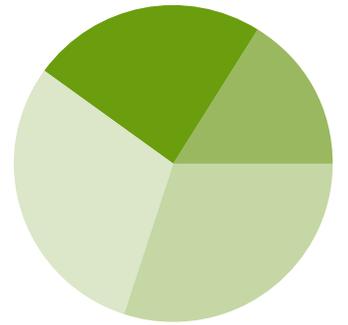
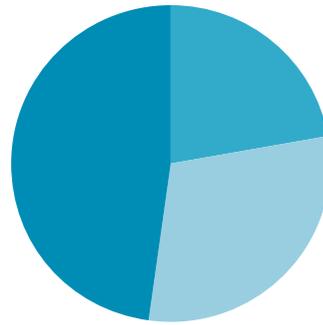
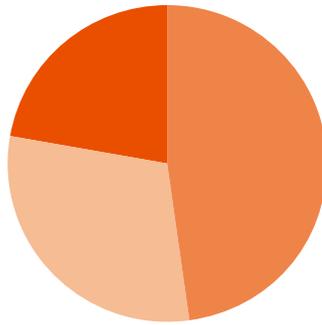
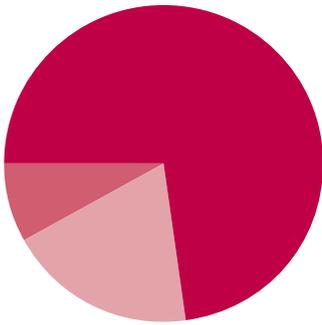
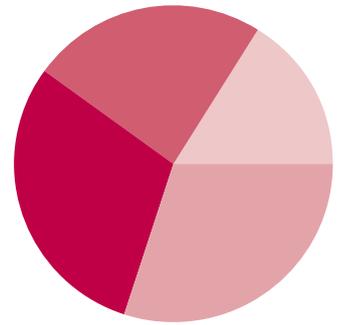
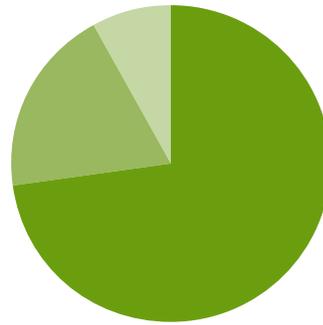
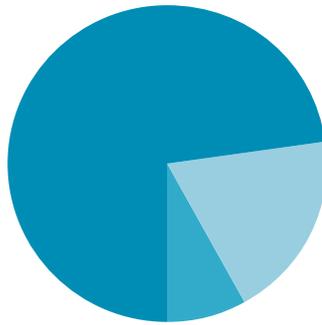
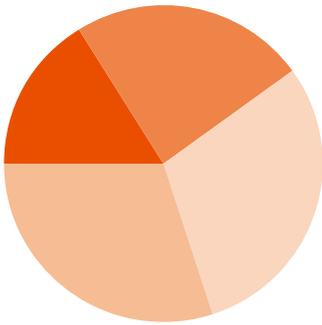
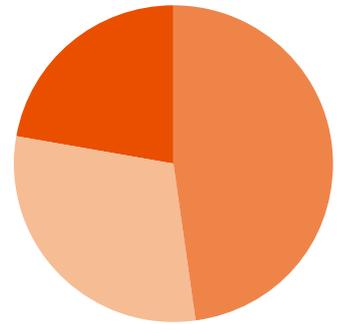
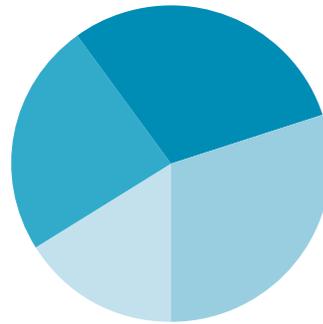
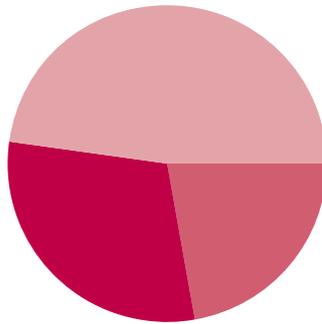
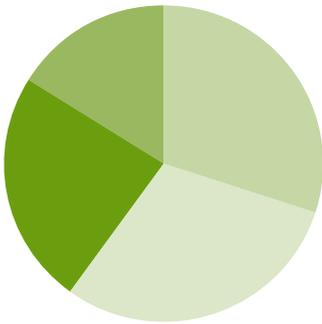
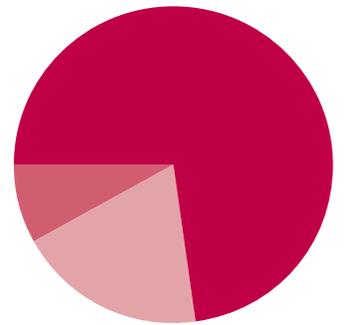
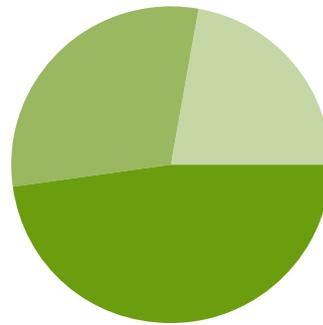
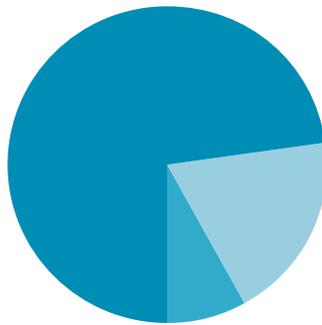
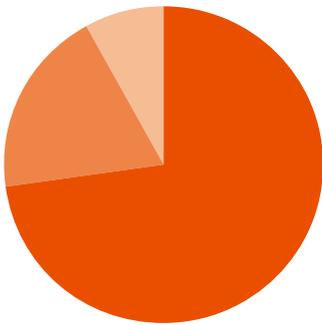
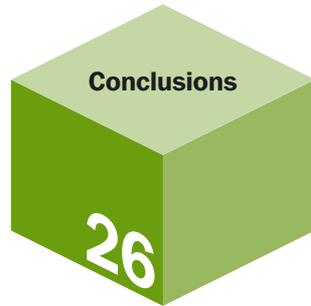


the
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Executive Summary

Three times over the last 18 months Clinks has surveyed Voluntary and Community Sector (VCS) organisations working within the Criminal Justice System. This has been to review how government funding cuts, changes in commissioning practices and the economic recession are impacting services. The surveys were carried out at the beginning and end of 2011 and again in July 2012.

The July 2012 survey gives a picture of a Sector that has continued to erode and that is feeling 'pushed from above' and 'pulled from below'. Many organisations are struggling to balance the demands of government strategy and the economic recession with delivering services to an increased number of service users.

The July 2012 survey ascertained that 73% of responding VCS organisations have been affected by the economic downturn and changes to the policy and commissioning environment. Over 92% of the organisations believe they have or will imminently be affected by the changes; there is a deepening sense of concern amongst many organisations about their future.

There has continued to be an eroding of income for most VCS organisations with an overall loss of income of 6% over the last two years in those responding. Organisations employing 11-50 staff have been the hardest hit. Some are holding income levels steady or even increasing them. Anecdotal evidence suggests that organisations who have resisted the effect of the economic downturn are those with the resources to fundraise, or which have merged (so the combined income of the merged organisations may actually have decreased). This will be examined in the next survey.

Not only is there a lack of funding for most VCS organisations, but the type of funding continues to be a major concern (*the total income for the year 2010-2011 has been used as a baseline, 100%*):

- ✦ Earned income is decreasing – to 66% over the last year and anticipated to further reduce to an estimated 56% for 2012-13.
- ✦ Grant income has remained much the same (dropping from 22% to 21%). However, organisations

expect this to reduce to 15% in 2012-2013 as a result of the continuing economic recession and shrinkage of available grant funding.

- ✦ Fundraising from the public slightly increased in 2011-2012 but is expected to be minimal in 2012-2013.

The statutory sector remains a key source of funding for VCS organisations working with offenders, mainly because fundraising from the public is more difficult for this area, as evidenced in the Third Sector Research Centre report, *Scoping the involvement of third sector organisations in the seven resettlement pathways for offenders (paper 57)*.

The findings show there has been a shift from large and long-term contracts to 'one-off pieces of work' for many VCS organisations. Although this has meant that income levels for some organisations have been relatively stable, full cost recovery is becoming problematic for many. Short contracts do not cover any of the 'back office' costs that would normally be part of larger contracts. In addition, both operational and volunteer costs have risen sharply over the last year.

98% of organisations are also reporting that, compared with 18 months ago, it is costing them more to get less – they are spending increased time and resources on fundraising with lower returns.

This is taking time away from delivering services and their core aims.

To compensate for the disparity between income and expenditure, the majority of organisations (67% of the 84 that responded) have used and are using their financial reserves. As reserves are depleted, so the interest generated on savings is reduced, thereby further reducing income levels.

The hardest hit organisations are those with less than 50 employees; some organisations are being forced to close down and others are very concerned about future funding opportunities. There is also a sense in the Sector that most organisations have restructured and consolidated over the last 18 months; there is very little flexibility left to make further economies. Now even small charges and rising costs make organisations vulnerable. This is alongside a growing demand for their services, and greater and more complex needs of their users.

Redundancies have continued and are continuing across the Sector. The July 2012 survey revealed that 40% of organisations had made staff redundant since 2010 and organisations putting redundancy measures in place had lost an average of 7 (14%) members of staff per organisation. It appears to be the smaller organisations (0-10 employees) which have suffered most, losing almost a quarter (22%) of their staff since late 2010. This is significantly higher than the percentage level of redundancies in the statutory sector. More redundancies are expected – 36 surveyed organisations reported they expect to make a further 310 staff redundant; some posts will depend on successfully securing (or otherwise) new contracts.

In an effort to cut costs, many organisations have reduced staff contracted working hours. To keep delivering services, however, many employees are working unpaid hours. This is not sustainable and employee morale is low in many organisations. There is a sense of deep weariness and anxiety about the future.

VCS organisations are being impacted on a wider front by the funding cuts experienced within the statutory sector. Not only have there been a large number of redundancies in the statutory sector but there have also been programme cuts. The impact of changes in statutory services on the VCS has been considerable. Some organisations have experienced large increases in demand, both in terms of quantity and severity of need as local statutory services close, or are reduced. The ramifications of this impact are only just starting to be seen.

Volunteers continue to be a crucial element in the Sector. For example, the organisations which responded to the July 2012 survey rely on 6,200 volunteers (an average of 48 volunteers per organisation). Volunteer management has not become easier over the past 18 months; significant time and resources continue to be spent on recruiting, managing and training volunteers.

