

Voluntary Issues

The Opportunities and Challenges of the Changing Public Services Landscape for the Third Sector in Scotland: A Longitudinal Study Year Two Report

Stephen Osborne, Sue Bond, Matthew Dutton and Elric Honore
University of Edinburgh and Edinburgh Napier University Business Schools

The Scottish Government has acknowledged that the third sector has a key role to play in delivering public services that are high quality, continually improving, efficient and responsive to local people's needs. Using a qualitative longitudinal methodology over a period of three years, this study examines the opportunities and challenges facing third sector organisations in Scotland in the delivery of public services over the period 2009-2012. This document outlines findings from the Year Two study.

Main Findings

- In addition to public sector funding cuts, other key changes in the policy environment at UK Government and Scottish Government level that had emerged included: the introduction of the Work Programme across the UK replacing existing employability streams; the Welfare Reform Bill which had begun to have some impacts on TSOs and their clients, and; personalisation (or self-directed support) in Scotland which was becoming increasingly important for TSOs who provided health and social care services.
- Most of the spending cuts were expected from January 2011, and therefore after most of the year two fieldwork had taken place (between Jan and March). Prior to this date actual cuts had been relatively limited, although standstill funding (no inflation increase) was widespread. Despite anticipated cuts, many TSOs felt that new opportunities might also emerge.
- While some organisations had had to make reductions in services because of cuts/standstill funding, most had avoided this by making cost savings elsewhere or using accumulated underspends from previous years. The impact of cuts on clients had been minimal. It was staff within TSOs who had felt the impacts most acutely with redundancies, reduced hours, changes to terms and conditions, no salary uplifts and increased workloads creating an atmosphere of anxiety and uncertainty.
- Many TSOs had responded positively to the changing environments, for instance: carrying out strategy reviews to refocus their purpose and strategic direction; producing strategy development plans; examining how cost savings could be made to maintain competitiveness and resilience; and diversifying their funding base in order to become less reliant on public funding. Responding to the changing policy and funding environments required strong, consistent leadership and skills in managing change. Boards of TSOs had the potential to offer valuable skills, knowledge and experience to support leaders to meet the challenges.
- A perceived increase in interest among funders in measuring 'soft' outcomes was welcomed by many TSOs who felt this was where they could particularly add value.
- TSOs recognised the importance of partnerships in meeting the challenges, but while some partnership opportunities were opening up, others were closing as existing partners were hit by cuts. Membership forums and links to the Scottish Government were particularly valued in terms of influencing wider policy. While many reported good dialogue and relations with local authorities, there were variations, with some authorities perceived to be less accessible.

Introduction

The Scottish Government has acknowledged that the third sector has a key role to play in delivering public services that are high quality, continually improving, efficient and responsive to local people's needs. This work will inform future partnership-working with the third sector.

The first year of the research established a 'baseline'ⁱ by which subsequent years of research could be compared. The Year Two research aimed to build on and extend the original Year One objectives as well as respond to emerging policy. These findings present the results from Year Two.

Methodology

The methodology involved qualitative research within 20 voluntary sector organisations based in Scotland. The methodology involved two key components:

- (1) Case studies for Year Two were carried out approximately one year after the first visit to organisations (between January and June 2011). In-depth interviews were carried out with staff at different levels of the organisation, depending on access made available. If original staff were not available for interview other staff covering a similar role were identified and interviewed, where possible.
- (2) Three focus groups involving a total of twelve additional TSOs were carried out at six monthly intervals following the baseline meeting. One representative from each organisation (usually the Chief Executive or a member of the senior management team) attended focus group meetings which were carried out between October and November 2010 and April and May 2011.

In addition, a workshop was carried out in June 2011 at Edinburgh University Business School. Representatives from all participating organisations were invited to attend and issues discussed are referred to in the report.

Changes to the policy and funding environment

As well as cuts to public sector funding, other key changes in the policy environment at UK Government and Scottish Government level included the following:

The introduction of the Work Programme across the UK in 2010 replaced existing employability streams with a significantly different method for contracting services.

The Welfare Reform Bill in the UK had started to have adverse effects on some TSOs and their clients, particularly those working with single parents, carers and people with disabilities.

Personalisation (or self-directed support) in Scotland was becoming increasingly important on the agenda of TSOs who provided services in health and social care. Most were supportive of the principle of devolving power to service users although there was concern that the agenda had been appropriated by some funders as a means of cost-cutting rather than as a genuine reform of services.

Increasingly, tendering was the main method by which funding was contracted. There were tentative indications that some local authorities might be moving towards allowing more input from TSOs into service delivery plans, although there was still concern around the perceived emphasis on cost rather than quality in funding decisions as well as variations in approaches to tendering between local authorities.

Most of the spending cuts were expected from April 2011, and therefore after most of the year two fieldwork had taken place (between January and March 2011). Prior to this date actual cuts had been relatively limited. However, funders had attempted to save money prior to April 2011 through standstill funding, cutting and changing conditions to existing contracts and re-appropriating underspends. Despite anticipated cuts, many TSOs felt that new opportunities might emerge through more contracting out by local authorities, new emerging policy priorities as well as gaps created by other TSOs closing down.

Many TSOs had not considered applying for private loan finance because they had limited assets, security and private income, although a small number had successfully accessed this source of income.

Only a small number of TSOs noted any significant changes in demand for their services. While some had had to make reductions in some services because of cuts, most had avoided this by absorbing the effects through making cost savings elsewhere or using accumulated underspends from previous years. TSOs were keen to minimise the impact of cuts or standstill funding on clients, although choice and flexibility were threatened. The impact of the policy and funding changes had been felt most acutely by staff within TSOs. There had been redundancies, reduced hours, changes to terms and conditions of staff contracts, no salary uplifts, as well as increased workloads. This had created a general atmosphere of uncertainty and anxiety among many staff in TSOs.

