted over 100 responses. Respondents ranged from small community organisations that are completely volunteer-led, to organisations with more than one hundred members of staff.

Our core inquiries were:

- What has been the impact of austerity on the sector?
- What are local voluntary organisations’ experiences of a changing operating environment?
- What is the current state of demand for services?
- What is the financial health of the sector?
- What are the current challenges that the sector faces?

- [ The impact of austerity and demand for services ] -

Indications from our survey, and from our engagement with groups in the city, are that continued austerity and reforms to public services is pushing more citizens to seek the support of the voluntary sector.

- Over the past year 71% of respondents have experienced an increase in demand for their services.
- Only 48% have been able to increase their level of delivery.
- 22% have needed to reduce the volume of services due to cuts in funding.
- While 60% refer to growth within the last 12 months, this has mainly been an increase in organisational capacity through an increased use of volunteers, rather than an increase in income.
- Almost half of respondents reported that they had increased the number of volunteers within their organisations, with 41% stating that levels had remained similar to the year before. Only 14% reported a reduction in the number of volunteers engaged.
- Modification of structures and flexibility in the way services function is also evident. Almost half of groups report that they have either downsized or restructured in order to meet the challenge of continuing to deliver their services or to take advantage of new opportunities.
- The majority of organisations are confident that they will be able to continue offering services and not have to close completely. Only 6% report that it is likely or very likely they will have to close within the next 12 months.
In the event that an organisation has to close a service or has to close altogether, groups reported that it would be difficult for their work to be picked up by other agencies as they were already a last resort for many of their clients. The loss of their specialist knowledge and practice would place already vulnerable clients in a worse situation and probably result in more demands being placed on statutory services, particularly in health and social care.

Only larger groups are able to grow as a result of securing more significant levels of grant income and contracts, and this underlines the changing operating environment.

- [Partnership, participation and collaboration] -

There is little appetite among our respondents for merging and consolidation of services. Instead, groups are engaging in more partnership working.

- Two-thirds of groups report that they have found themselves working in partnership with other groups more than in the past.
- Only 40% of groups report that it is easy to find partners.
- Only 11% of groups reported that that they were not currently working in collaboration with organisations from either the voluntary, public or private sectors.
- 84% of groups report collaboration with other voluntary sector organisations, so most engagement is with sector peers.
- Only 4% of groups reported the private sector as easiest to collaborate with, compared to 51% preferring the voluntary sector.

The voluntary sector is represented on many of the key strategic bodies, fora and committees in the city and participates in public sector consultation and decision making processes on a range of issues. However, a quarter of groups feel restricted in their ability to participate. This is concerning because these are usually the smaller groups, already with limited capacity, who are often working with the most vulnerable citizens and communities.

Respondents also feel that outcomes and written reports from consultation exercises often fail to reference the contribution of the voluntary sector, even when representatives have been clearly visible around the table.

An area for further work is to consider where opportunities for cross sector collaboration are being missed. There may be work to do to increase awareness of the corporate social responsibility activities of the private sector among responding groups.

- [Changes to infrastructure support] -

The landscape of infrastructure support for the voluntary sector has shifted markedly over the past 12 months with changes to the funding arrangements and a reduction in the capacity of traditional infrastructure bodies to provide it. The provider market has also become more fragmented with differing interpretations of what infrastructure support is and a decline in city-wide provision.

Eight areas and different support models, of varying quality, have been introduced, delivering a lack of
consistency and clarity. There is no longer a single city-wide service since the move to more locally-based delivery through Area Lead Organisations (ALO) funded through Area Based Grants.

We asked the sector what they understand as being infrastructure support, where and how they access it and their recent experiences of accessing it.

The new funding regime doesn’t match expectations or logic and one-fifth of groups have found it more difficult to access infrastructure support in the last 12 months.

There is a challenge for city-wide infrastructure bodies and ALOs to develop a coherent system of support within the new funding regime that is responsive to the needs of the sector. Nottingham City Council funding is now provided through Area Based Grants and Communities of Identity Grants, and both grant programmes have been recommissioned for 2016-2019.