Only 15% of respondents are currently delivering contracts under the Payment by Results (PbR) model. The majority of these VCS organisations have more than 50 employees, which is a result of the size of the contracts being awarded. Smaller organisations do not have the capacity to bid. Fifty-five per cent of the organisations who are not delivering PbR contracts say they will consider doing so as this is the preferred government contract system. There is, however, unease about the high level of financial risk for small organisations and that the projects are too large for most VCS organisations. There is also continuing concern over the measurement of 'success' and attribution of impact between different interventions. This is particularly relevant given the nature of the clients served by VCS organisations looking to reduce reoffending and to address community safety.

Organisations reported that they believe only clients with easy-to-address issues are being supported. Those people needing more extreme support are being excluded as achieving success (and, therefore, payment) will be more problematic. Some organisations also reported that they are being used as 'bid candy' by national organisations tendering for local projects. There is also a belief that many of these contract winning national and private companies do not have sufficient local knowledge to be truly (and cost-effectively) successful.

None of the organisations are accessing loans to run their PbR programmes. Eighty-three per cent of organisations surveyed reported that they are using financial reserves (compared to 59% in the previous survey). Thirty-three per cent of organisations are receiving some upfront payment.



There continue to be some positive effects of the current economic situation and as a response to government strategies. Although working collaboratively always has been widespread in the Sector, more organisations are now seeking potential partners to work with. This is, in part, due to the size of contracts and the broader commissioning agenda, which means VCS organisations have little choice but to collaborate. As yet, there is very little partnership with the private sector (14% of organisations surveyed). There is, however, growing interest in this.

Twenty-seven per cent of organisations have also implemented diversification of their income streams and others believe they are working more efficiently than before.

The July 2012 survey, however, also found that 78% of responding organisations served the same number, if not more, clients than in the previous year. This is with less financial and human resources. Referrals to organisations have increased from both statutory and other VCS organisations who are failing to meet the demand:

One organisation reported a 400% rise in referrals. As a result, service users are being impacted, despite VCS organisations' best efforts.

The effect of the economic climate and government strategy is having an impact not only on VCS organisations but on service users. Almost half of the organisations surveyed (55%) reported that the needs of those seeking support have increased in severity and complexity.

Organisations reported increased levels of deprivation, poverty and marginalisation amongst their service users, as well as a Sector that is becoming more 'industrialised' and less person-centred. There is also concern that there is a move away from preventative work.

The current economic situation and government strategy is, therefore, compromising two of the

traditional strengths of the Sector: its ability to work with the more marginalised and the flexibility to adapt to changing need.

The current survey shows a Sector that is struggling but will survive if circumstances improve in the near future. The indicators, however, suggest that worse is to come before there is an improvement. There is realism in the Sector that a number of VCS organisations will not survive, that there will be more redundancies and a further restructuring required. This is despite growing numbers of service users with increased and more complex needs.

Indeed within the first two weeks of August 2012, after our survey had closed, four organisations announced they were closing down, at least two of which had won substantial contracts.

Contrasting with this pessimism, the very nature of the VCS and its staff means that they continue to put their service users first, giving them the best service that they can.

About this report

Since 2010, Clinks have carried out research into the state of Voluntary and Community Sector (VCS) organisations that work to reduce reoffending and to address community safety.

In March 2011, three Clinks reports were published:

- ✦ *When the dust settles*
- ✦ *A changing landscape*
- ✦ *Changing times, challenging times.*

In March 2012, a follow-up report on the VCS organisations was produced:

- ✦ *When the dust settles – an update.*
- www.clinks.org/publications/reports/ecodownturn

The publications reported on the key issues VCS providers were facing in a time of spending cuts, changes to the local delivery and commissioning landscape, policy and agenda changes, and the emphasis on decentralisation.

In July 2012, Clinks wanted to review how these changes were affecting service providers and to get a 'real picture' of what was happening on the ground.

This was done by:

- ✦ Interviewing nine representatives from Voluntary and Community Sector providers
- ✦ Obtaining the views of organisations through an open online survey on the economic downturn, with 139 results.

Of the 9 interviews, four had been interviewed twice before and their data included in the previous reports. Of the remaining 5 interviewees, we interviewed representatives from three organisations who, in the online survey, had indicated an increased turnover and two with a decreased turnover.

A direct comparison between the data presented in all three surveys (2010 – 2012) has not been possible as the online questionnaire was sent out to all Clinks' VCS contacts (3,433). Respondents have varied,

with some organisations only answering one out of the three surveys. However, the combination of online surveys and interviews has given us a range of qualitative and quantitative information which has revealed consistent trends in VCS experience.

Information from the first survey (published in March 2011) is referred to as Q1 2011 and from the December 2011 survey as Q4 2011.

The research was commissioned by Clinks, the membership body for the VCS in the Criminal Justice System of England and Wales and carried out by Red Ochre.

Profile of the respondents

We had an excellent response to the online consultation with 139 VCS organisations working in the Criminal Justice System of England and Wales completing the survey in July 2012. This figure compares to 75 organisations in the previous survey in December 2011 (Q4 2011). From the responding organisations, nine were chosen to have follow-up interviews, three of which had indicated an increase in turnover and two a decrease. We also interviewed representatives of four organisations who had been interviewed before.

The July 2012 level of response has allowed us to consider a wider sample than in previous surveys of the VCS organisations operating in the Sector. Of this survey:

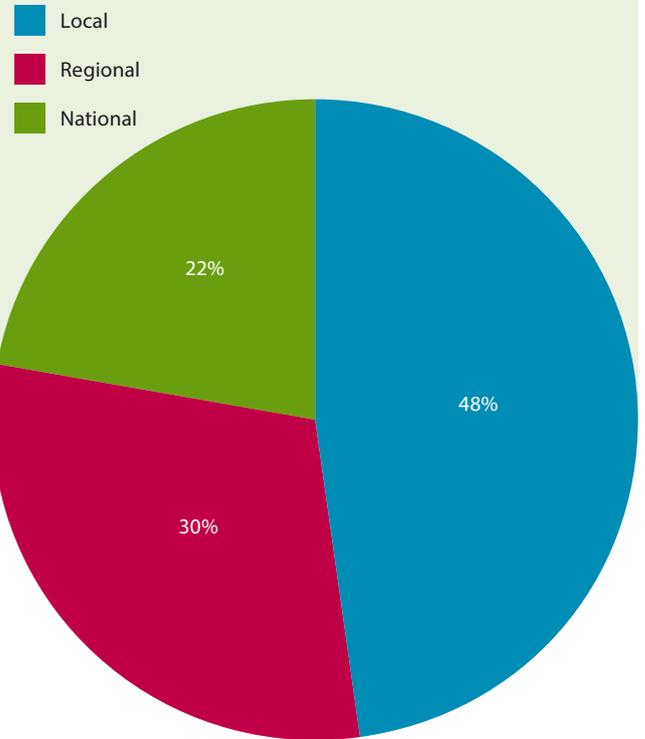
- ✦ Almost half of the organisations that responded were local organisations, with 30% operating at a regional level and 22% at a national level.
- ✦ Each organisation was asked: What geographical area do you deliver services in? (Tick all that apply) There were eleven regions they could choose from. Some organisations operate in only one when others operate in many. Each of the regions had services delivered by at least 16% of the respondents.
- ✦ Almost half of the organisations that responded have less than 10 employees. This is a similar profile



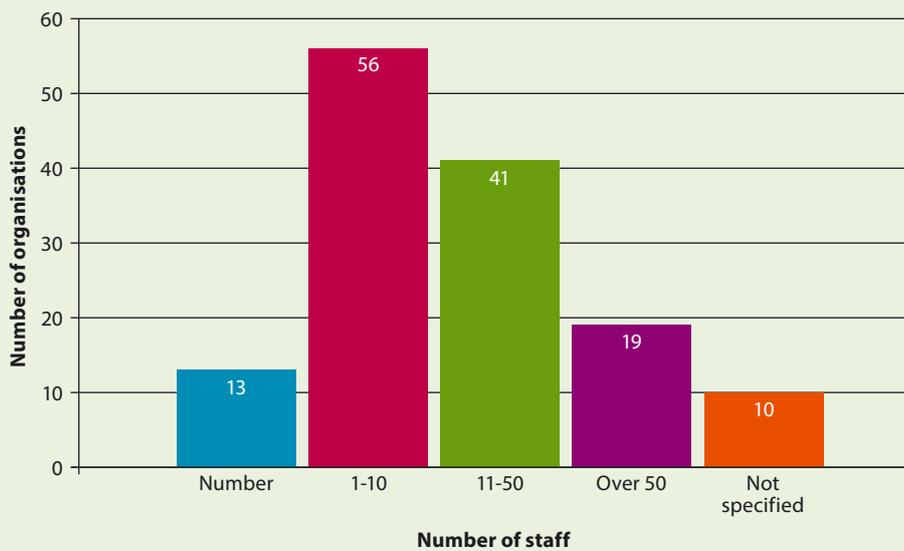
to the 99 organisations surveyed in January 2010 (Q1 2011) and 75 organisations surveys in Q4 2011.

- ★ 41 responding organisations have between 11 and 50 employees and 19 organisations have over 50 employees.
- ★ The organisations deliver a wide range of services, covering mainly:
 - Education, training and employment
 - Attitudes, thinking and behavior
 - Children and families
 - Drugs and alcohol
 - And many other activities like arts and creative arts, sport activities, media and youth work, immigration legal advice, infrastructure support, etc.