Third sector responses and challenges

There was a potential tension for some TSOs between adapting their services to ever-changing policy priorities on the one hand and maintaining their organisational “identity” on the other. This concern over the potential for ‘strategic drift’ had led many to recently take stock through strategy reviews which refocused and defined their purpose and strategic direction.

Strategic plans had been developed within a number of organisations. These aimed to identify what organisations needed to do in order to survive and develop and provide a strategy to achieve these aims.

Many TSOs were looking at how they could make cost savings and remain competitive, thereby improving resilience. Strategies explored by organisations included: organisational restructuring; redundancy planning and reducing staff costs; considering how to best utilise property assets, through for instance, property rationalisations (closing satellite offices and centralising into one space), and; mergers with other organisations.

Many TSOs were increasingly adopting a ‘social enterprising’ approach to the management of their organisations. Many were thinking about how to diversify their funding base to become less reliant on public funding. Many TSOs had also looked into the possibility of increasing income from business activity although this was not appropriate for all TSOs. Some were pursuing strategies to increase fundraising in order to diversify their income.

There was on-going concern about the challenges TSOs faced from potential public and private sector competitors, particularly from local authorities who were also potential deliverers as well as funders of services.

Senior management and Boards within TSOs faced a number of challenges presented by the changing policy and financial environments. The pace of change created a need for strong, consistent leadership. It was important to support staff and maintain staff morale through the changes that were happening. This demanded skills in managing change as well as in leadership. Managers in smaller organisations often had to embrace a wider range of roles since increasingly important specialist support roles were not available to them, e.g. marketing, information technology, human resource management and operations management. Boards of Directors and/or Trustees of TSOs could potentially offer

valuable skills, knowledge and experience to support CEOs and senior managers in their role. A number of organisations noted a welcomed increase in involvement of their Boards over the last year in order to support organisations in meeting the challenges. A good spread of knowledge and experience among Board members was valued, and having some members from the private sector could provide valuable business experience.

Performance and outcome measures

A number of TSOs felt that funders had become more focused on measuring outcomes within the last year, and in particular ‘soft’ outcomes. As TSOs felt this was an area they could particularly add value, this was generally welcomed.

In order to demonstrate the value they added to the client experience, some organisations provided additional evidence to funders about the impact their service had on clients over and above what was formally required. A number of organisations continued to explore innovative ways in which to demonstrate client progress to clients and funders.

Partnership working

TSOs were aware of the importance of partnership working as a means of meeting the challenges created by the policy and funding changes. Accessing funding was a key driver for partnerships and many were keen to be involved in more ‘joined up’ working. Opportunities for partnership working appeared to be on the increase, but the impact of funding cuts on their existing partners presented a potential future threat.

Since April 2011 ‘third sector interfaces’ have existed in each local area in Scotland providing a single point of access to support and advice for the third sector. Some TSOs were not aware of the new interfaces. Of those that were aware, some were supportive of the principle, while others were concerned with the potential effectiveness of the interfaces, especially for TSOs who worked across a number of different local areas.

Many felt that the SVCO (and the local infrastructure bodies) provided a useful forum for representing the interests of the third sector and for supporting its work. However, others were concerned about a potential conflict of interest for SCVO as a service provider and about the ability of SVCO to represent the sector as a whole.

Membership forums, often representing particular interests, were valued most in terms of offering a platform to influence policy. Direct links with the Scottish Government, where accessible, were also highly valued.

Many TSOs had good relationships with local authorities, and a number reported improved communication and dialogue with more opportunities to discuss how services could be organised in the light of cuts. However, others found difficulties accessing local authority staff, particularly where the local authority had undergone major departmental restructuring.

Although just out of the pilot stage, Public Social Partnerships offer the potential for greater involvement of the third sector in the design of public services. Increased dialogue between local authorities and TSOs around services and the possibility of more open tendering may offer opportunities for TSOs to become more involved in the future.

Conclusions

In Year Two the all-pervading message was that of change and uncertainty. This was as a result of new policies and funding programmes coming out of the new UK Coalition government as well uncertainty about the outcome of the Scottish elections taking

place in May 2011. As one service manager noted, 'there is nothing surer than change'. This created challenges for organisations, not least the rapid pace of change itself. Nevertheless, many were positive that the changes could create opportunities for improvements in the third sector.

Many TSOs were making significant efforts to respond positively and proactively to the challenges presented by the changing funding and policy environment although there was no reductive response to the current economic climate, no 'one size fits all'. For some TSOs, mergers are an appropriate response, for others they may not be. It is also important to recognise that innovation is only one response to the current situation. Proactive responses, like mergers and innovation, appear to offer creative ways to respond to these straitened times. However they can also consume resources at a time of resource scarcity. What the findings of this report suggest is required is a contingent response by TSOs that matches the response to the needs of their organisation, members and/or users.

This document, along with full research report of the project, and further information about social and policy research commissioned and published on behalf of the Scottish Government, can be viewed on the Internet at: <http://www.scotland.gov.uk/socialresearch>. If you have any further queries about social research, please contact us at socialresearch@scotland.gov.uk or on 0131-244 7560.

¹ Osborne, S., Bond, S., Dutton, M and E. Honore (2011) The Opportunities and Challenges of the Changing Public Services Landscape for the Third Sector in Scotland: A Longitudinal Study Year One Report: Baseline Findings, Edinburgh: Scottish Government



Social Science in Government