



## **Cutting it in Birmingham**

**Why the grass roots aren't growing any more**

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**nef** (the new economics foundation) is a registered charity founded in 1986 by the leaders of The Other Economic Summit (TOES), which forced issues such as international debt onto the agenda of the G8 summit meetings. It has taken a lead in helping establish new coalitions and organisations such as the Jubilee 2000 debt campaign; the Ethical Trading Initiative; the UK Social Investment Forum; and new ways to measure social and economic well-being.

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*“They say they want action from the grass roots. Where’s the grass? It isn’t growing anymore.”*

# Executive Summary

This short paper from **nef** (the new economics foundation) presents the findings of research investigating perceptions of the impact of the cuts on small and medium sized third sector organisations in Birmingham. It is based on a consultative workshop held in February 2012, and four in-depth interviews with members of the Habits of Solidarity<sup>1</sup> network. The findings presented below contribute to **nef**'s wider research on the effects of the New Austerity and the Big Society<sup>2</sup>.

The findings from the research show the depth of turmoil that exists within the third sector at present and the impact that the cuts have had on the capacity of the sector. They pose some critical questions about the Government's public spending cuts and parallel efforts to build a 'Big Society'.

The participants involved in this short study represent a diverse mix of small to medium community organisations. They were unified in their concerns about how the third sector, and local communities and people, will fare through the cuts.

The evidence in this report suggests that small local organisations are being overwhelmed by a combination of increasing demand for their services and decreasing funding. This confirms a general view in the sector<sup>3</sup> that, while national policy-makers speak of a more prominent role for civil society, locally based charities are facing a perfect storm. There appear to be few opportunities for these organisations to support positive change, and many fear that they risk losing their focus – or experiencing "strategic drift" as they chase ever-decreasing pots of funding in an ever more competitive environment.

# How does the land lie?

The backdrop to this research is an intense round of public spending cuts, now into the second year, which are undermining decades of good work and investment in local communities. The people and places – groups, organisations and venues - that so many people value are disappearing, and will be hard to replace. At a time of economic recession and falling living standards<sup>4</sup>, the impact on individuals and communities, especially in deprived areas, risks being profound and long lasting.

The two key features that shape the current context are an increased demand for services and significantly reduced funding for many small providers of public services. Each of these is considered separately below.

## Increased demand for services

Several of the groups in the Habits of Solidarity network spoke of an increased demand for their services, attributing this to the economic downturn, rising unemployment and imminent changes to welfare provision. People's standards of living are falling, many are getting further into debt, fewer people are actively enrolling in educational or health and fitness courses and others are spending more time dealing with problems at home. At the same time the numbers of people requiring housing and benefit advice and support – particularly in light of recent changes to child tax credits and benefits for the disabled – has increased. Anti-Social Behaviour (ASB) is a growing concern too.

This increase in demand for services is not only being driven by the most disadvantaged in society. Many former public sector professionals are also seeking employment and legal advice and support. In areas such as Dudley, this has been explained by the large numbers of middle managers who have been made redundant by the Local Authority: some 1800-2000 – many of whom are seeking advice on employment rights and benefit entitlement for the first time. The majority of these professionals are women, and many are particularly concerned about the newly increased hours of work required to qualify for the child support element of the working tax credit.

Interestingly, the one organisation that has seen a decrease in demand for one of their services, the Community Resource Information Service (CRIS), provides information and support to local grass roots organisations. There are now fewer grass roots organisations around, as existing groups have begun to disband and fewer new ones are set up. People, it was commonly agreed, are now more inwardly focused on personal problems. CRIS now receives more demand for one-to-one support from individuals and families, rather than from the grass-roots groups that used to deliver such support for their communities.

## Reduced funding

*We are all treading water with the promise that the third sector will be supported to provide state services, but while local governments undertake their reviews about where there will be cuts and redundancies we are having to eat into our reserves and make staff redundant, which makes us more vulnerable.*

Almost all of those present at the consultative workshop were affected in some way by the reduced funding available. For many this was felt in terms of actual cuts to their grants, or in contracts that they would usually expect to have renewed. Specific examples include;

- Smethwick Youth and Community Centre has seen its funds cut by more than 70 per cent;
- People Can has seen project funding cuts to their Community Cohesion programme of 50 per cent;
- The Centre for Equality and Diversity has seen cuts of 20 per cent from the Home Office; with a further 10 per cent cuts expected in 2012/13, from the Local Authority;
- The Community Resource Information Service (CRIS) has seen cuts of 5 per cent.

