



Short term funding

Short term thinking



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Foreword

Derek Simpson – Amicus General Secretary



Amicus, as the union for employees across the Voluntary and Non Profit Sector, has a unique interest in the funding infrastructure for the sector, and yet shares the concerns expressed elsewhere. It is all too often that the employees, the people who deliver the essential front line services across the sector, suffer the consequences of funding policy. Amicus members overwhelmingly believe that this is unnecessary.

Sustainability is key to solving this crisis. This report, “Short term funding, Short term thinking”, based on the responses of a survey sent to Amicus representatives working in the sector, has demonstrated that job insecurity, and the consequences of this, are inherently detrimental to the sector, to the organisations, to the employees themselves and ultimately to the clients. Longer funding cycles and better fiscal planning at national, regional and local government level would ensure that organisations are tied up with the business of delivery, and would enable sound development of employees and services. Current funding insecurity, coupled with complex auditing processes and mechanisms for obtaining funds is costly, and is harming the potential of the sector as it has to concern itself increasingly with backroom bureaucracy as opposed to its front line provision.

When an organisation has to withdraw from a project or close it down altogether because the funding has not been forthcoming, or was delayed, our members find themselves facing the perils of redundancy. When contracts are issued for 12 months or even less, our members find that their organisations cannot justify making the investment into their development or other benefits that longer-term employment can bring, like promotional opportunities. Further to this, short-term employment reduces opportunities for employees to invest in good pension schemes, or to plan for their own security.

The cost to the individuals working in the sector is therefore considered in this report, which shows an overwhelmingly detrimental effect that the current funding mechanism is having on them. Individuals working in an environment of short-term security, understandably, suffer from the symptoms of stress and sickness, as well as having a lower morale, and all this comes at an avoidable cost to the sector. If the impact on clients were added to this, as the most vulnerable individuals in our society share in this insecurity, then the social cost for generations to come would be immeasurable.

Finally, with the realisation that the sector can play a significant role in the delivery of public services, changes to the funding infrastructure need to be established at this time, or the services that are provided in the future will be even more vulnerable, only leading to an amplification of the problems identified here.

Amicus makes several recommendations as a result of our findings, and we trust that the Government, Local Authorities and those working in or for the sector elsewhere will work with Amicus to achieve the necessary long term funding and long term thinking to build a sector for the future.

Executive Summary

- The present funding regime does not work, it is too complex, too bureaucratic and too risk intensive for the organisations in the Voluntary and Non Profit Sector
- Short term funding is causing job insecurity, stress and anxiety for staff
- Re-bidding for funding is affecting service provision
- Concern that the delivery of more public services by the Voluntary and Non Profit Sector will compromise its independence
- Training and development opportunities in the sector are reduced or not provided at all due to the lack of available resources within organisations
- The current re-bidding and accountability processes have a detrimental effect on the performance of an organisation, since these are over bureaucratic for the response that needs to be achieved
- The complexity of the bidding process acts as a barrier for small organisations in accessing information about funding and in applying for funding
- When re-bidding for funds, trigger processes are favoured rather than re-application. If objectives have been met, and service needs required, then funding should be automatic
- Short term funding has a detrimental impact on clients as well as employees and volunteers

Introduction

The funding of the Voluntary and Non Profit Sector is the most crucial issue to affect not only the sector in general, but more importantly employees, including the members of Amicus who work in the sector.

In recent years the Government has recognised that the Voluntary and Non Profit Sector is well placed to improve the provision of public services, with the Home Office setting a target to increase the sector's involvement in public services by 5% by 2006¹. Although the sector is already a significant provider of public services, it only accounts for around 0.5% of Central Government expenditure². However, the proposal for the sector to provide more public services needs to be supported by a review of the way the sector is funded, the implications of the present funding regime on the people who work in the sector and the impact on those clients who use the services of the sector.

The Treasury 2002 Cross Cutting Review³ provided a framework for the better use of Voluntary and Non Profit organisations in the provision of public services and identified several weaknesses in the existing funding processes. The review made recommendations for improvements in the funding process including: involving the sector in the planning as well as delivery of services, forging long term strategic partnerships with the sector, to build capacity and implementing the Compact⁴ (a framework for partnership working between the state and the Voluntary and Non Profit Sector based on shared principles and undertakings) at all levels. However, the National Audit Office and the National Centre for Voluntary Organisations (NCVO)⁵ have noted that not all of the proposals have been implemented successfully and there needs to be a re-emphasis to examine whether the framework was working effectively.

The Gershon Review of 2004⁶ recommended four key principles for the funding of the sector: longer term funding, appropriate balance of risk between funder and voluntary organisation, full cost recovery and a streamlined approach to monitoring and reporting. These key principles reflect the concerns of both the Compact and the Treasury Review.