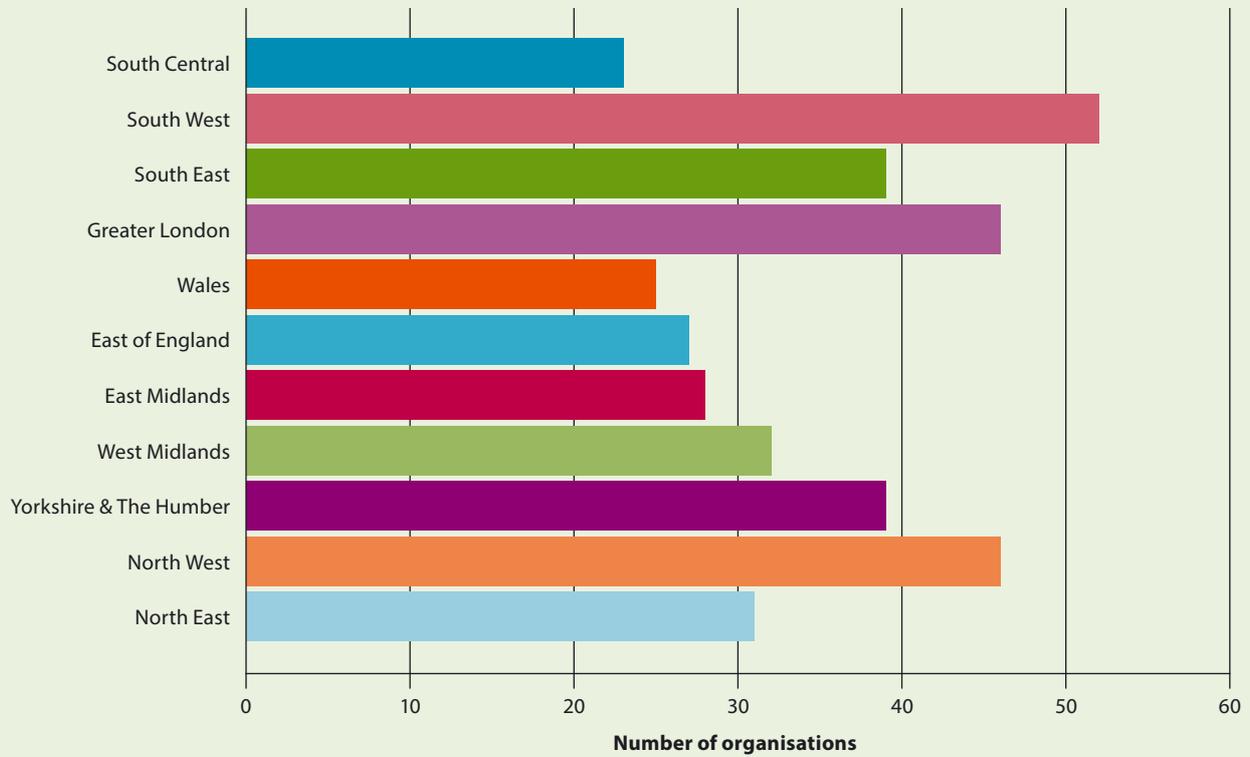
Is your organisation local, regional or national?



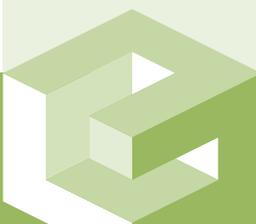
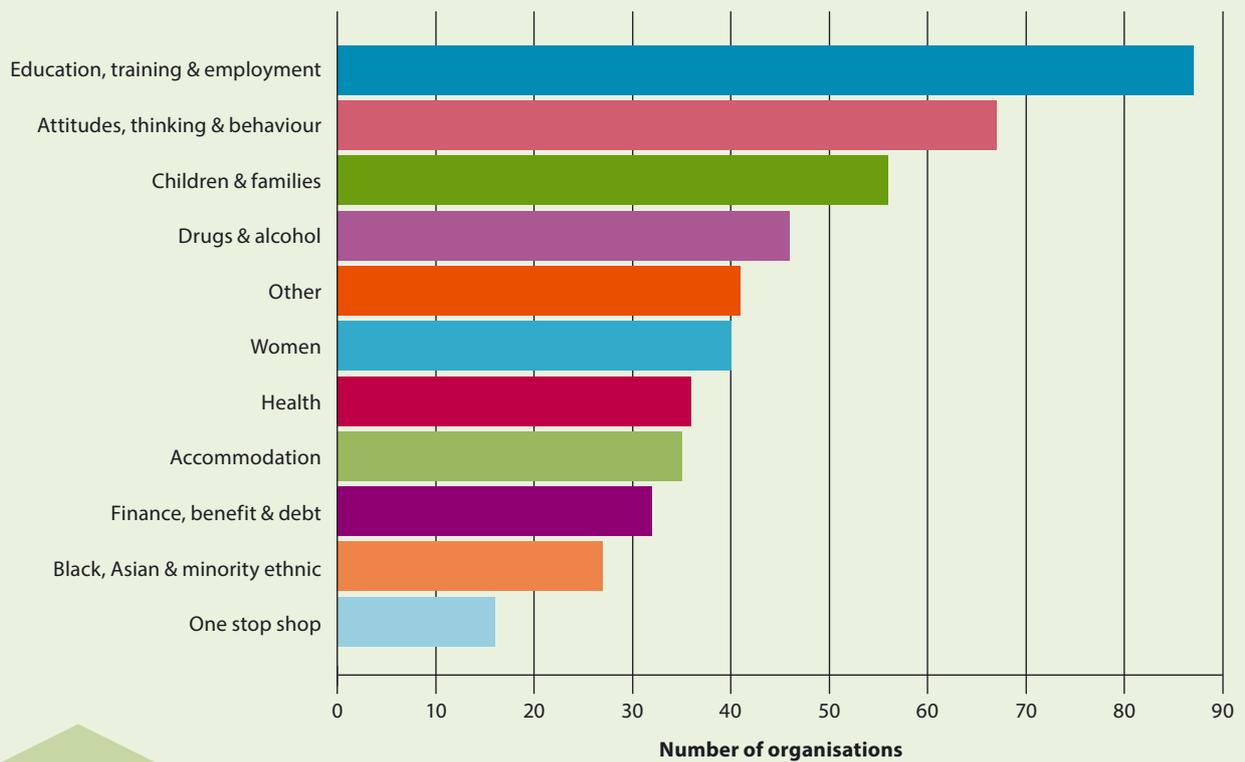
Number of paid staff per responding organisation



What geographical area do you deliver services in?



Which of these best describes your service?



In terms of financing their activities, the majority of the respondents operate with some statutory funding.

Of the 82 organisations who responded to this question, 60% receive statutory funding from either one, or a mix, of local, regional and central funding. This is somewhat lower than the Q1 2011 study where 70% of respondents received funding from the statutory sector, but it remains high.

Corroborating these figures, the [Third Sector Research Centre \(TSRC\)](#) say almost 60% of organisations that identify offenders and their families as their main beneficiaries depend on public sources of income, which is higher than for other groups of VCS service users. TSRC took this figure from an analysis of data on all 1,750 VCS organisations that they identified as having offenders and their families as their primary user group. This supports the findings from the Clinks July 2012 sample.

Findings

Report structure

The organisations featured in this report aim to create value for their service users, communities and for wider society. They do this by using and working with a variety of resources – or capitals. All these capitals are part of the story of the organisations and have been affected by the current economic climate. Based upon work carried out by [Forum for the Future](#), these are:

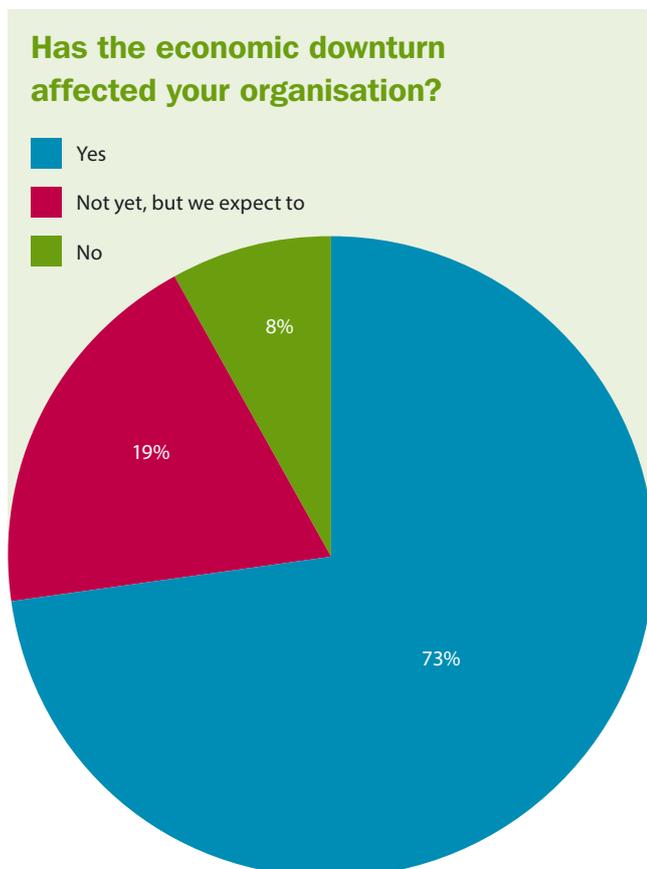
- ✦ **Financial Capital** that includes the financial situation of the organisations and the ways in which they have been funded.
- ✦ **Human Capital** consists of people's health, knowledge, skills and motivation. All these are needed in the staff of the organisations for productive work.
- ✦ **Social Capital** concerns the institutions that help us maintain and develop human capital in partnership with others and the links between people that make the organisation's work possible.
- ✦ **Organisational Capital** comprises material goods or fixed assets that contribute to their work, rather than being the output itself – e.g. resources and buildings.
- ✦ **Impact Capital** the effect of spending cuts on the organisation's clients or beneficiaries.

At a time of changing funding and regulatory environments, an organisation needs to manage all these capitals both in the short and long-term in order to survive. This is a dynamic process through which organisations can begin to achieve a balance between their concerns and activities for clients, beneficiaries, government, wider society and their staff and trustees.

The July 2012 survey ascertained that 73% of responding VCS organisations have been affected by the economic downturn and changes to the policy and commissioning environment.

Over 92% of the organisations believe they have or will imminently be affected, leaving only 8% stating they expect not to be impacted by the changes.

Below, we examine in what way VCS organisations are being affected. We demonstrate how they are experiencing these capitals and the overarching trends since late 2010.



Financial capital

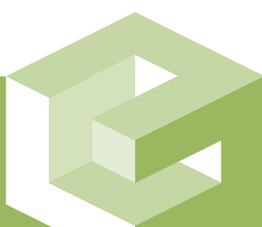
What we found

1. There has continued to be a reduction in income for many organisations although some are maintaining their income levels

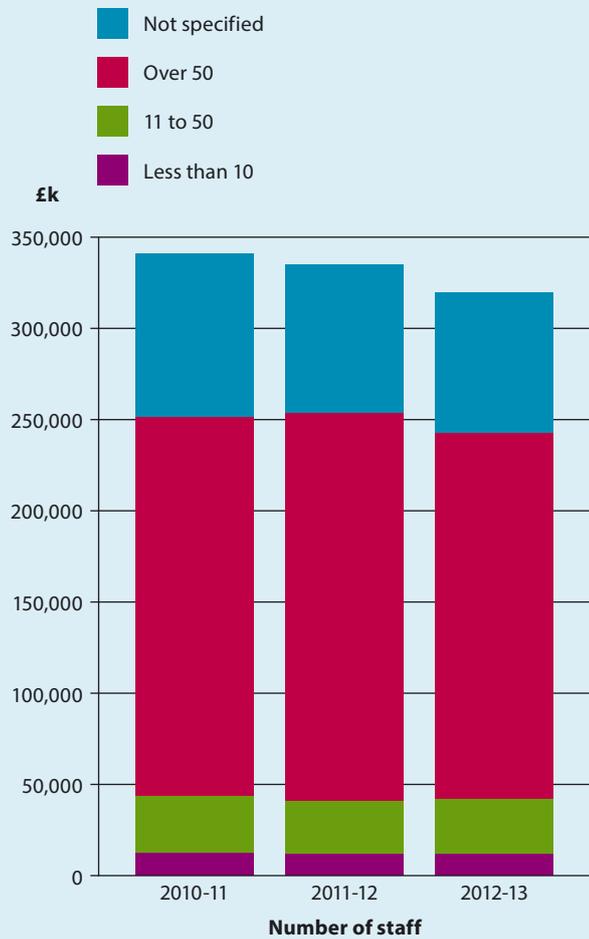
There has been a slow but marked reduction in income since 2010 for the majority of organisations that responded in July 2012. The combined turnover of the organisations who responded reached £341m in 2010-2011, but reduced to £336m in 2011-2012 and is expected to decrease further in 2012-2013 (to around £320m) – a 6.2% decrease in 2 years. Looking ahead, only 37 organisations expect an increase of income for 2012-2013 compared to the previous year, while 49 organisations expect a decrease of income. The picture is somewhat complicated as some organisations (of all sizes) are holding income levels steady. Anecdotal evidence suggests that organisations who have resisted the effect of the economic downturn are those with the resources to fundraise, or which have merged (so the combined income of the merged organisations may actually have decreased). This will be examined in the next survey.