These cuts have come from a range of sources, including Government at national and local levels, grant giving bodies, such as the Big Lottery, and other agencies such as the Equalities and Human Rights Commission (EHRC). Some financial pressures have also been experienced indirectly through cuts to other organisations. People Can for example are now being charged 25 per cent more per hour to book rooms by Voluntary Action Leicester, while the Smethwick Youth and Community Centre has had to reduce the rates at which it hires rooms out by 20-25 per cent to accommodate cuts to local groups.

Within this context of reduced funding, there is also the issue of greater competition for existing funds and an increase in funding conditionality. One important shift here has been the move away from grant giving toward competitive tendering and payment by results from Local Authorities.

*“There’s no core funding. We used be able to squeeze a bit of money from project grants to help people in new ways. We can’t do that anymore.”*

In certain cases it would seem that this is leading to unrealistic expectations about what local organisations can and should deliver. The Smethwick Youth and Community Centre, for example, talked of how they are expected to do more and more each year, in terms of outputs, yet are paid less and less. Furthermore, it is clear that larger private organisations are now winning a larger share of local service contracts – with back to work programmes in particular shifting towards the private sector.

The priorities for many existing funding streams are reportedly being subtly shifted by local officials and politicians to cope with wider spending cuts to key services. For example, Community Chest money, typically £100k per ward, is now commonly diverted away from supporting grass roots groups to set up and put on community events, and towards activities such as cutting trees or gating alleyways; that is to say, services that were once provided by local authorities as standard.

Though the Third Sector as a whole is facing financial challenges, the research indicated that certain groups risked losing out more than others. It was agreed that larger providers would be better able to weather funding challenges than smaller groups by entering into consortia with other local providers. Middle sized and small organisations are more likely to suffer, albeit for slightly different reasons: middle sized organisations because they have been the most dependent on public funds; micro organisations because, whilst they are often immune to public cuts (with most not receiving much funding in the first place) they rely heavily on people's time and capacity – which is now being squeezed by the recession and cuts. Many have also relied on support from middle-sized organisations, which is now less forthcoming.

Single purpose charities, and particularly Black and Minority Ethnic (BAME) groups, are seen as being especially vulnerable to cuts as issues of community cohesion, equalities and integration lose prominence on the national policy agenda.

# What is the impact of the cuts?

The overall impact of the decrease in public spending is likely to be far reaching and complex; it will certainly be difficult to quantify or qualify in a comprehensive way. However, from these conversations we can begin to identify some key emerging themes, operating at three distinct levels. These are;

- The impact on the shape and quality of the provider market;
- The impact on organisations and staff;
- The impact on people and the communities who use third sector services;

## The impact on the shape and quality of the provider market

*“A lot of local commissions are going to private providers – national and international organisations - and not local organisations. They are taking over the local market and squeezing out local providers. We can see where local government and national government are heading and it is concerning. If local authorities commission on the basis of scale, a small local provider has no chance. [Large private organisations] don't have local support, they don't employ local people and often don't even have offices at the local level. The quality is reduced for service users. Profits flow out of the area, rather than staying in. Salaries that are paid are often much lower too. These organisations also don't think of equalities and diversity either. It will be worse for service users, provider organisations and the community generally”.*

A consistent concern amongst participants was that the cuts risked homogenising the provider market for key local services, and favouring larger, and more often than not private, organisations. Smaller single purpose and single identity organisations are at a real risk of disappearing, and this could well affect the overall quality of the market and services on offer.

One of the main reasons cited is that the Government places little emphasis on community integration and cohesion. The significant funding cuts made to the EHRC have inevitably had knock-on effects for smaller community based organisations championing minority rights and welfare. As a result, niche organisations and the services that they provide are no longer being funded. Even larger, more multi-purpose organisations, such as the Smethwick Youth and Community Centre are affected by this policy shift as English for Speakers of Other Languages (ESOL) funding is cut.

There is an emerging tendency for medium and larger providers to join together in consortia. Whilst there are potential benefits from a more



collaborative approach, there is also a danger of losing local diversity and specificity, both within the consortia – as identities risk blurring – and also outside, as single-issue organisations risk losing out to consortia. There is also a concern that funding pressures will lead civil society organisations to become more competitive with one another – with potentially damaging implications for community harmony.