For workers in the sector the most important principle was the move to longer-term funding contracts, enabling organisations within the sector to plan better, retain staff and promote training and development. However our survey shows that these principles are not working in practice. Our survey has demonstrated that there is increasing pressure put on staff leading to stress and sickness. Funding in the sector is at crisis point and further steps are needed to improve the funding process.

¹ National Audit Office, 'Working with the Third Sector', published June 2005.

² Ibid

³ 'The Role of the Voluntary and Community Sector in Service Delivery: A Cross Cutting Review'. Part of the Treasury's 2002 Spending Review.

⁴ 'The Compact on relations between the government and the voluntary and community sector' Home Office 1998, available to download from www.thecompact.org.uk

⁵ National Audit Office, 'Working with the Third Sector', published June 2005.

⁶ Sir Peter Gershon's 2004 Efficiency Review 'Releasing Resources for the Frontline: Independent Review of Public Sector Efficiency', HM Treasury July 2004.

New initiatives are being introduced or consulted on at national and local level, for example Compact Plus⁷ and the Association of London Government (ALG) review of funding the Voluntary and Non Profit Sector in London⁸. However, the Treasury Cross Cutting Review and the Gershon Efficiency Review have not delivered in a way that meets our members' aspirations for their organisations and the sector in general. Are we building a foundation on sand where funding is concerned?

Our representatives have expressed concern at many of the past initiatives and the findings of this survey will clarify their position.

This survey report provides evidence from our representatives in the sector, taken from a range of diverse organisational sections. It describes how they view the current state of funding in the sector and the impact on their jobs and careers. We hope this report of the survey's findings will assist those Government and local agencies that are instrumental in the decision making process regarding funding, to take account of what Amicus has to say about funding. It is informed by the everyday experiences of people committed to working in the sector and delivering a high quality service to clients.

Methodology

Amicus was lobbied by representatives in the Voluntary and Non Profit Sector to find out more about the key issues affecting funding matters in the sector and especially those relating to the length of funding cycles. Amicus representatives identified funding as their key issue. A draft survey was distributed to representatives on our National Industrial Committee for the sector, and amendments were made prior to wider distribution. Our survey was distributed by post to all Amicus workplace representatives in the Community and Non Profit Sector of Amicus. 745 were distributed and 73 completed questionnaires were returned. This represents a 10% response rate.

⁷ 'Strengthening Partnerships: Next Steps for Compact', Home Office consultation document, March 2005

⁸ 'Funding for the Future' Association of London Government consultation, June 2005.

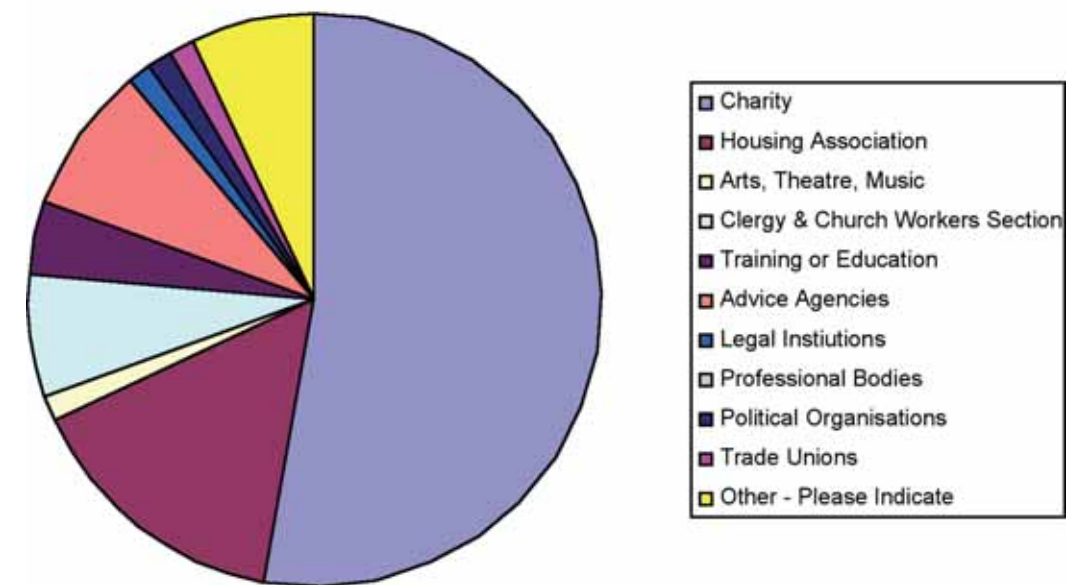
Section 1:

Profile of Responses

Amicus is one of the leading trade unions in the U.K. with over 1.2 million members working across all industrial sectors, and representing nearly 30,000 employees in the Community and Non Profit Sector within the union. The different sections within the sector are profoundly diverse, from large charities and housing associations to clergy and church workers, through to small community projects, advice agencies and environmental groups.