If we look at the turnover per size of organisation (based on number of employees), we notice that:

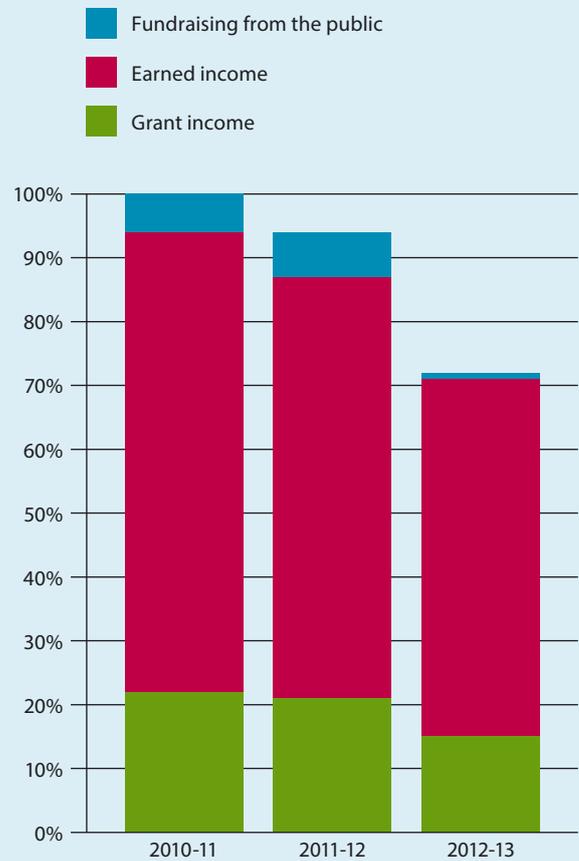
- ✦ The organisations that are experiencing the largest decrease in income are those which have 11 to 50 employees. Their turnover is expected to reduce by more than 5% overall.
- ✦ The smaller and larger organisations seem to be affected in similar proportions (3% overall loss anticipated).



What was your annual turnover?



Reduction in different sources of income (base year 2010-2011)



Sixty-seven organisations have given details of the split of their turnover as the figure, above right, shows. (*The total income for the year 2010-2011 has been used as a baseline, 100%*).

- ★ Earned income is decreasing – to 66% over the last year and anticipated to further reduce to an estimated 56% for 2012-13.
- ★ Grant income has remained much the same (dropping from 22% to 21%). However, it is expected to reduce to 15% in 2012-2013.
- ★ Fundraising income slightly increased in 2011-2012. Being unpredictable, it is expected to be minimal in 2012-2013.

Despite these overall trends, the online survey showed that some organisations managed to hold their income steady and, in some cases, increase it. Through the interviews we discovered that this has been for a variety of reasons including one organisation merging and others getting greater support from particular funding sources.

“We’ve lost a third of our work, but we merged and joined a big housing group so turnover grew.”

“Some of our funders are great – they’ve increasingly supported us ... but I can’t see how much longer this can continue.”

“We went back to funders and asked for bigger grants and a director.”

2. There is a shift from large and long-term contracts to 'one-off pieces of work' for many organisations

There has also been a shift in the type of contract for some organisations. There seem to be fewer 'long term' contracts but a growing number of one-off and short pieces of work.

"We're managing to pick up bits and bobs of work – but no big contracts."

This has meant that, although in some organisations income levels have been held, there have been other consequences – mainly that these short contracts do not cover any of the 'back office' costs that would normally be part of larger contracts.

3. Full cost recovery is becoming increasingly difficult for many organisations

Many organisations told us how difficult it has become to recover all their costs. Not only are contracts smaller but they do not include finance for the core organisational fixed costs.

"We have a £200k funding gap at the centre. Although we have £800k of activity and services in place, there is no funding for governance, HR, finance services, etc, costs."

"We're getting more and more contracts that barely cover the cost of that worker and not the admin and management or desk space."

"Where the dilemma comes is covering all our costs. We've previously had some surplus within contracts, but now they are being cut right to the bone or below."

Added to this, many costs have also gone up. Although inflation is not high, many essential running costs have risen – for example, fuel, energy, insurance and basic minimum wages.

"The bills have gone up – IT maintenance, phone bills have gone up. We've got minibuses – insurance has gone up, petrol has gone up. It used to be £50 to take a group out on an expedition; now it is £100."

"Rent has gone up by 80%!"

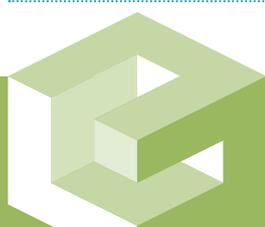
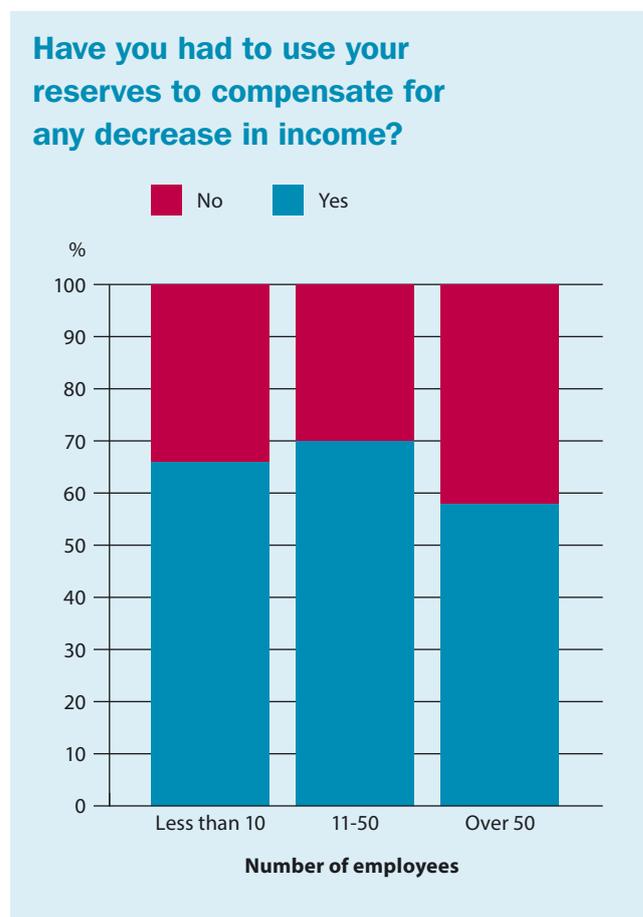
In the past, volunteers often would not claim for their expenses (such as travel). Nowadays, this is rarely the case because they, too, are more financially stretched.

"Previously with volunteers, they wouldn't necessarily make a claim. They increasingly are doing so..."

4. Organisations are using their financial reserves

So how are organisations meeting the cashflow discrepancy? The majority of organisations (67% of the 84 organisations that responded to the question) are using their financial reserves. This is having a knock-on effect of reducing the interest earned from investments, thereby further lowering income levels.

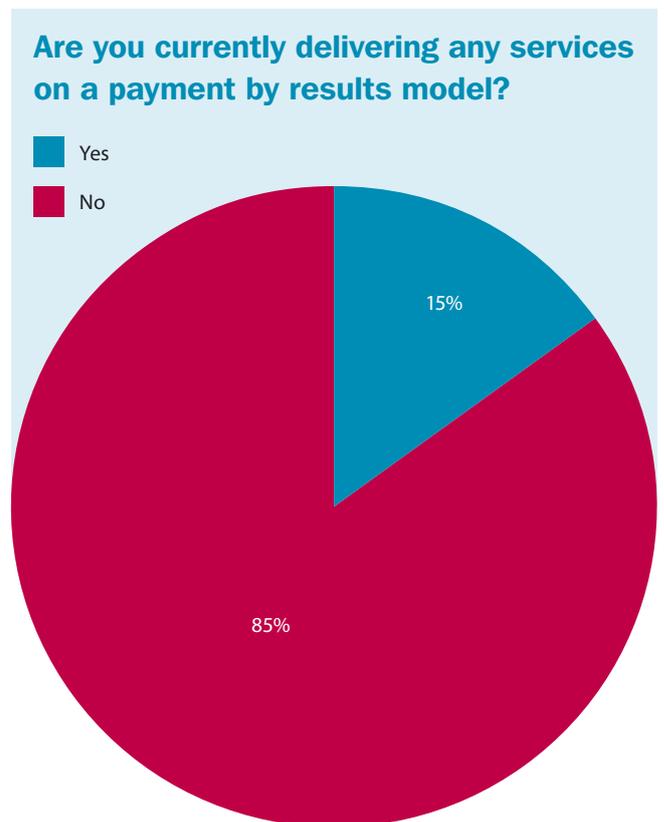
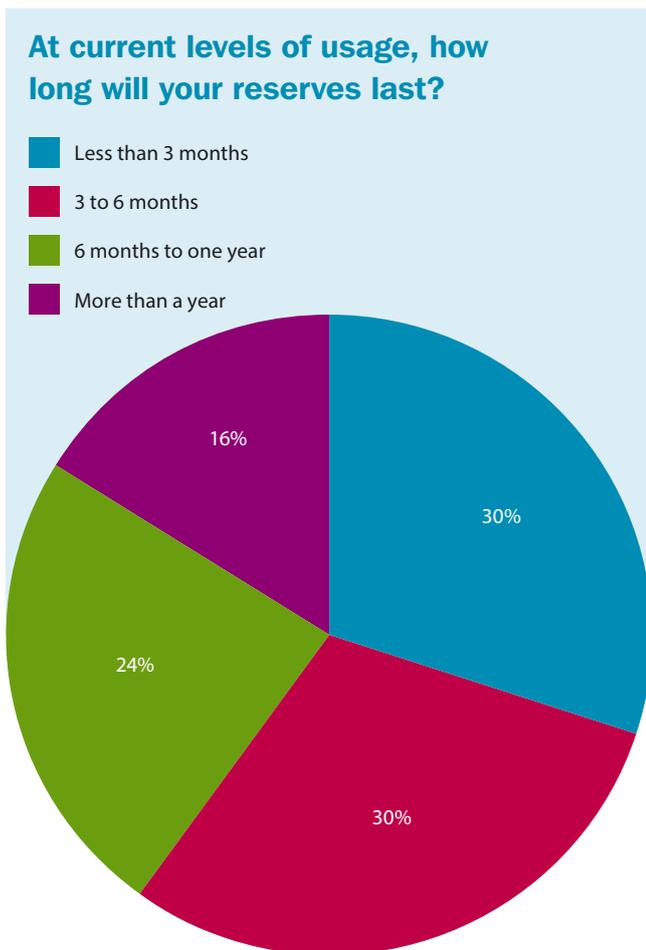
Organisations that have between 11 and 50 employees have been hit hardest and, therefore, most of them had to use their reserves, as shown below:



