

## KEY FINDINGS:

# TRACKING THE IMPACT OF THE CUTS ON VOLUNTARY GROUPS IN ENGLAND'S MOST DEPRIVED AREAS

**Voluntary groups have a vital role to play in supporting some of the poorest and most marginalised people in our society, no more so than in the current economic climate when many people are suffering the effects of rising unemployment, higher living costs and cuts in local services. This study, which follows an earlier report in March, looks at how church- and faith-based projects in deprived areas are coping in the light of the spending cuts, based on a survey of CUF-supported projects. The key findings are:**

- Spending cuts are having a disproportionate impact on smaller voluntary groups in deprived areas. Around half of the groups we surveyed receive some public funding, and 70% have seen this reduced in the last year. Most groups, whether or not they receive public funding, are indirectly affected by the cuts. Project leaders say they are finding it much harder to secure grants due to increased competition for trust funding. Rising costs, financial uncertainty and falling private donations are also common side-effects of the spending cuts.
- Many voluntary groups are responding by putting more time and resources into fundraising, cutting costs, running down their reserves, making more use of unpaid staff or volunteers and relying on one-off donations. This is helping groups to get through difficult times, but is unlikely to be sustainable in the longer-term. Some projects are responding innovatively to the cuts in order to reduce their reliance on trust funding.
- Overall, 40% of groups expect their general situation to worsen over the next year, which is less pessimistic than earlier this year. But, even among project leaders with a more positive outlook, the future of the organisation is often quite precarious upon closer investigation. A quarter of projects expect to close or contract over the next few years and another quarter are uncertain about the future; a quarter are hoping to expand.
- Nearly 80% of voluntary groups report rising demand for their services and around a half say they have increased their services this year. However, there is an inevitable conflict between rising demand and falling income, which will be increasingly difficult to reconcile without additional funding and support from government or elsewhere.
- Based on these groups' responses, those most adversely affected by the cuts include: young people; homeless people; asylum seekers and those suffering severe hardship due to cuts or delays in benefits. Greater priority should be given to supporting projects working with these vulnerable groups.

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### BACKGROUND

Church Urban Fund helps to support a network of church- and faith-based voluntary groups in England's most deprived areas. Being rooted in their communities, these groups are well-placed to respond to the issues affecting poor communities, working in relationship with local people to help them take control of their lives and improve their situation. They are also in a good position to assess the impact of the cuts on the most marginalised groups in our society and the network of services that supports them.

This report examines the impact of the cuts six months after the first main round of cuts in April 2011. The evidence is from an online survey of 139 CUF-supported organisations (in September-October) and phone interviews with 12 project leaders. Most of the groups have an annual income of less than £100,000.

### IMPACT ON VOLUNTARY GROUPS IN DEPRIVED AREAS

Cuts to local authority budgets are having a disproportionate impact on voluntary groups in deprived areas, because these groups are more dependent on public funding and because changes in central funding formulae have led to disproportionate cuts in the budgets of more deprived local authorities.

Around half of the groups we surveyed receive some public funding and most of them (70%) have seen this reduced in the last year. Where their funding has not been cut, this is often due to strategic decisions by the local authority to protect certain budgets, for example youth services in Tower Hamlets and homelessness prevention services in Manchester.

Most groups, even if they do not receive public funding, say they have been indirectly affected by the cuts due to greater competition for trust funding as charities seek to replace government funding (65%); increased costs (52%); difficulties in planning ahead due to financial uncertainty (47%); falling private donations (37%) or a fall in other sources of income (28%). Increased competition for trust funding is a particular problem for smaller voluntary groups with limited fundraising capacity. The project leaders we spoke to are finding it much harder to secure continued funding, especially for core services, and are having to put more time into fundraising (often without success), detracting from their charitable work.

Many groups are responding by cutting costs, running down reserves to cover salary costs, taking on more unpaid (or low-paid) staff and volunteers, and relying on one-off donations from individual supporters or the goodwill of churches. Whilst these responses are helping groups to get through difficult times, this is unlikely to be sustainable in the longer-term. The situation will get harder for many groups as existing grants come to an end. Even among those project leaders with a more positive outlook, the future of the project is often quite precarious upon closer investigation, and reliant on the success of pending applications.

#### CASE STUDY: BOOTH CENTRE, MANCHESTER (HOMELESSNESS)

The Booth Centre in Manchester Cathedral has seen the number of homeless people using its day centre increase by nearly a third since April, but is expecting to lose a central government grant of £40,000. It is also under increasing strain due to cuts elsewhere. When a nearby advice surgery was axed, the Centre had to carry the burden of addressing their clients' complex needs, though it is already at full capacity with visitors having to stand for a long time waiting to be seen. General donations have been decreasing month on month compared to last year, as ordinary supporters are less able to contribute. The group's ability to meet the increasing need rests on the outcome of ever more competitive funding applications, which, if successful, would allow it to move to bigger premises.