It seems there is a lower level of awareness of Communities of Identity grants and a clear need for more consistent infrastructure support to help with capture of data, signposting to opportunities, and explaining how the voluntary sector operates in Nottingham.

Other significant challenges

Commissioning and procurement
We received a large number of comments which highlight differing and predominantly negative experiences of commissioning processes. It is clearly an arduous process which favours larger organisations. There is concern that public sector organisations are prioritising cheapness rather than quality in the commissioning process.

There is a view that the voluntary sector’s engagement with the delivery of public services and the move away from grants toward contracts does impact on groups’ independence. There is a concern that this shift draws some organisations away from community development and community responsiveness towards the delivery of services designed externally by third parties rather than at a community level in direct response to local need.

Measuring and reporting impact
Respondents identified that measuring and reporting their impact is a significant challenge.

Independence
The view that government is intolerant of charities was echoed locally with only 1% of respondents disagreeing with the statement.
- [ Financial health of the sector ] -

Key findings:

- The majority of organisations who had received funding from Nottingham City Council or other public sector bodies reported a reduction in the level received.

- Almost half of organisations reported they will operate on a reduced level of income in the financial year 2016/17.

- 41% of respondents reported increasing their income but only 28% reported that their income covered all of their costs.

- Of most concern, only one-third (34%) reported that they would describe their funding situation as stable. This is a reduction from 43% reported in the previous survey.

- 57% reported that they have reserves to sustain their operation for between three and 12 months. However, almost one third do not have reserves to last beyond three months.

- 50% of organisations with incomes of £100,000 to £500,000 have seen a reduction in overall income.

Voluntary and community organisations are demonstrating great resilience in attracting funding from a wide variety of sources. However, attempts to adapt to funding pressures have often been self-sacrificial, particularly within smaller groups.

The majority of respondents reported that they have not significantly changed their funding base over the preceding 12 months. A heavy reliance remains on grant funding and on local funding sources rather than national. Diverse income streams are actively being sought by local organisations; it’s just that resources are not that easy to secure.

The majority of groups stated that they are finding it more difficult than previously to secure funding through a range of sources. Additionally, they face challenges managing and reporting mixed income streams.

Some larger organisations are entering into contracts with the public sector or beginning to undertake trading activity. Trading could be a future growth area, but a concern is that there is no longer any funded specialist business support available for the voluntary sector in the city since the completion of the 2007-2014 ERDF programme and changes to the contracting of business support services under the new ESIF programme. Social finance still has low take-up, potentially due to lack of awareness and risk aversion.

The policy environment is generally favouring the growth of larger organisations. The major decline in income is primarily within smaller groups. However, our survey mirrors national findings from NCVO of a ‘squeezed middle’. ²

Cuts to and restructuring of city infrastructure services are having a serious and negative impact on smaller groups who require more dedicated advice to navigate through the new funding environment. Smaller groups have indicated they need a holistic package of support, both organisationally and individually, through the full funding application process. They are finding this increasingly difficult to access.

² The squeezed middle: small and medium-sized charities in a changing financial landscape (NCVO, 2016)
One of Nottingham’s greatest assets is its voluntary and community sector. The sector is generating solutions to many of the city’s most concerning social and economic problems – from the isolation of older people to the scourge of youth unemployment. It is a sector that needs to be supported and unleashed to do its outstanding work.

However, its ability to meet the demands placed on it by citizens is becoming increasingly difficult. Much continues to be said about the importance of voluntary organisations’ contribution to the social and economic wellbeing of our communities. Yet the paradox that our survey has brought into view is that while the voluntary sector has been enthusiastically championed, many in the sector are still facing challenges in a changing operational environment. These continue to be difficult times for the sector.

Larger organisations, while experiencing changes in their funding base, have demonstrated success in securing contracts and support from larger national grant programmes. At the opposite end of the spectrum micro-organisations have demonstrated their resilience and continued ability to provide much needed services at a neighbourhood level with minimal resources. Small voluntary groups have felt the loss of some of the smaller grant programmes that used to be available to them but have demonstrated an ability to replace elements of this with other sources of income.