When asked: “at the current level of usage, how long will your reserves last”, 60% of respondents said for less than six months, with half of these thinking their reserves might only last for three months in the absence of any additional funding. It is important to note that we suspect there was some variation in the interpretation of this question because the overall financial information we have collected does not reflect a situation in which over 50% of organisations are going to close in six months. We therefore suspect some respondents may have assumed that we were asking the more routine questions of how many months worth of running costs do you have in your reserves. Unfortunately, this makes the responses to this question unusable, and we will revise this in our next survey.

5. Payment by Results continues to be an area of concern for many VCS organisations. The model appears to favour larger organisations. There is a lack of clarity on outcome measurement

Fifteen per cent of respondents to the online survey question are currently delivering contracts under the Payment by Results (PbR) model, so it is still only a minority of organisations. It appears that the model favours bigger organisations (with an average of 89 employees) as only three organisations with fewer than 10 employees are delivering services using this payment system.



Fifty-five per cent of the organisations who are not delivering PbR contracts say they will consider doing so as this is the preferred government contract system. There continue, however, to be issues raised, particularly amongst the smaller organisations, over the model. These range from the high level of financial risk for small organisations to the projects being too large.

As a small organisation I have not yet seen a model for payment by results which didn't have such a high level of risk we would not be able to engage with it without it being underwritten by a larger organisation or funder.

The size of the projects being proposed for tender excludes all but the biggest organisations.

There continue to be concerns over the measurement of success, particularly over multi-faceted programmes and the difficulty of attribution between different interventions.

"Measuring success and being able to attribute success to intervention delivered – PbR outcome measurement is too crude to measure the outcomes of arts, especially the impact on public opinion. Our numbers are too small to attract major investment."

"I have quite a serious investment with a 50 year old offender who is under supervision and high risk. He would be back in prison without our mentor; the mentor is the one who reasons with him even at 10pm at night. But it's difficult to prove the effectiveness of our intervention because it is anecdotal and soft; funders will struggle to fund this. And it can get expensive to evidence."

Others complained of "moving goals" and "a lack of understanding on the part of local authority as to what outcomes and outputs are" and others of "impractical or unrealistic criteria".

One organisation who is delivering a PbR programme remarked:

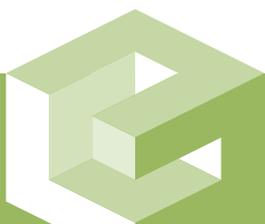
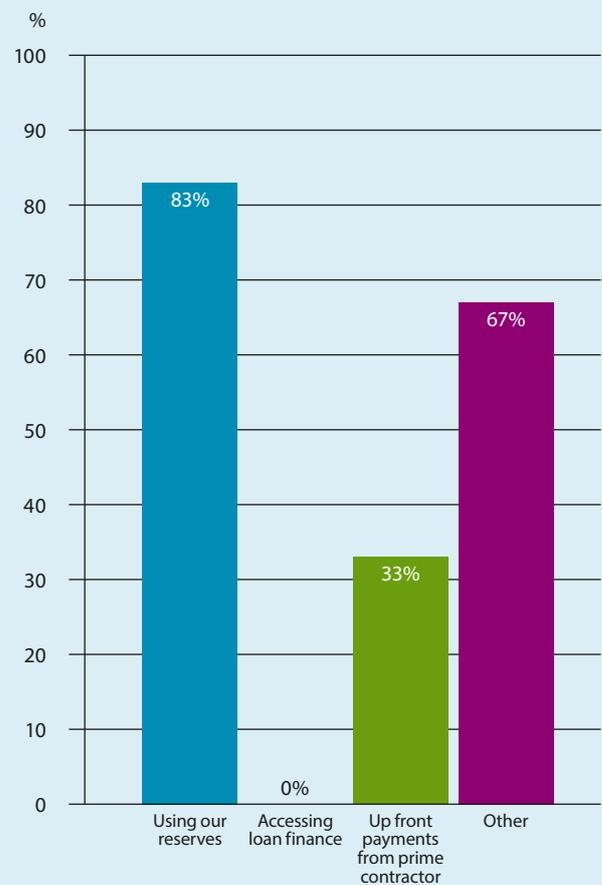
"Prime contractors are only sending us the most difficult cases."

We asked organisations how they were financing their PbR programmes as, by the very nature of the programme, they have to meet the costs before receiving payment, based on successful delivery of outcomes.

To be able to deliver the PbR programmes, 83% of the organisations are using their financial reserves (compared to 59% in the previous survey).

Thirty-three per cent of organisations have been able to receive some up front payment and others are funding the programme through grants, profiled payments, etc. Interestingly, none have loan finance.

How are these services funded? (PbR model)



"We are currently using reserves to pay for core services. We do not have the financial capacity to wait for payment."

"We've had to use reserves. We're down to our minimum level and our auditor has said we must not go below that."

"We've got £1.8m reserves on £3m turnover; we've allocated £200k to broaden out what we're doing."

Several organisations currently delivering PbR made some interesting comments about the PbR model:

"At present we only have one Education Training & Employment (ETE) contract which is PbR but the whole treatment system is out to tender and PbR will become a much greater problem for us in future. This may cause cash flow issues and capacity issues as well as limiting what we can deliver."

"It has to be an appropriate share of risk with funder. Our two Crisis schemes pay 75% up front, which is about right."

"At the moment there is little evidence that PbR is functioning as intended. In reality it does not appear to be any different to funded service delivery we have seen in the past."

6. Fundraising efforts are taking time away from delivery of services

As a result of funding difficulties, the survey discovered that 92% of organisations (76) are finding they need to spend more time on fundraising. This is taking time away from delivering services and is particularly difficult as most organisations have cut staff numbers. There is far greater competition now than before for charitable grants and organisations are reporting that it is costing more to get less.

"We're working flat out with fewer staff on trying to deliver services. Yet somehow we have to find the time to fundraise."

"There's so much competition for the limited funds that you need a full-time person working on funding applications. And there's no guarantee of financial success. This is an extra person to carry on the payroll."

Human capital

What we found

Seventy-three per cent of respondents said the economic downturn had already affected their organisation; an additional 19% indicated that it would in the near future. This is impacting the organisations in various ways from redundancies and staff morale to volunteer usage.

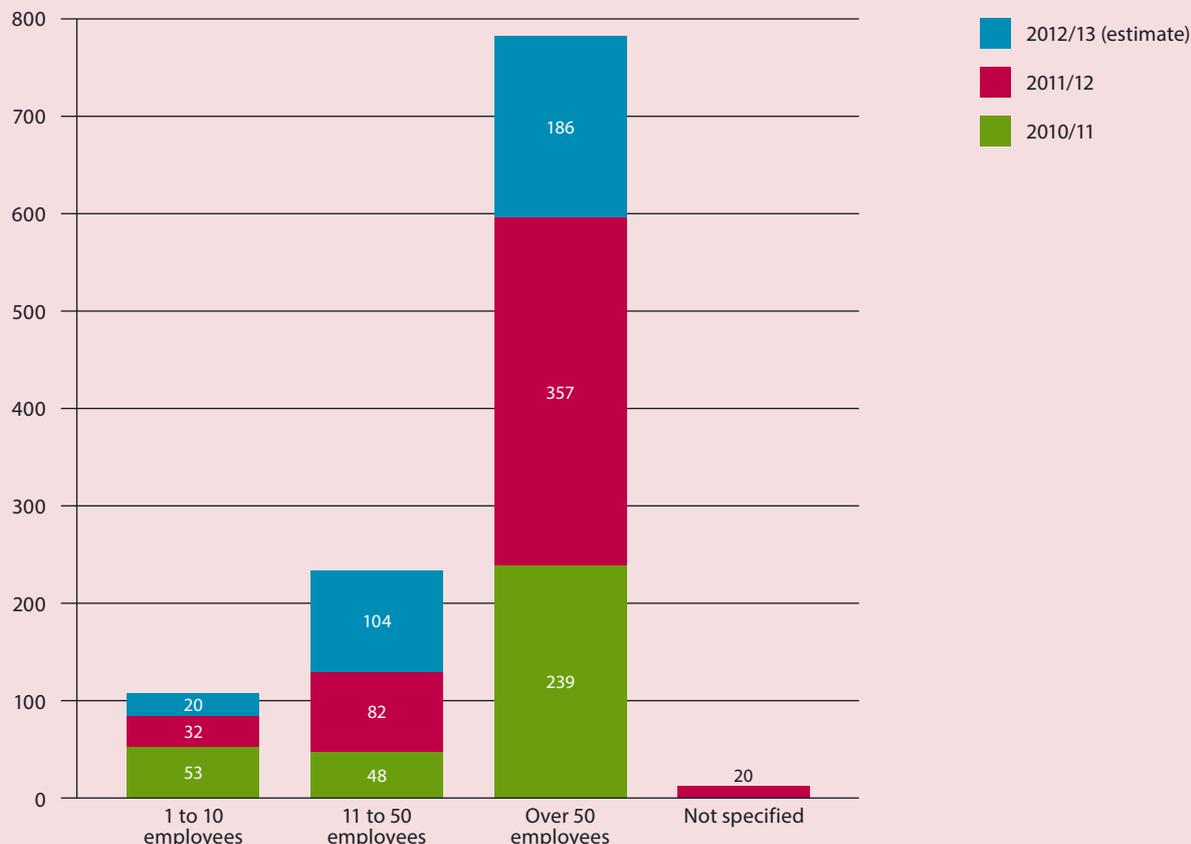
1. Redundancies continue across the Sector

Widespread redundancies have continued and will continue in 2012-2013. For organisations that responded to the July 2012 survey:

- ✳ They will have lost approximately 1,000 staff over the two years between 2010 and 2012; this represents a 14% decrease in the number of employees
- ✳ Forty per cent of organisations (56) had made staff redundant between 2010 and 2012.
- ✳ From April 2010 to April 2012, organisations that faced redundancy measures have lost on average seven members of staff per organisation, and they anticipate losing an extra three members of staff by March 2013.
- ✳ An additional 6% (eight organisations) are planning to make staff redundant in 2012-2013. Clearly, this figure will be determined by funding and contracts.