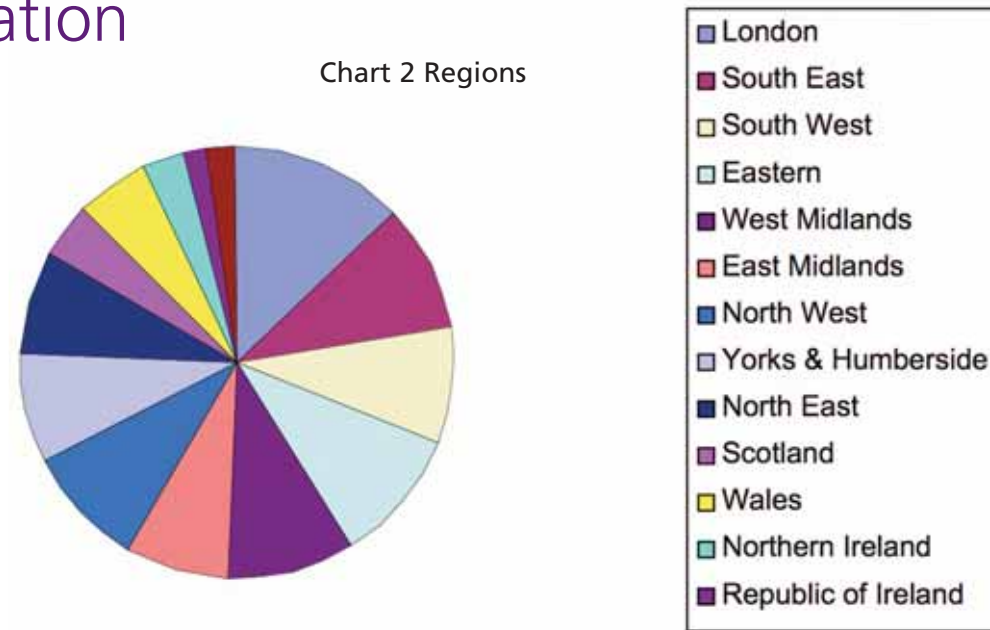
Type Of Organisation

Chart 1 Sector Breakdown



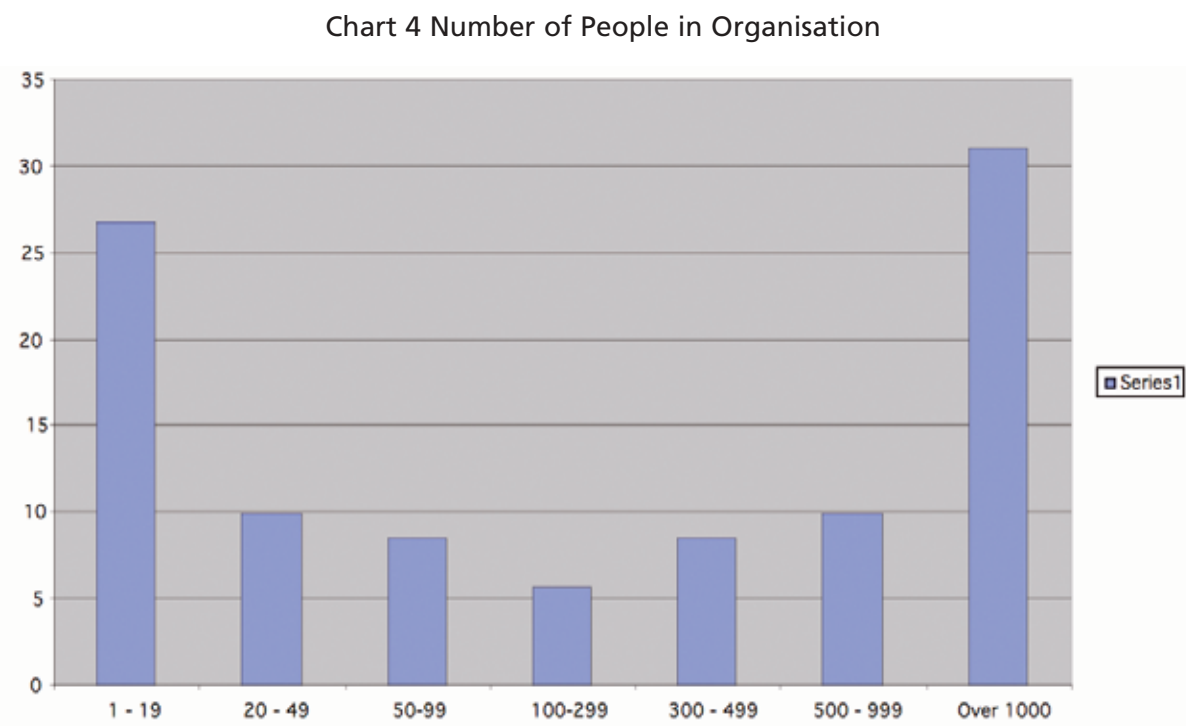
More than half of responses (53%) came from the charity section. (This was expected given the nature of the funding of this section). The second largest response was from Housing Associations (15%). 7% of responses came from the Clergy and Church Workers Section and 9% from the Advice Agencies section. These responses reflect the membership density for these groups within Amicus and the concerns they have regarding funding and the implications of further change regarding funding.