*“The more we fail to get money, the more we just look out for ourselves. There’s more tensions between groups because we are competing.”*

The research showed a significant concern over large private organisations coming into the market and dominating service provision – particularly in back-to-work schemes. Companies such as Serco and A4E in particular were regarded with great distrust. Interviewees reported examples of their failure to pay subcontractors (including local small charities) adequately; they also saw them as being driven by the need to make profit rather than by an interest in the communities where they operate, adding very little, if any, social value above and beyond what is specified in their contracts. Furthermore, these organisations were seen to have few qualms about pulling out of an area if they are unable to make a profit – leaving people who still had significant and complex needs with a vacuum in service provision.

*“We don’t seem to learn from past experiences where private providers have been very good at the bid side – they have slick marketing, funding and bid writing teams – and they are good at creaming off the management fees, but on the delivery side they are left wanting. They are not embedded within the community, so a lot of time they are here today and gone tomorrow; and we are left out in the cold”.*

Large providers are also rarely present and all too often unaccountable at local levels. One participant told the story of a family who spent four days without heating in Dudley. Their housing provider was based in Manchester, with no local representatives. It proved very difficult for the Centre for Equality and Diversity, CfED, to get in contact with them, and when they finally did, they were passed between various housing officers and landlords in a process lasting several days.

*“Once housing management goes to private contractors, it’s a nightmare. They don’t live here. You can’t find them when things go wrong.”*

Local organisations, on the other hand, were felt to have a developed sense of place and a commitment to the community. Because of their often long standing histories in areas and their commitment to developing personal relationships (rather than impersonal transactions) they tend, according to the people we interviewed, to go above and beyond the terms of their contracts and to generate significant added social value. They provide places where people come to meet and socialise – they are centres for community feeling, belonging and action.

The key difference was captured succinctly by one of the interviewees. In recent months many of her friends and colleagues, working to find people employment in church based charities, had lost their jobs because of funding cuts as employment and training contracts are wrapped up into the single work programme. After losing their jobs, some have since found employment with EOS, one of the private providers that has been able to

obtain work programme money. From these people she is getting stories of how the private sector groups operate.

*“They are target driven, rather than relationships based, and they do not really care about the individuals as people”.*

This, she said, is disheartening for those coming from the Third Sector – those who work with people as people, in holistic and relational ways, recognising their individual circumstances, their past histories and their aspirations.

### **The impact on staff and organisations**

A dominant theme of the research is the significant impact the cuts are having on the organisational capacity of many charities. One interviewee spoke of his fear of a widespread regression and de-professionalisation of the sector as charities began to eat away at their reserves and lost key staff, skills and institutional memory. The Smethwick Youth and Community Centre, for example, has lost 14 full time staff members, reducing their numbers to just three. Much support is now provided voluntarily. Similarly, the capacity of People Can has been hit hard. When one of its employees first began delivering their Community Cohesion project, she was supported by two dedicated support workers. Since the cuts to this programme these support posts have gone, and her hours have been halved. She is now also working on two additional projects – significantly reducing the potential impact the programmes could have, and placing an ever increasing burden on remaining staff.

Many of the participating organisations in this research have attempted to absorb the impact of these cuts through restructuring and efficiency drives. The rationale behind this has been to safeguard frontline provision as much as possible. In some cases this has led to manageable and rational restructuring. The Centre for Equality and Diversity for example has made savings by reducing the hours of their finance worker. However, as many of the testimonies made clear, the distinction between frontline and back office functions in medium and small organisations is often far from clear cut. This is particularly so in the current context where reduced funding streams, and increased competition for the few that remain, has meant much more time is now spent chasing contracts, filling out Pre-Qualification Questionnaires, tenders and so on. This can take up a lot of time, and is a drain on a small organisation’s capacity. The inevitable trade-off is that people are able to spend less time actually providing services.

*“We are chasing money all the time instead of focusing on our communities. It’s all about how can we get sustainable funds, project development, asset transfers...”*

*“It’s all hands to the pump because of the cuts, we are caught up in the sense that we want to serve our communities, but at the same time we need to get in as many bids as possible to keep the organisation going, it’s a conundrum - your struggling and caught in the middle”*

There is a clearly a limit to how far positions can be cut and hours reduced before service provision is affected. For many of the participating organisations this limit seems to have been reached. Almost all of the organisations present spoke of services that were no longer running, or which were running in a reduced way. Examples include:

- People Can's Community Cohesion project is working with half as many people as before. The amount of training they can provide has been reduced, and that which they do provide is no longer Open College Network accredited.
- All of the People Can services in the West Midlands which are not financially sustainable are closing – in total, three community services.
- In Bristol People Can's Homeless women's emergency night shelter has closed;
- Smethwick Youth and Community Centre is no longer able to provide free ESOL classes. They now charge for them, albeit at very competitive rates
- Many of Smethwick Youth and Community Centre's "low priority" courses have been scrapped, such as their hobby courses.
- Smethwick Youth and Community Centre lost employment and training contracts when A4E left the area;
- A community voice FM programme, funded by the local PCT, aimed at re-skilling workers made redundant by British Steel has had to close.