Where the squeeze seems to be felt is within specialist mid-sized organisations. They have reported losses in levels of grant income from both local and national sources and often don’t appear to be able to, or want to, scale up to take on public sector contracts. The squeeze comes from not being able to secure alternative grant income to support their services resulting in them refocusing their work or scaling back their provision. The obvious result of this is a reduced ability to address the needs of their beneficiaries, many of whom are amongst the most at-risk in our communities.

While there has been a clear desire to see the voluntary sector more regularly commissioned to deliver public services, it seems that at a local level this is not happening as it should. Contracts from both central and local governments too often remain untenable for voluntary sector organisations to enter into without taking on enormous financial risks or compromising their identity and the priorities that have made them effective. Ongoing culture change needs to occur regarding commissioning to enable charities and the public sector to work effectively together.

We have also identified a slowdown in the number of new community organisations starting up. One area where this trend is being bucked is among new and emerging communities and among refugees and asylum seekers where groups are being established to support the increasingly diverse communities in the city. The support needs of these organisations are extensive, but the resources to enable this to be provided are often not available to meet the level of demand or need.

We have noticed an increased incidence of downsizing in the sector in the past 12 months, which has been reinforced by the information that groups have shared with us in the survey.

A final area of concern is the provision of infrastructure services to groups. The model for delivery across the city has been overhauled and has yet to bed down. However, groups are still coming forward with often complex support needs which are in danger of going unmet. An effective and coherent support offer is essential to assist groups to develop systems, skills and capabilities to respond to the challenges that they face and to take advantage of new opportunities. Business and financial skills, quality systems, impact reporting and contract and investment readiness support is in demand but there is minimal specialist provision available geared toward the voluntary sector. The new support model is variable across the city as the level of advice and support available to groups is dependent upon geography and the location of beneficiaries. This risks a system without parity of provision developing in the city.

The picture that our survey reveals is one of a sector that is still grappling with the impact of austerity and an ever shifting policy and operational environment. Groups have been tenacious, innovative and resourceful in maintaining the work they do to support the citizens and communities across Nottingham who are increasingly reliant on them. It has been a challenging 12 months and the period ahead looks to be equally challenging. The sector would benefit from some stability and space to consolidate, allowing time to address the operational challenges that are becoming increasingly manifest. However, this doesn’t appear to be about to happen any
How NCVS can help

Established in 1875, Nottingham Community and Voluntary Service aims to improve the quality of people’s lives in Nottingham through strengthening the voluntary sector.

We support the sector through:

- **Volunteering**: Improving the quality of volunteering and breadth of volunteering opportunities across the city;
- **Voluntary sector development**: Strengthening the voluntary sector’s capacity to help its clients through promoting best practice, funding advice and training;
- **Voices**: Speaking up for the voluntary sector on issues crucial to its future, and increasing the sector’s access to, and influence upon, decision makers;
- **Voluntary Action Centre**: Providing a space for organisations to meet and network, access training and promote their work.

Our vision

Our vision is thriving voluntary and community sector in Nottingham that improves the quality of people’s lives in the city.

Our Mission

Our mission is to support VCS organisations and groups to grow their capacity and capability, to increase the scale, scope and impact of volunteering and to be a strong, strategic voice for the sector.

At NCVS we support Nottingham’s community and voluntary groups in all sorts of different ways - from helping to set up a new group, to bidding for large grants or contracts. Whether your group is big or small, established or new, we can help strengthen and develop it.

We can provide information and advice concerning:

- Setting up of a group
- Day to day running of a group
- Identifying sources of funding
- Making funding applications
- Helping committees and directors understand their roles and responsibilities
- Developing policies and procedures
- Reviewing your governing documents
- Registering as a charity or company

This list is not exhaustive and we can advise on most things that go on in the community and voluntary sector. Some of our services are free, some we may need to make a small charge for. Where we do have to charge we will make this clear in advance.

Find our full contact details on the back cover.