Location



Many of the representatives in Amicus who responded to the survey work for organisations that are nationally based. Housing Associations, for example, are going through the process of enormous change at this time as they are merging and creating umbrella groups, often nationally. (For example Stonham Housing are now part of the Homegroup). Many of the big charities like Scope and NCH also have workplaces located across all of the Amicus regions. Some organisations, however, are much smaller and are based in only one region. This means that issues of short term funding in the sector span all sections of the sector and all geographical areas.

Size of Organisation



The chart shows the spread of responses by organisations on the basis of size. The biggest proportion, (30%) came from those representatives working for organisations with over 1000 employees. 26% of responses were from representatives in organisations where there are between 1 and 19 employees.

For small organisations, certain funding can mean the difference between the organisation continuing their work or closing, the staff working in the organisation being made redundant and volunteers disbanded. This can have a serious impact on communities where these small organisations are a key part of the fabric of the community and provide invaluable services to the local population.

For large Charities and Housing Associations, their reliance on annual Government funding results in staff often being offered one-year contracts. In these circumstances, fiscal planning is a complete misnomer, service provision is difficult to maintain and staff, and even whole departments of staff, have to be specifically employed to bid and apply for future funds. Longer and more secure funding would alleviate many of these issues. The report from the National Audit Office⁹ mentions that although some progress has been made regarding the Compact between the sector and Local Authorities, in other areas especially in relation to the complex relationship between the sector and the central and local government departments, there is a real issue around partnership working and truly comprehending the serious role that the sector has to play in service delivery, with little evidence of effective joint working across Whitehall or between the tiers of government.

Access to information

Over four in ten (42%) of respondents report problems accessing information about all funding streams. The National Audit Office¹⁰ has highlighted this issue and has made a recommendation that a web based portal be created to include all details of Government grant funding which is available to the sector.

Amicus believes there should be a 'one-stop shop' web site for funding, including what is available locally, regionally, nationally and at European level. This should also include advice on procurement, grant applications and information about whether an organisation is 'giving' (being engaged in supporting a worthy cause), 'shopping' (procuring services) or 'investing' (building capacity in the sector).¹¹ In this way the system would become more transparent and encourage a level playing field for all organisations within the sector, from the smallest community based project to the large charities with thousands of clients.

⁹ 'Working with the Third sector' June 2005 – the report also mentions that all funding departments have both senior 'champions' and liaison officers with specific responsibility for implementing and informing about funding,

¹⁰ Ibid, summary page 7, recommendation 5.

¹¹ Concept taken from 'The Grant-making Tango: Issues for Funders' by Julia Unwin, published by the Baring Foundation 2004.

Section 2:

The Funding Process

Two thirds (62%) of respondents said that when a funding bid fails, feedback should be provided to highlight why it has failed, what the organisation could have done to improve the bid and what the key elements are when completing the bid to ensure success. Over half (59%) said the process of applying for the extension of funding for a specific project or post that has met all the objectives and is deemed successful should be short, less bureaucratic and less complex.

Amicus would like to see a 'trigger-process' implemented. This would simplify the procedure of re-funding, allowing funds to be awarded immediately and would have a very positive effect on job security and service delivery. Again over half (56%) of respondents said that if project targets are met, or the post holder is meeting all the objectives and further service need is identified, the posts should automatically be re-funded.