Financial pressures and the need to "follow the money" can also affect the strategic focus of small organisations. It is much harder for them to think strategically for the long term and they can be forced to stray from their organisational mission and values, just to get the contracts they need to survive. As one participant noted;

*"All of us are in this boat, if we are not careful we end up chasing money and losing our strategic direction. We call it strategic drift; it can be quite dangerous, there is a big pressure to chase money for the sake of getting it"*

The combined impact has also taken its toll on staff. In many cases there have been hours reductions of up to 50 per cent, pay freezes (which with inflation translates to a real terms cut) and actual pay decreases. People Can employees have experienced 18 per cent pay cut amongst management and six per cent amongst frontline staff. In addition, organisations stress that remaining staff are at "*tremendous risk of burnout*" as they attempt to mediate the tensions between increased demand and reduced funding by working harder, for longer hours and across more projects.

### **The impact on people and communities**

*"If I think back to the neighbourhood I worked in ten years ago, there were intergenerational conflicts, high anti-social behaviour, addiction issues, crack houses and I fear we will go back to that. Then of course we had the riots. I fear that tensions between different community groups, between different ages and the impact on personal incomes will lead to worsening community life... I fear we will revert right back to square one."*

There was a strong sense among participants and interviewees that, after a period of uncertainty, local people and communities are now being affected in very tangible ways by the cuts to local services and changes to benefits and tax credits. In the short term it was generally accepted that the cuts were being felt by people, families, and in particular women, in the home – in the private sphere of life. However, as the above quote shows, it is

feared that in the longer run community life will be visibly changed for the worse.

People and communities that rely on specialist, tailored support are being hit disproportionately, it is felt, because the services that they rely on have been cut the hardest and fastest. This is true of services to BAME groups, the unemployed, young people – and especially young people who are NEET, and those with disabilities.

# The implications for the Big Society

*“The big society is a lovely concept, but part of me feels that there is not much new in it, the people who volunteer and the charities already do the Big Society – they are already engaged – but how do you inspire disaffected people; people who are struggling financially, with children, with mortgage repayments and debt? When you face those personal challenges, where are you going to find the time to become an active citizen, care about your neighbour and give your time? It feels like the survival of the fittest... when people are desperate and struggling, it sets community groups against community groups.”*

Our research suggests that the ability of people, communities and the third sector to fill the gaps left by the retreating state, and build a Big Society, is far from assured. Indeed, there was fairly widespread confirmation among participants that the new austerity measures will make realising the best of the big society agenda practically unworkable<sup>5</sup>.

In particular three concerns have been voiced;

**The organisations that are best placed to make the Big Society a reality are being squeezed to breaking point.** This was made clear throughout the consultative workshop and the interviews. The capacity of small, local organisations to provide services that meet current needs and anticipate future needs is being compromised by actual spending cuts, and a lack of clarity and transparency about future cuts. This has affected the groups’ organisational ability to function as well as they have done in the past. In response, many small and medium sized organisations have begun to work together more – often in the form of networks and consortia. However, participants made it clear that there is a delicate tension emerging between the need for collaboration among third sector organisations, and the realities of intense competition. It is feared that, if these networks and consortia do not get funds soon, or prove unable to win contracts, they will break under the pressures of internal competition. As a result, there are widespread fears that it will be private companies who are in the best position to win local contracts and determine the future of public service provision.

**The people and places that support ‘community’ are disappearing.** An implicit assumption in much of the Big Society rhetoric is that community work can be done effectively with very little or no funding. Whilst it was accepted by many that money alone could never be a solution to local issues, and that in previous years too much money had been wasted, there is a palpable sense that the cuts are uprooting years of good community development work. Key people are no longer being supported to do work previously regarded as invaluable. Key places – community centres, for instance – where people used to come together in informal, yet creative

and supportive ways, are being lost. The social value of these people and places has been missed in decision-making, and there is a risk that communities will be left with a service landscape that has been stripped back to its bare bones. Places where statutory services are delivered remain open, while other locations – where people went for services they chose and where they had built mutual, reciprocal and meaningful relationships, have been allowed to close. Furthermore, the active citizenship that the Big Society calls for will not just emerge independently – particularly at a time of recession, when evidence suggests people hunker down.<sup>6</sup>

*“People will be focusing on their basic needs, shelter, food and family; you become more inward looking rather than outward looking and concerned about the community. All of your energy is taken up just surviving and holding it together”*

Active citizenship, and small start-up organisations – such as the credit union one interviewee is supporting – need support if they are to develop and flourish.