The smaller organisations have suffered the most from staff loss, losing 22% of their staff between 2010 & 2012 (and are expecting to lose an extra 8% for this year). Organisations with 11 to 55 employees have made 13% of their staff redundant so far; organisations with over 50 employees, only 9%.

Redundancies per size of organisations over 3 years



Redundancies will continue in 2012-2013.

36 organisations have reported they expect to make a further 310 staff redundant (eight members of staff on average). Some organisations have not been able to determine if they will have to make people redundant as it depends on their ability to secure contracts.

2. Redundancies are affecting morale and staff are working longer (unpaid) hours

Redundancies and uncertainty across the Sector are affecting morale. Staff are also putting in more (unpaid) hours to keep delivering services.

“We’ve cut staff hours but we’ve found people are continuing to work the same hours and we haven’t lost any services as such. Staff are getting paid for 20 hours and they are actually doing 30+ hours; they don’t want to mess the clients about. This is unsustainable.”

“Staff are more stressed. Several re-structures have taken up time and energy internally when we would rather be looking outwards and meeting the needs of the VCS organisations and beneficiaries we work with.”

“Our staff are putting in an awful lot. Rather than delivering one project, they are overseeing two or three that might have volunteers or casual staff. It has put a lot of stress on the team.”



"Relationships are becoming very tired between ourselves and the public sector. I don't like the way I feel. I sit in meetings and think these people have no idea what this feels like - wondering where the next pay cheque is coming from."

"We've changed staff grading and had redundancies. Each contract that comes in is for a lower amount that puts staff at risk. It's a headache."

3. Volunteers continue to be a vital part of the Sector; having resources to manage them continues to be an issue

Volunteers continue to be crucial to the delivery of many services. Currently, the organisations who responded to the survey are relying on 6,200 volunteers (an average of 48 volunteers per organisation). This roughly represents 0.8 volunteers for every 1 employee, but care must be taken in interpretation of this figure. Some organisations are almost entirely volunteer-run, whilst others are staffed (for the most part) with paid employees.

The management of volunteer programmes has not become easier as staff members continue to spend significant time and resources on recruiting, managing and training volunteers.

"We continue to struggle to finance our volunteer management. There's a belief out there that it doesn't cost anything to run a team of volunteers. I wish they'd come and try my job for a week!"

Interestingly, several organisations reported that it was becoming more difficult to recruit good volunteers. This contradicts the findings of some organisations who have indicated that one of the positive aspects of the economic downturn and unemployment numbers increasing has been a better quality of volunteer (see Impact Capital section). When questioned about this, some interviewees reported that good volunteers already had volunteering posts.

"More difficult to recruit volunteers."

"Competent volunteers seem hard to come by!"

Social capital

What we found

1. Although working collaboratively continues throughout the Voluntary and Community Sector, there is very little linking with the private sector

Working collaboratively has been widespread in the VCS for many years. More organisations now, however, are not only seeking potential partners but have developed various forms of collaboration. This is particularly relevant given the PbR agenda which encourages 'joined up' tendering.

"We are a smaller organisation, and as such can't do this alone. We have previously applied and have not been successful (for a PbR project). We are, however, developing models and partnerships to overcome this."

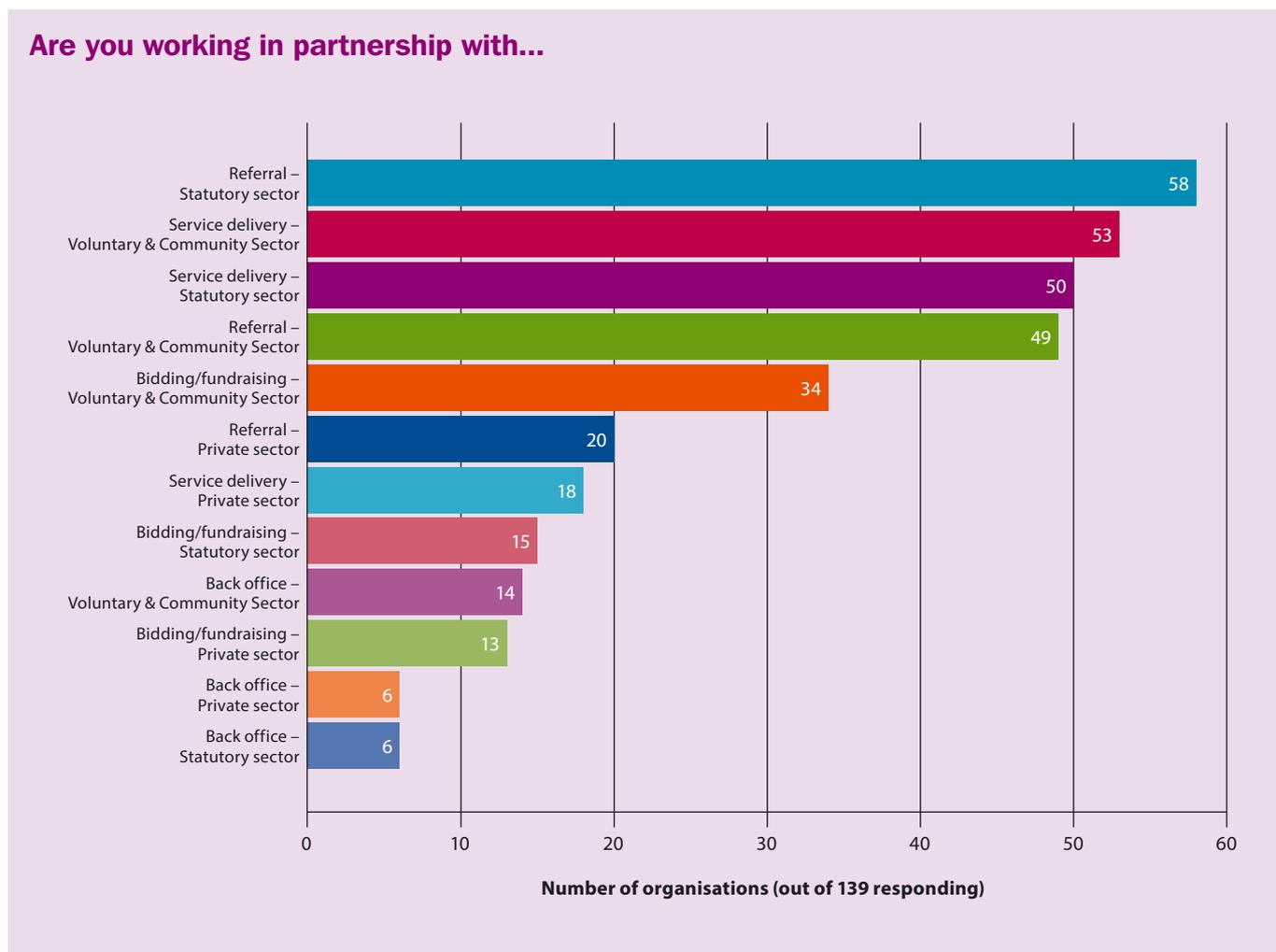
Despite all the knowledge of partnering within the VCS, partnership with the private sector only attracts 14% of the organisations who responded to this survey. There is, however, growing interest in this.

"We are looking to the corporate sector for partnership."

"Greater corporate support due to their need for promotion and Corporate Social Responsibility agendas."

One organisation reported, however, that they were:

"Finding the corporate world very reluctant."



2. Funding cuts within the statutory sector are stretching their resources. This has a knock-on effect of making it more difficult for VCS organisations to deliver good services.

In our survey we found that the impact of funding cuts on the statutory sector is making it increasingly difficult for some VCS organisations to work effectively and deliver services. Not only have redundancies in the statutory sector resulted in there being fewer staff available to deal with greater numbers of people in need of services, but relationship building is harder due to restructuring and constant staff turnover.

“There are fewer agencies to signpost to and reduced resources allocated to existing agencies. It is also harder to maintain relationships with external agencies due to a constant turnover of staff due to redundancies and restructures.”

“We get less support from probation service now they are struggling. It’s making it harder for us to offer constructive behaviour-changing support packages.”

“Everyone has been hit by the government cuts; less money available to fund projects; less prison staff available to facilitate projects.”

We explored this further and found examples such as a programme delivered in a prison which used to work with small groups of female prisoners supervised by prison



staff. Now, due to funding cuts, there are larger groups and fewer supervisors. Consequently, it takes longer to calm the prisoners and to get them focused on the support being given. Another organisation reported that they have had to reduce a service to a prison because there are insufficient numbers of prison staff to escort them. These cases illustrate that there is a knock-on impact of 'higher level' funding cuts on the quality and quantity of services delivered by VCS organisations in prisons.

"The group is more fraught, people arrive in more of a state. Our volunteers are noticing that the women are bringing more anxiety so they have to unload the day to day dramas of the prison. We are spending less time talking about our specialist topic and more time letting women release their information and anxiety. So I think it is more difficult for the people delivering services."

"Before the numbers were much lower, we might have 1 person running the group of 4. Now it's more like a group of 11 so we are having to pay for more sessional workers."

"Staff time is at a greater premium than it ever has been and they don't have the resources to escort us to deliver our services. This is a situation that is unlikely to improve in the immediate future."

A further issue has been that some VCS organisations are not able to deliver services because targets have been changed; this is resulting in some potential beneficiaries not receiving support.

"Targets have been changed by prime provider and we are now only allowed to deliver Education, Training & Employment (ETE) to Probation referrals despite other clients being offenders."

"Nobody has a clear vision of what's going on. All our links are being shifted round and are unsure of what their roles are. So we're on hold. It's totally baffling."

3. The statutory sector remains a key source of funding which makes the VCS criminal justice sub-sector vulnerable to central government funding cuts and the uncertainty over national agendas.

The statutory sector remains a key source of funding and partnership activity for the respondents. Sixty per cent are receiving statutory funding. Among these, 60% receive local funding, 49% receive central funding and 18% receive regional funding. Local funding is furthermore received in greater proportion than central and regional funding. The **Third Sector Research Centre (TSRC)** carried out two years of research examining the role of the VCS in criminal justice, and has shown that the criminal justice sub-sector is particularly reliant on statutory funding, mainly because fundraising from the public is more difficult for work with offenders.