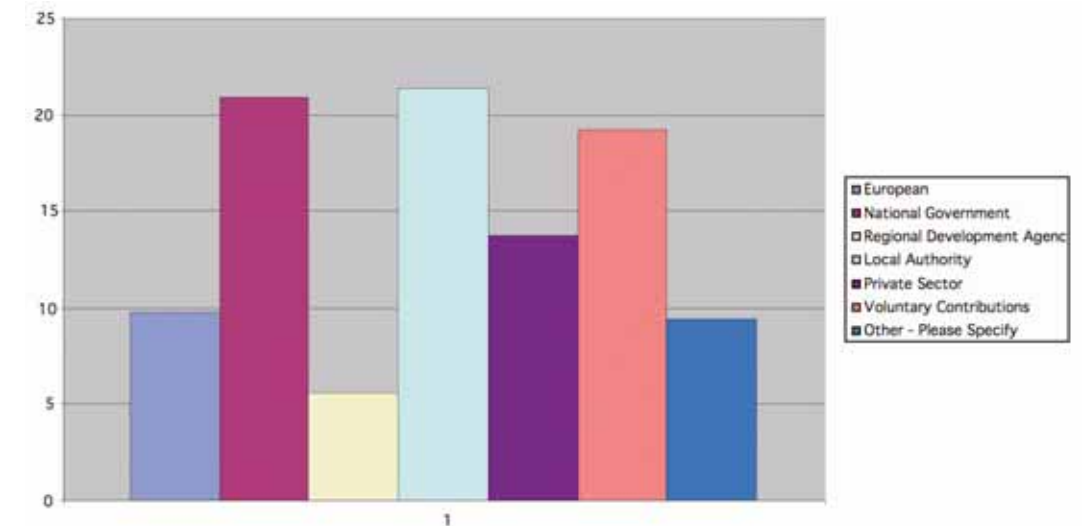
'My project has just closed because, though three funding streams were continuing, there was a funding gap while waiting for a response to applications. So the project closed, with eight redundancies. This is quite common. The project started 30 years ago!'

Just under half (46%) of respondents said the auditing process at the end of a funding cycle should be simplified. There was also concern expressed regarding the complexity of the system for applying for funds with nearly half (48%) of representatives saying this needs to be simplified and made less bureaucratic.

Representatives raised their concerns over 'gaps' in funding which had caused long running projects to close, staff made redundant and services lost to the community. What our reps are saying chimes with the report from the National Audit Office in 'Working with the Third Sector' which comments 'funding processes are a particular stumbling block despite the existence of a Compact code of practice on funding and procurement'¹². Our members consistently express their concern on the impact that uncertainty in funding has on their clients, with the most vulnerable in our society not even being able to fully depend on the services that meet their needs. We did not have a single response that agreed with the statement 'the current system for applying for funds is right'.

¹² The Compact Code of Good Practice on Funding and Procurement is available to download from www.thecompact.org.uk

Chart 3 Funding Sources



Respondents demonstrated through the survey that organisations apply for funding, often do so from a range of sources. 21% of respondents said they apply for funding from their local authority, 22% said they apply to national government, 19% sought voluntary contributions, 14% made applications for funds from the private sector, 10% accessed funds from Europe and 9% applied for funds from other sources. 5% applied to Regional Development Agencies for funding. Although this analysis is simplistic, it does demonstrate the complexity of the issue.

'Supporting People funding is from national Government but administered by local Government. The need to provide evidence for audits by Supporting People officers makes needless extra work for staff. This makes it difficult to provide a service because of the impact on staff time. There is therefore, a cycle of potential failure due to cuts in Supporting People funding, vacant posts are frozen and the use of agency staff is more expensive than paying' permanent staff.

Funding Cycles

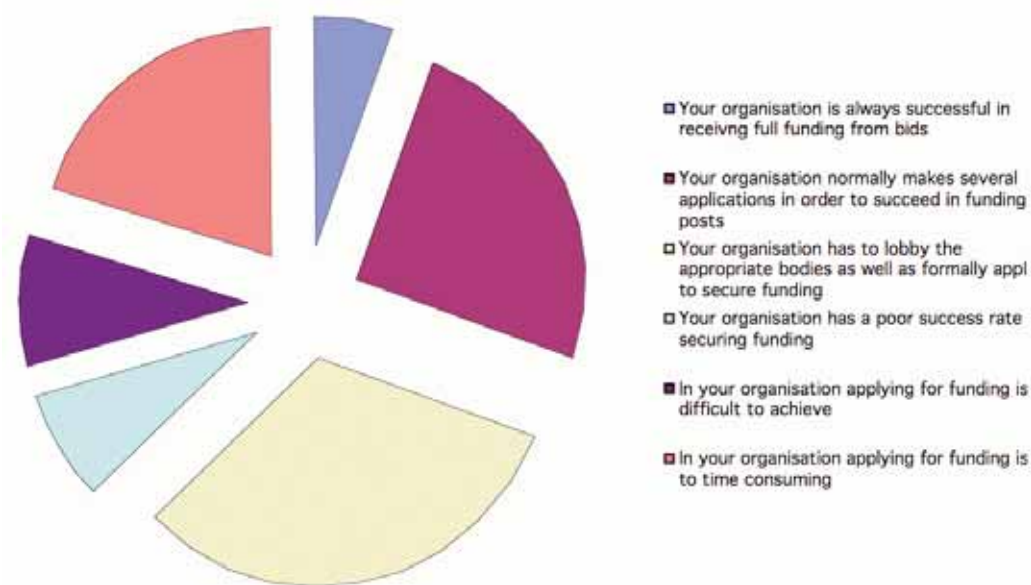
74% of representatives agree funding should be brought in line with all local and government funding cycles. Amicus representatives believe that the Gershon recommendation announced in the 2004 Comprehensive Spending Review¹³ by the Chancellor to bring funding cycles in line with Government funding cycles is a positive move, since this would immediately lengthen the funding period and see an end to one year funding. However, our representatives view this as a starting point and believe this needs to be re-evaluated and extended to get the balance right.