*“For any relationship to work, at any level – be it between friends, or between active citizens and local and central government – you need to invest in a relationship, you need to give a relationship time, you need dialogue”*

**Without support, the Big Society won't work for everyone:** it has now been well documented that public spending cuts will affect some groups in society more than others. Women, BAME groups, young people and people with disabilities are all being hit the hardest. What will the big society mean for these groups? For women it is likely to mean that they will be expected to do even more informal caring than they already do. This may ultimately mean making tough decisions about their ability to work. They are likely to be overworked by the Big Society. For the so called “hard to reach” groups, the Big Society risks offering and meaning very little. Without the necessary support, these groups are likely to be left behind by the Big Society, since they are ill equipped to make the most any opportunities it might offer. If more power is to be devolved to local levels, more care needs to be taken over how that power is distributed or captured. As one interviewee put it;

*“At the end of the day, the Big Society is fine as an idea, but unless you support and equip people they won't know how to go about it; if people are not equipped to handle the agenda it won't go anywhere... BAME communities are not well equipped to take part in the Big Society agenda; they need help articulating their concerns and desires, and participating in community decision-making. We are talking about people who are less likely to go out to community meetings, because of fear, language barriers and not knowing how things work. They are the people afraid to open their front door and so will be left behind from a lot of what the Big Society is talking about”*

It seems clear that the third sector is rapidly haemorrhaging the expertise and knowledge that staff and community members have spent decades building up. Its capacity to support individuals is also weakened. Advice, guidance, legal support, language programmes, community centres, youth services, training, homeless shelters, and employment support: all of these are being closed down or reduced, according to the direct experience of the eight organisations participating in our research. The impact on communities is already being witnessed: inequalities are thought likely to

widen between groups, anti-social behaviour seems to be worsening, the public spaces that bring people together are being closed down.

This research has given an insight into how charities are experiencing the cuts. Though we can see clear trends, and draw lessons from the research, this is a constantly evolving picture, and with further local authority cuts imminent, the impact on organisations and the people they support, seems likely to worsen within the next year.

# Endnotes

- <sup>1</sup> The Habits of Solidarity (HoS) network was created from organisations funded under a call to projects by the Barrow Cadbury Trust in July 2008 under the HoS funding initiative. The HoS programme sought to support grassroots community projects across England, which were building cohesion in diverse urban communities in innovative and practical ways. Aims for the programme included supporting best practice at a community level and gathering intelligence from organisations working on grassroots issues. In addition, since 2008 the Trust has created regular opportunities for groups funded under the HoS programme to come together to share expertise and to interact with policymakers and practitioners working on issues of cohesion, diversity and poverty.
- <sup>2</sup> New economics foundation (2011-13) *The New Austerity and the Big Society*, <http://www.neweconomics.org/projects/the-big-society-and-the-new-austerity>
- <sup>3</sup> CFG, IoF and PWC (2012) *Managing Charities in the New Normal – a perfect storm?* [http://www.cfg.org.uk/Policy/have-your-say/surveys/closed-surveys/2012/april/~/\\_media/Files/News/27547%20-%20A4%20Portrait%20-%20FINAL.ashx](http://www.cfg.org.uk/Policy/have-your-say/surveys/closed-surveys/2012/april/~/_media/Files/News/27547%20-%20A4%20Portrait%20-%20FINAL.ashx)
- <sup>4</sup> The Resolution Foundation (2012) *Essential Guide to Squeezed Britain*, <http://www.resolutionfoundation.org/publications/essential-guide-squeezed-britain/>
- <sup>5</sup> New economics foundation (2010) *Cutting It: The “Big Society” and the new austerity*, <http://www.neweconomics.org/publications/cutting-it>
- <sup>6</sup> NCVO (2012) *What Impact did the Recession have on the Voluntary Sector?*, <http://data.ncvo-vol.org.uk/almanac/voluntary-sector/finance-the-big-picture/what-impact-did-the-recession-have-upon-the-voluntary-sector/>



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