VCS organisations are also finding it difficult to deliver services because of the lack of clarity in national policy agendas. This is negatively impacting the criminal justice sub-sector as organisations are having to play a waiting game whilst the statutory sector tries to adjust in a period of uncertainty.

"Government policies (many only half-formed) and chaos at NOMS has meant many prisons are uncertain about what they are being asked to deliver (with less money) and whether our services meet these (often as yet undefined) needs."

"They want us to help them deliver a recovery agenda in line with national policies but still haven't worked out how."

"There is uncertainty in Local Area Agreements about Community Budgets and the role of police and crime commissioners."

"Public servants are making promises which they do not (or cannot) keep and then keep cutting back so that our costs are greater than our income."

4. There is disillusionment around the commissioning process with smaller VCS organisations feeling side-lined by 'the big boys' who do not have local knowledge or experience and simply use them as 'bid candy'.

Interviews and online respondent quotes show that there is growing disillusion, particularly from smaller organisations, around the commissioning process.

Some of the VCS organisations are finding that they are just too small to compete by themselves for contracts. Although many of them have formed loose alliances with other organisations in preparation for potential joint tendering, there is often not enough lead time for the logistics to be sorted before a proposal is submitted.

"There is potentially an element of competing for bigger contracts. When we submitted a big contract we got turned down, we put in for £1.3m a year for three years, NOMS came back and said it was too small! This highlights the issue around size. In the three weeks we had to submit the bid there was no way of bringing in other organisations."

Other organisations have formed alliances and been brought into the tendering process with some of the prime contractors and national charities. However, despite working hard on the service delivery outlines and financials, they never hear anything more. There is a growing belief among local organisations that they are simply being used as 'bid candy' as there is very little subsequent sub-contracting.

"We set up an organisation with 30-40 local providers and said we'll apply for large tenders and mix in with the big boys. We found the latter were happy to use our reputation, our experience and our names, but when it came to it they gave us no information or idea of being successful. It discourages you because you go through all that, and you spend so much time and effort, for nothing. They're just using us as tender candy!"

"The big organisations are cleaning up – whether private sector prime contractors or big VCS organisations – there is no room for small organisations. They are applying with small organisations, but then not subcontracting."

"It's very difficult to get statutory contracts because all the big boys are snapping them up."

A number of organisations reported that there was increased competition from private companies and organisations coming in from other areas and who, therefore, had very little local knowledge.

"Private companies are swooping in from outside of Bradford for the funding – for example, xxx Ltd. I'd never heard of them before and they are not Bradford based. They've come in, got a contract but 6 months later they hadn't managed to deliver. They've had the contract taken off them now but that is 6 months wasted."

There have been high profile problems with the private sector delivery, such as A4E and G4S. There have also been problems with some of the outsourcing programmes, for example the Department of Work and Pension's Work Programme. Yet there appears to be little dialogue between sectors about what lessons can be learnt and how such issues can be avoided in the future.

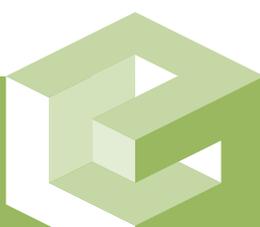
Organisational capital

The economic downturn had immediate effects on organisations' resources, affecting negatively not only their financial capital but also their human resources.

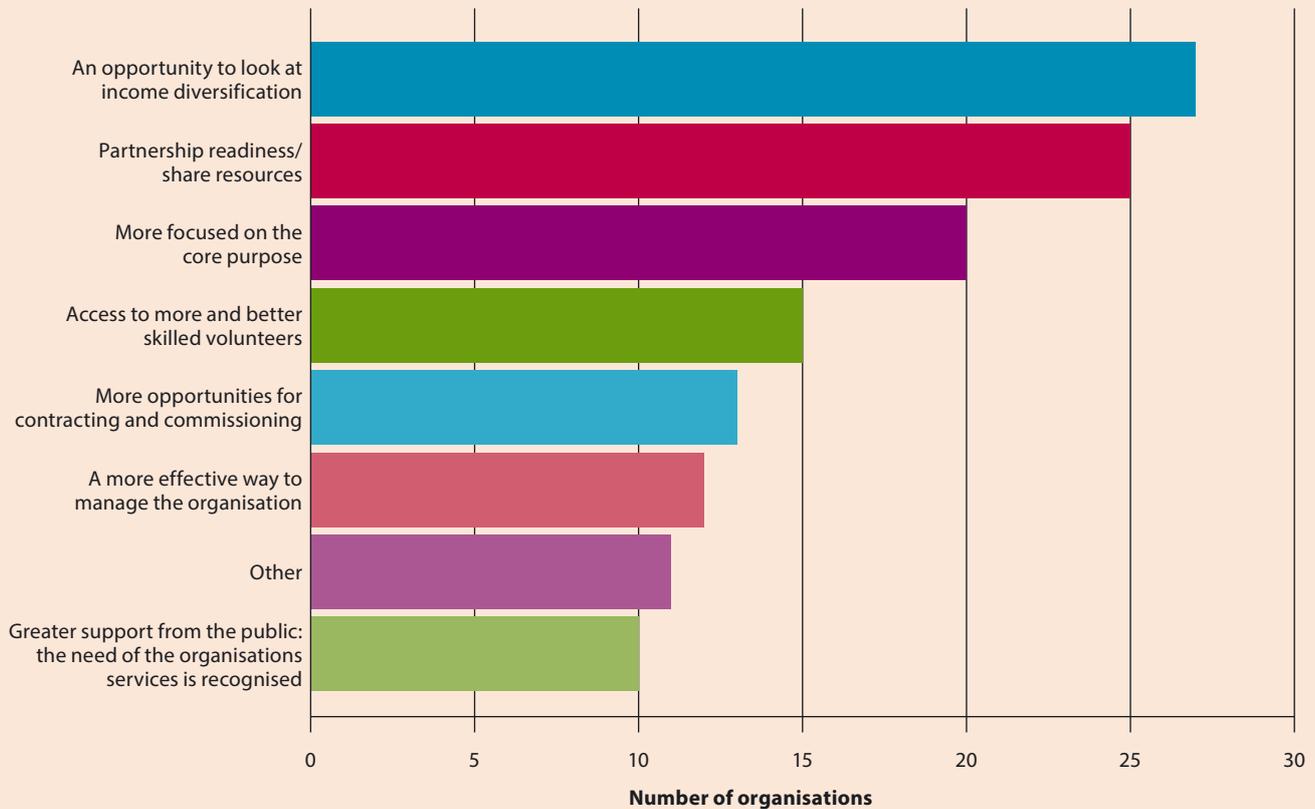
However, as organisations indicated in the previous surveys there have been some minor advantages to the downturn. Facing restrictions on resources has helped them review the way they operate and forced them to find different ways to deliver their services, often more effectively. We specifically asked about any positive aspects organisations had experienced.

What we found

Thirty-nine per cent of the organisations surveyed have experienced positive effects of the economic downturn; however this clearly leaves 61% believing there has been no positive impact. Of the positive effects:



Have there been any positive effects of the economic downturn on your organisation?



- ★ Almost 20% of the organisations took the opportunity to look at diversifying their income
- ★ 18% saw the opportunity to share resources, and develop partnerships (with the public, private and Voluntary and Community Sector)
- ★ 14% feel they are able to focus more on their core purpose.

1. Some organisations are diversifying their income streams

Twenty per cent of organisations have used this period to investigate and implement diversification of their income streams. Some organisations, however, are struggling to get take-up as their potential purchasers are experiencing financial issues themselves.

"Prisons are increasingly looking for programmes that meet their core needs, are low cost and are a better use of existing resources. Peer mentoring fits well with all of these requirements, and we are now in a position to provide this."

"We are writing programmes on our session as a potential tool to sell. However, we know schools and others are fighting for funding so there isn't much take-up. We are looking at private organisations / businesses but they are all saying 'no' as we're not the only organisation approaching them."

2. Organisations are continuing to address working collaboratively

The swing to larger tenders and more joined-up delivery of services has meant that organisations have increasingly had to work together to tender for and deliver projects. Some organisations are already developing closer relationships with other complementary organisations (drawing up partnership agreements) in readiness for potential joint delivery of projects.

"It's made us look at who in our area we fit best with. We've developed better relationships with a number of other organisations so we can join together to go for a piece of work. We're going to lawyers so we get some initial partnership agreements in place."

"The board took a long hard look and said the risk was too great and we couldn't survive if we remained independent. We decided to give up our strict independence and are now part of a group structure. And it's gone well."

3. Organisations are focusing on their core purpose and business model

Another positive aspect to the economic situation is that some organisations have had to take a hard look at themselves to ensure they are 'fit for purpose' and focused on their core vision.

"Made us review and focus on our business model."

"It's been a stimulus to think independently, self-reliantly and laterally."

"We've gone right back to basics. We're concentrating on what we know we're good at and on becoming even more expert."

Impact capital

This report has looked at how the current economic climate affects organisations, their staff, their resources and their relationships with the public and Voluntary and Community Sectors. Whilst this study is not an impact report, it is clear that at the heart of the all the organisations' concerns are their service users.

What we found

1. The trend continues of an increased need for services with decreased resources

Seventy-eight per cent of organisations who responded to this question have serviced the same number, if not more, service users in the last year. This is with less financial and human resources.

"There's a greater demand for the service when we're already working at capacity. Compared to the first quarter of last year, we saw double the number of people in the first quarter of this year."

"Our referrals have gone through the roof and are up by nearly 400%. We don't have capacity, but we do have passion and dedication!"

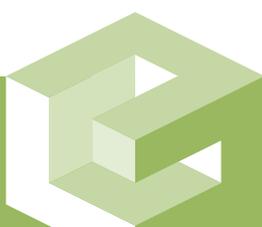
Referrals to organisations have increased from both statutory organisations as well as other VCS organisations who are failing to meet the demand.

"Marked increase in referrals as other VCS organisations retreat."

"Increased number of referrals from statutory organisations."

"The budget squeeze being felt by prisons means that our services are busier and officers have less time to support women with their ongoing needs. The prison is much busier and their staff are overstretched."

"We get more submissions ... from prisoners directly from the wings, instead of through Education Departments. We suspect that this is because there are fewer places



in prison art classes, so offender-artists are seeking encouragement and feedback from us instead."

2. With increasingly limited resources, organisations are struggling to deliver services and meet the higher demand

A number of organisations responded that they are failing to meet the demand because they have had to cut services as they have reduced resources themselves.

"Lower service income allocation means that we cannot offer services to full population of clients."

"We're unable to sustain projects and beneficiaries are being turned away."

"We have a lack of staff to fit with client demand. Some clients are waiting up to four weeks for initial assessment. Child care provision for parents has been cut, making attendance for parents difficult."

"As we're unable to fund core functions (eg sufficient management) this is leading to reduced opening hours."