¹³ Sir Peter Gershon's 2004 Efficiency Review 'Releasing Resources for the Frontline: Independent Review of Public Sector Efficiency', HM Treasury July 2004.

Renewing Bids

Over three quarters (78%) of respondents said they have to renew bids for funding for existing projects/posts. Of these 43% said they have to re-bid annually, 36% said 3 yearly, 11% said every 2 years and there was an equal number, 2% who indicated 4 and 5 years respectively. This sample of the sector concurs with the report from the National Audit Office¹⁴, that delivery on lengthening the funding period had not been met.

Chart 5 Outcome of Applications



Over three quarters (78%) of respondents said they have to renew bids for funding for existing projects/posts. Of these 43% said they have to re-bid annually, 36% said 3 yearly, 11% said every 2 years and there was an equal number, 2% who indicated 4 and 5 years respectively. This sample of the sector concurs with the report from the National Audit Office, that delivery on lengthening the funding period had not been met. Amicus representatives were asked to tick as many boxes as they felt described their organisation in response to a question looking at securing funding methods. Many organisations used a combination of strategies to be as effective as possible. 41% said they have to lobby the appropriate bodies as well as formally apply for funding. Nearly a third (32%) said they have to make repeat applications to secure funding for key posts. 26% said that they found the process for applying for funding very time consuming which can have a detrimental effect on service delivery.

10% of respondents said they have a poor success rate at securing funding and 12% said that applying for funding is difficult to achieve. These are issues highlighted by ACEVO in their 'Surer Funding'¹⁵ survey and by the National Audit Office in their document 'Working with the Third Sector'¹⁶. Both these reports have recommendations to try to address these issues, one of which is using a checklist of good funding practice for both funders and service providers. This suggestion has also been adopted by the Home Office in its proposals for Compact Plus.¹⁷

¹⁴ National Audit Office, 'Working with the Third Sector', published June 2005. Summary, Page 4, section 16

¹⁵ 'Surer Funding' ACEVO Commission of Inquiry Report, November 2004.

¹⁶ National Audit Office, 'Working with the Third Sector', published June 2005.

¹⁷ 'Strengthening Partnerships: Next Steps for Compact', Home Office consultation document, March 2005

Impact on Service delivery

45% of our respondents said there would be a clear detrimental effect on service delivery if a bid failed. 30% said that their project or organisation was in danger of closing if a bid failed and that this put intense pressure on the workers within the organisation affecting their job security and livelihoods.

Representatives indicated that a lack of adequate core funding, added to the renewal of funding bids for proven successful projects, hampers development, endangers the viability of the organisation and stifles innovation. 14% of respondents said there is an impact on service delivery but they try to manage the problems, and one in ten (11%) said the failure of a bid means they have to immediately bid for other funding and are in serious danger of the project closing and compromising employment law, with regard to consultation processes around redundancy or having to cut short notice periods.

'As an organisation which has been supporting families with young children for 30 years, I think it is time to recognise that we have a fairly permanent role in service provision. Services are monitored and reported on to both our funders and our head office to ensure quality of service and level of service. However, we are always under threat of service funding reductions and it is detrimental to morale, and an ineffective use of time, to senior staff who are constantly searching for replacement funding and justification evidence'.

88% of respondents agree that the way funding is awarded in the sector forces employers to use short-term contracts. This leads to a situation where staff are only recruited on an annual or fixed term basis and do not enjoy the security of a permanent contract with the benefits that entails. The Voluntary and Non Profit Sector has more recruitment difficulties than any other sector of the economy, with lack of specialist skills being cited as one of the main recruitment problems¹⁸. This was particularly noticeable for managers and professional staff and also administrative, secretarial and technical staff¹⁹. Workforce morale is low and there is minimal investment in workforce development and training.