Some voluntary groups are adopting a very proactive response to the new economic climate and seeking to become less reliant on trust funding. One project has set up a charity shop to help cover the costs of its advice centre next door and is a subcontractor for the Government's Work Programme. Another project is charging for its child care services, renovating its building so that it can rent out part of the space to other charities, and working collaboratively with other voluntary groups to coordinate local services more effectively.

Of the groups we surveyed, about a fifth said they had already cut services and/or reduced the number of paid staff. Looking further ahead, 6% of the organisations said they were at serious risk of closure over the next few years; 19% said they thought they would survive on a smaller scale; 22% expect to maintain similar levels of activity and 25% say they hope to expand to meet growing demand. A significant minority of groups (29%) said it was still too early to tell.

When asked about the support received from external bodies, individual supporters, local churches and grant-making organisations were generally seen as helpful (by around three quarters of respondents), whereas local government (32%) and central government (5%) were rarely seen as helpful. Project leaders highlighted a number of specific issues:

- **Lack of clarity and short-term nature of local authority funding decisions:** many groups find this very unsettling. For example, one group has just secured council funding to continue its English conversation classes, but only for one term and only after presenting the proposal to four separate ward committees.
- **Changes to commissioning and contracting arrangements:** this is causing confusion and disadvantaging smaller voluntary groups who have little chance in direct competition with larger private contractors, and who risk being exploited or ignored as subcontractors. Only 9% of the groups we surveyed said they were intending to bid for new government contracts.
- **Frustration with the government's Big Society agenda:** project leaders said it costs money to train and manage volunteers and questioned where the volunteering opportunities would come from if the voluntary sector is contracting. Another project leader says he 'believes' in the Big Society, but feels that current government initiatives are only relevant to large charities

### CASE STUDY: CANAAN PROJECT, TOWER HAMLETS

The small amount of public funding the project receives has been maintained, thanks to the borough's decision to protect spending on youth work. Nevertheless, its financial situation is precarious. The knock-on effect of the cuts is that more charities are applying to the same few trust funds, reducing the odds of success. Furthermore, grants are increasingly restricted to direct service provision, meaning a small charity like this faces great difficulties in funding core costs. The project has only two weeks' reserves; trying to build a sustainable model of youth work in this context is extremely difficult. The project manager - and only full time staff member - is spending more time writing grant applications, and less time helping young people when this is more important than ever. Despite the economic challenges, the project is looking to expand its provision to meet growing demand. It is working with colleges to take trainee youth workers on placement, but this costs money and is another burden on the project manager's time.

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### IMPACT ON INDIVIDUALS AND COMMUNITIES

*"The young people who came to our youth club live in the most deprived area of SE15 and SE14. Now they can't access any other youth activities in the whole of these two postal code areas. They roam around in the area with nothing constructive to do. If we don't think and plan for young people now, we will have a repeat of the chaos [rioting] we saw a few months ago."* REM Educational Centre, SE London

Cuts in local authority funding are impacting on the capacity of the voluntary sector at a time of rising demand and expectation that the sector will be doing more. In our survey, nearly 80% of groups report an increase in the demand for their services since the beginning of the year. This is frequently a knock-on effect of cuts in other local services, which places additional strain on projects that are having to handle larger numbers of clients and/or more complex cases.

Perhaps surprisingly, in view of their financial situation, more than half of the voluntary groups we surveyed said they had increased the services they offer in the last nine months. This reflects their commitment to meeting the growing need in their local community. However, there is an inevitable conflict between rising demand and falling income, which will be increasingly difficult to reconcile without additional funding and support from government or elsewhere.

The groups we surveyed identified a long list of ways in which the people they work with are being affected, which are detailed in the full report. The issues highlighted most frequently include:

- cuts to youth provision and support for poorer students
- increased homelessness due to a reduction in hostel places and cuts in Housing Benefit
- cuts to legal and other support for asylum seekers
- reduced support for people with mental health problems
- severe financial hardship caused by cuts or delays to benefits.

### CONCLUSION

*"It feels that small organisations like ours are undervalued. We quietly get on with what we do best, which is serving our local community. But, we could do with additional support and recognition, because we don't want to trumpet what we do and we don't have the time or resources to promote our work."* CHAT Trust, Newcastle

Voluntary groups are doing all they can to meet rising demand, but many of them are under increasing strain due to cuts in public funding, increased competition for alternative sources of funding, and the knock-on effect of cuts on other local services. There is an urgent need, in particular, to do more to support smaller voluntary organisations in deprived areas, including improving access to small grants and funding for local infrastructure organisations, as well as correcting the current bias against the poor in the way central government funding is distributed between local authorities.

### FURTHER INFORMATION

A copy of the full report is available as a free download from [www.cuf.org.uk/research](http://www.cuf.org.uk/research). For more information about this study, please contact Tom Sefton at the Church Urban Fund ([tom.sefton@cuf.org.uk](mailto:tom.sefton@cuf.org.uk)).

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