3. Service users are being impacted by the funding cuts despite the organisations' best efforts

The effect of the current economic climate is not only about the organisations and their ability to deliver good services but also about the real effect of this on their service users.

Almost half of the organisations (55%) who answered have underlined that the needs of those seeking their services has changed.

Respondents are finding that service users are much more vulnerable, facing complex and multiple needs:

- ✦ *More poverty due to the economic downturn*
- ✦ *The needs have pretty much remained the same but have become more acute in nature*
- ✦ *Increased stress and tension in households, communities*

- ✦ *Higher anxiety levels need for more benefits advice*
- ✦ *Massive increases in vulnerability and demand. Alcohol use increasing; Debt problems increasing; Depression increasing; Disclosures of abuse in childhood increasing; Sex working to pay basic bills increasing*
- ✦ *Debt advice, benefit support, on the increase, more housing needs*
- ✦ *Needs have become more acute particularly around debt and housing*
- ✦ *More complex needs often resulting from debt, access to benefits, access to housing, access to education and lack of access to specialist agencies*
- ✦ *More multiple problems and higher risks*
- ✦ *Particularly in respect of addiction treatment, referred clients tend to be younger, more chaotic, with a higher level of complex and multiple needs.*

Organisations working specifically with women reported seeing an increased number of women and children:

- ✦ Getting more women with mental health and drug issues
- ✦ More women with alcohol problems seeking support
- ✦ We have increasing numbers of destitute women on doorstep
- ✦ Getting more children.

Organisations are grappling with the increased marginalisation and deprivation of their client group:

"Our clients' voices appear not to be heard. They feel 'they have to fight to be heard'; they are desperate to be listened to."

"They have been more marginalised and less supported since the last election."

There were also a number of instances reported of service users saying they felt like a number rather than a person. A less personalised service is widely recognised to be less effective in rehabilitation.

"The service users are saying they feel like a number, a product, and their needs are not being met. They think the big boys delivering the contract are businesses that are there simply to generate profit, not support the clients – this is the feedback from the client."

Concerns were also expressed that the Sector was becoming less person-centred.

"And we're going back to prescriptive, industrialisation of services."

There were also many examples given around the difficulties of the client group to get employment or college places.

"We provide two year paid work experience roles for recently released prisoners: we have just had to extend our current post-holders for an additional six months because it is so hard to find permanent jobs for them to move on to."

"There are fewer employment opportunities for everyone but particularly for ex-offenders and drug users."

"Colleges are reluctant to take offenders due to high non-completion rates. There are also issues around college accommodation."

Respondents also spoke about the increased difficulties for this client group to access housing, particularly with cuts to housing and benefits:

"Finding accommodation increasingly difficult given the competition under choice based lettings and the nature of our customers."

"Reduced capacity in the registered housing sector pushing a reliance on the private sector."

"Housing and other benefit cuts are impacting our clients."

Some organisations also reported that families are so financially strapped that they cannot afford to pay for their children to travel to support sessions.

"Parents are not able to support their children to come to the sessions. All our projects do not cover funds to provide reimbursement for travel costs – so that is affecting young people."

Other organisations are reporting that there is an impact on their service users in prisons.

"The biggest impact on the women we work with is not the service they access – they may wait longer, but it is in the rest of the prison it is so much busier. You can't just cut by 25% and then say, "It'll be alright", especially if you don't reduce the prison population which they said they would do. The prison staff are under much more pressure. There's less time to do the rehabilitative work; it is about marshalling people around and they are finding it more difficult in that environment. This is affecting what we do as our beneficiaries are so much more stressed."

"I've got evidence that there are people back in prison who wouldn't have been when we were around (branch in Guildford) because they've broken their tag, curfew, conditions. Our support prevents problems from happening and is very cost effective. For example, the cost of making a quick call to a probation officer about the person's family issues is a couple of pence compared to the cost of having someone in a police cell over night. We had an Social Return on Investment done and it's £10.86 for every pound spent. It does seem to show that early intervention is cost effective."

4. Organisations are expressing concern about the future

Clearly some VCS organisations are in a good place, but many are not. One of the organisations interviewed was on the point of going into receivership. Others are increasingly worried.

"We're totally fed up and don't know which way to turn. We're running out of money. We really need help with funding."



"We've managed to survive but I'm worried about next year. Our Council are saying that next year will be the biggest hit in their funding."

There was also a sense that many organisations are weary of the constant fighting to justify what they do and the service they provide to society.

"It's tedious; people still don't understand the value of the work we do – they say they do, but it's all about the cost of everything and the value of nothing."

Some organisations reported that they had already streamlined themselves as far as they could and there was little room for manoeuvre left. This is worrying them, given the wider economic situation in the UK and the potential for even greater funding cuts and economic hardship ahead.

"We've restructured and cut back as much as we dare. I don't know how we'll survive if we have to become even leaner."

"Looking at the big picture and the never-ending global recession – the impact on us is inevitable."

Several organisations predicted:

"A lot of organisations, particularly the smaller ones, will fold."

A number of organisations felt that they would survive but working at a low level and concentrating on main interventions only. This indicates that current funding structures are undermining the traditional role of the VCS as the safety net for cases which fall between statutory services, and some of the most excluded and disadvantaged.

"We'll just be able to do the main interventions and not support the more difficult cases."

"We'll need to cherry pick those that we support."

"Last year and this year, our situation has been quite reasonable. Over the next couple of years it's looking more difficult."

One organisation succinctly summarised what a number of organisations reported:

"I think based on what we have today, I would suggest we will still be doing what we're doing but on a leaner basis. We'll have to respond to doing things for less money. There's less wriggle room in terms of financial contracts and as an organisation we'll be smaller than we are. The level of service to the clients will have to go. This is not a position I want to be in."

Conclusions

The responding organisations give a picture of a Sector that is feeling 'pushed from above' and 'pulled from below'. Most organisations are struggling to balance the demands of the economic recession and government strategy with delivering services to an increased number of service users.

There is a general sense from organisations surveyed that they are more worried now than they were. As the recession hit, so they restructured and consolidated. Many organisations appreciate that this was necessary and, in some cases, has resulted in a more joined-up service. Some organisations have been able to maintain turnover. However, for many organisations, the future looks bleak as they do not have the slack they once had. There are fewer long-term contracts, less scope for full cost recovery on programmes, increased costs and reduced staff numbers working longer hours than contracted. There is a sense of weariness and of wondering how long this can be sustainable – particularly as many organisations are using their reserves to operate. Contrasting with this pessimism, the very nature of the people working within the Sector means that they continue to put their service users first, giving them the best service that they can.

There is also concern that there is a move away from preventative work, for example, stopping people from offending in the first place or re-offending. This is partly because of general funding shortages but also because of the difficulty in measuring the impact of different 'soft' interventions or support services being given to a person. For example, a mentor working with an ex-offender in crisis has the personal connection which may well prevent the person acting out impulsively and spending the night in a police cell. The cost of the former intervention is significantly less than the latter, but infinitely harder to attribute in terms of a PbR programme.

There is a sense, too, that the Sector is becoming more 'industrialised' with service users becoming a 'number' rather than being seen as a person. There is pressure for organisations to 'cherry pick' easier

cases, with the more difficult clients and client groups becoming increasingly marginalised.

VCS organisations are reporting increased poverty amongst their service users with subsequent knock-on effects. Many VCS organisations are also trying to support more clients as alternative services are cut; this is furthermore with less human and financial resources themselves. This suggests that contracts are compromising two of the traditional strengths of the Sector: its ability to work with the most marginalised and the flexibility to adapt to changing need.

There has been a knock-on effect of spending cuts on the statutory sector such as the prison service. This means that it is more difficult for VCS organisations to deliver support. For example, reductions in prison staff make it more problematic to deliver VCS services as there are fewer prisoner escorts and larger prisoner groups who arrive more stressed. Statutory services closing or being reduced also impacts on the VCS, whose client numbers can increase significantly as a result. In the last survey, one service reported a 200% increase in footfall as a consequence.

The contracts being delivered through the PbR model appear to favour the larger VCS organisations although some smaller ones are forming consortia in order to participate. There continues to be a sense that the 'big boys' often encourage small VCS organisations to be part of the tendering process only to make it appear that they have local and specialised knowledge built into their programme. Once the contract is awarded, the smaller VCS organisations hear nothing more, which threatens small specialist organisations and their unique skills.

There has been a well-publicised issue of a lack of referrals to the VCS. St Mungo's publicly announced their departure from a partnership for the Work Programme after receiving no referrals. It is accepted that this has also been an issue for the prime providers, who have not received the numbers promised. However, NCVO evidence* suggests that the VCS has been disproportionately affected.



Those that are involved in PbR contracts are still raising significant issues. Perhaps the most worrying is their continued reliance on reserves to run PbR contracts. Unless reserves can be grown through the contracts, this will limit the number of contracts they can take on, even if they are very successful in delivery.

Over the summer of 2012, four organisations announced that they were closing in quick succession, at least two of which had been successful in winning contracts. Clinks will continue to collect intelligence about these cases where possible, to ensure that lessons are learnt. It does indicate that the consequences of the changing landscape in which we are operating are complicated.

The current survey shows a Sector much of which is just managing to continue, and will survive if circumstances improve in the near future. Unfortunately, the indicators suggest that there is worse to come before we will see an improvement.

The Institute for Fiscal Studies Green Budget Report 2012 (www.ifs.org.uk/budgets/gb2012/12chap3.pdf) states:

By the end of 2011-12, 73% of the planned tax increases will have been implemented. The spending cuts, however, are largely still to come – only 12% of the planned total cuts to public service spending, and just 6% of the cuts in current public service spending, will have been implemented by the end of this financial year.

The impact of the remaining cuts to the services provided is difficult to predict; they are of a scale that has not been delivered in the UK since at least the Second World War. On the other hand, these cuts come after the largest sustained period of increases in public service spending since the Second World War. If implemented, the planned cuts would, by 2016-17, take public service spending back to its 2004-05 real-terms level and to its 2000-01 level as a proportion of national income.

VCS organisations working within the Criminal Justice System are holding their breath. There is a realism that a number of them will have to close down, that there will be more redundancies and that there will need to

be further restructuring. Against this, VCS organisations are forming consortia and working more collaboratively than before. Many will continue to deliver services but appreciate these will need to be more selective, despite an increased number of potential service users.



supporting voluntary organisations that
work with offenders and their families

Clinks supports the Voluntary and Community Sector working with offenders in England and Wales. Our aim is to ensure the Sector and all those with whom it works, are informed and engaged in order to transform the lives of offenders and their communities.

Clinks:

- ✦ Provides representation and voice
- ✦ Promotes the Sector
- ✦ Influences policy and campaigning
- ✦ Provides information and support
- ✦ Undertakes research and development.

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