41% of respondents said that a 5-year funding cycle was their preferred option. 28% chose 10-yearly funding and 19% opted for 3-yearly cycles. 65% said they would prefer a trigger process to access further funds. This could incorporate some sort of simplified monitoring procedure, whereby a successful organisation fulfilling its objectives would not have to completely re-bid for funds. The National Audit Office mentions that there is plenty of scope for moving away from short-term funding and annual awards²⁰. The 2002 Treasury Review identified that Voluntary and Non Profit organisations were too often reliant on annual funding which made it difficult to provide continuity of service, it also affects the quality of work by diverting staff away from the core front line duties.²¹

¹⁸ Chartered Institute of Personnel Development (2004) 'Recruitment, Retention and Turnover 2004: A survey of the UK and Ireland', p4

¹⁹ Ibid, p5

²⁰ National Audit Office, 'Working with the Third Sector', published June 2005, summary p4

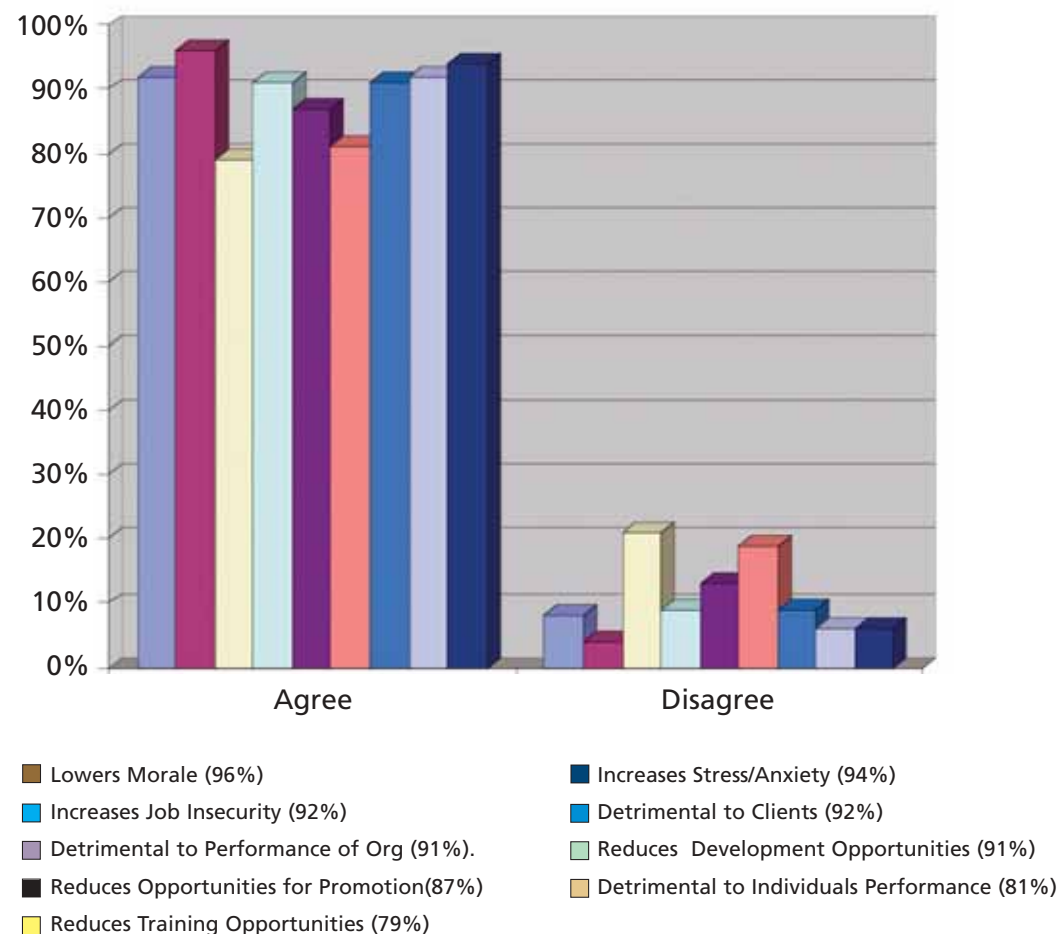
²¹ 'The Role of the Voluntary and Community Sector in Service Delivery: A Cross Cutting Review'. Part of the Treasury's 2002 Spending Review, p 26 – paragraph 6.12

Section 3: Funding

Effects of Staff and Service

The survey highlights the issue of workplace stress and anxiety caused by short term funding. 75% of representatives said that they thought it was a defining factor of the stress and anxiety they felt in the workplace. Aspects of this included: feeling stress about the service they were offering clients, whether the project would be able to stay open, whether their jobs were secure and extreme anxiety about their role within the organisation and how their professional integrity might be compromised due to short term funding.

'An employee on a fixed term contract decided to resign as Trustees were unable to confirm that the post would continue. As the post had become a necessity, and the service delivery was expected, this has caused great difficulties to other staff and users. If funding could have been guaranteed, service delivery, etc. could have remained unaffected and there would have been less stress for staff'.



76% said short term funding increases job insecurity, 67% said short term funding lowers the morale of the workforce significantly. 67% said they felt the service to clients was reduced because of the funding regime and had a detrimental effect on service provision. 64% indicated that short term funding also has a detrimental effect on the performance of an organisation. This can cause problems when re-bidding for funds if performance targets are not met and the organisation is viewed as not meeting objectives by the funder(s). Over half of all respondents said that short term funding reduces their professional development opportunities and reduced their opportunities for career progression or promotion.

Half of all representatives said that staff at their workplace had experienced a loss in terms and conditions due to lack of funding. (Amicus has evidence of organisations where this has happened through its wider industrial work). The ACEVO 'Surer Funding' survey²² also has evidence that employment law is broken due to short term funding. This can happen when the notice period is breached due to organisations not being informed by funders of cuts until it is too late to comply with statutory regulations. This can put an organisation in the precarious position of either issuing employment termination notices and risk losing staff or keeping staff contracts and risking financial loss should the funding not be renewed.

A wider effect of funding insecurity and short-termism is that organisations are forced to go through processes of internal re-organisation. Amicus' wider work in the sector has demonstrated that this is of further disturbance to staff and services, including individuals who are forced into suitable alternative positions, having to re-apply for posts or work in posts that do not necessarily mirror their previous posts, their skills set or their previous rates of pay. This is besides not necessarily matching the needs of the service. This causes further anxiety and stress to staff, as well as lowering the morale within the organisation. The more frequently this exercise has to be repeated, the worse the effect on the staff. In negotiations our representatives also report management having to reduce their terms and conditions and other employment benefits, as a result of the wider funding processes.

'Our organisation has already had to restructure. People have been made to re-apply for jobs they have held for years and been very successful in their work but have not been offered a job. There have been painful job losses and demotion which has included myself – Branch Manager to Deputy Manager on £2,500 less pay'.

²² 'Surer Funding' ACEVO Commission of Inquiry Report, November 2004, p 137

Section 4: The Future

Amicus Recommendations

Our survey has shown that funding is a serious issue for the Voluntary and Non Profit Sector. The issues are cross-sectoral, affecting many different types of organisation and affecting many Amicus members. Our survey respondents have suggested the following recommendations to try to address these issues.

- There is a profound need for a move to longer funding cycles within the sector
- The bidding process needs to be simplified, made less complex and less bureaucratic
- There should be a web based 'one stop shop' implemented for all aspects of applying for funding and procurement. This should be provided by central Government
- A greater trust between Government agencies and the sector should be supported and encouraged. This would enable a partnership approach to develop and flourish
- Government needs to develop a template or tool kit for funding, procurement and other types of funding provision which is simple and effective
- Government should be encouraged to involve the sector in the planning as well as the delivery of services
- A change should happen in the way funds are administered. A 'trigger-process' should be developed whereby extension funds are held in abeyance for when they are needed and can be 'drawn down' by the organisation once the project/organisation/worker is deemed successful, and the service is still required.
- All funding applications should include moneys for recruitment, training and development of staff, and provision for CPD throughout an employee's working life should be developed
- At all times the impact of funding on employees must be taken into consideration

Appendix 1

2.2 Would you agree or disagree with the following statements

	Strongly Agree	Agree	Disagree	Strongly Disagree
Your organisation is dependent on bidding for funding for projects and/ or posts	57%	30%	7%	6%
There are too many sources from which to apply for funding	22%	28%	42%	8%
The system of applying for funding is too complex	43%	48%	7%	2%
The auditing process at the end of a funding cycle should be simplified	46%	43%	6%	5%
When applying for extending the funding for a project/post, there should be a short process for doing this	59%	34%	6%	1%
If project targets are met, and service needs identified, posts should automatically be refunded	56%	30%	11%	3%
The current system for applying for funds is right	0	10%	53%	37%
Feedback should be provided as to why funding is unsuccessful	62%	33%	0	4%

Appendix 2

3.1 Short term funding has an impact on organisations, their staff and their clients.
Please tick the box that most accurately describes this effect.

	Agree	Disagree
Increases job insecurity	92%	8%
Lowers morale	96%	4%
Reduces training opportunities	79%	21%
Reduces other development opportunities	91%	9%
Reduces wider opportunities for progression or promotion	87%	13%
Is detrimental to individual's performance	81%	19%
Is detrimental to the performance of the organisation	91%	9%
Is detrimental to the clients	92%	6%
Increases stress/anxiety	94%	6%

Acknowledgements

We would like to thank all the Amicus representatives in the Community and Non Profit Sector of the union who kindly took the time to respond to our survey. The survey and the survey report were a collaborative effort and the following people had a role to play in its production.

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