

# The Big Squeeze 2013: A fragile state

Executive Summary  
Phase 5, November 2013

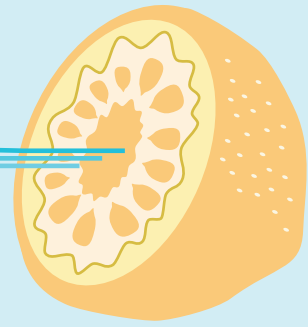
The economic climate, Londoners and the  
voluntary and community groups that serve them



The Big Squeeze survey is a snapshot of the current impact the economic and policy climate is having on the voluntary and community sector in London and the people who use their services. It suggests that Londoners are being negatively affected by recent local authority cuts, welfare reforms, the housing crisis and unemployment. The cumulative impact of the economy, cuts and reforms have made the state safety net increasingly fragile, with more families now falling through.

The Big Squeeze 2013 results suggest that London's VCS organisations are continuing to adapt and innovate in order to try to meet the growing needs of Londoners, but it is hard to see how they can continue to develop to meet the rapidly increasing needs if these financial and policy pressures continue in the years to come. The cumulative impacts on Londoners and VCS organisations mean that there is little flexibility to rise to new challenges and it is difficult to see how this problem of growing needs and decreased income will be resolved. There is a limit to how far the sector can stretch and very real concerns that it is unable to stretch far enough to fill the growing holes in the state safety net.

The Big Squeeze 2013 survey was open to London's voluntary and community sector organisations during September 2013 and 240 people responded.



## Headline findings

- 93% of organisations continue to change the way they work in order to adapt to changes and better meet users' needs.
- 51% reported a reduction in their overall funding in 2012-13.
- 27% closed services over the year.
- 23% expect to close services in 2014-15.
- 82% have seen an increase in demand for their services in the last year, particularly for advice services and support following welfare reforms.
- 30% were confident that they will be able to meet any increase in demand for services.
- 53% used their free reserves to cover running costs in 2012-13.
- At the end of 2012-13, only 28% reported more than three months expenditure in free reserves.
- 14% had no free reserves in 2012-13.

## The impact of the policy climate

- 75% reported that a particular welfare reform policy or change to benefits has particularly affected those the organisation works with.
- Only 14 organisations reported that none of the people their organisation works with have raised concerns relating to welfare reforms or benefit changes over the last year – and 53% of those that specified estimated that over 40% of people raised concerns.
- 39% of survey respondents estimated that over 40% of people they worked with were unaware of welfare reforms or benefit changes that affected them until these were introduced.
- 59% of respondents had changed the way they work to help support people affected and/or reduce the impacts of welfare reforms or benefit changes.

# Context: London and Londoners

◆ **Poverty:** London has the highest poverty rates in England at 28%. Costs of essential items like food, housing and fuel are increasing much higher than the Consumer Price Index and earnings. Increasing numbers of people are reliant on food aid. Inequality is increasing.

◆ **Unemployment and underemployment:** Unemployment in London remains high. 375,000 people were unemployed in 2012, up more than 40% since 2007. 190,000 worked part-time but wanted a full-time job. 25% of economically active young adults in London were unemployed. 16% of Londoners earned below the London Living Wage in April 2012.

◆ **Homelessness:** 4,230 households in London were accepted as being owed a main homelessness duty between April and June 2013 – an increase of 26% from the same quarter last year. 40,230 households in London are in temporary accommodation either pending enquiries into their homelessness or after being accepted as homeless. The number of people estimated to be sleeping rough in London increased by 13% in 2012/13 to 6,437.

## Big Squeeze findings since 2009

	2009	2010	2011	2012	2013
Has the economic or policy climate affected the communities you work with over the last year?	95%	97%	97%	89%	94%
Has demand for your services increased this year as a result of economic or policy changes?	71%	68%	81%	66%	82%
Are you confident that you will be able to meet any increase in demand for your services in the coming year? "No" responses	80%	75%	77%	50%	46%
Has your organisation changed the way it works to cope with any changes this year?	78%	93%	94%	90%	93%
Expecting a decrease to public sector funding in the next year	Not asked	53%	77%	53%	47%
Expecting a decrease in funding from trust funders in the next year	Not asked	38%	28%	26%	19%

This year responses were more optimistic in relation to future funding and meeting future increases in demand, perhaps reflecting that the major funding cuts to the sector had already taken place before the respondents completed the survey in September 2013, and that charities have made significant changes over the last couple of years to adapt to the changes. However, 2012/13 saw the highest level of “increased demand” of all the surveys, which is particularly challenging in the context of some organisations seeing increases every year throughout the period. Comments suggest that for many organisations the welfare reforms will continue to drive increased demands for years to come.

It is positive that service closures and staff redundancies reported in 2013 were lower than they have been over the last couple of years, and increasing number of organisations have redesigned services and opened new services to better meet demand and service user needs.

<b>Actions taken to respond to user needs</b>			
<b>Action</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Improved fundraising	15%	60%	50%
Increased partnership work with other VCS organisations	51%	95%	70%
Made staff redundant	54%	39%	30%
Taken on more volunteers	56%	52%	54%
Merged with another organisation	0%	11%	10%
Increased collaborative work with the private sector	1%	23%	24%
Improved your use of technology	9%	36%	41%
Redesigned services to better meet needs	16%	39%	49%
Closed a service	51%	41%	27%
Developed a new business model	8%	50%	29%
Improved your work with funders or commissioners	2%	61%	31%

# LVSC analysis: a summary

Although most communities served by the voluntary and community sector appear to have been hit by the economic climate and reforms in some way, feedback from the survey (reinforced by further analysis and research) suggests that it is hitting the most disadvantaged hardest – people who are poor, young, old, disabled, carers, minority communities and combinations of those. The poorest families face high inflation, high unemployment, stagnating wages and the triple whammy of benefit cuts, service cuts and advice sector cuts.

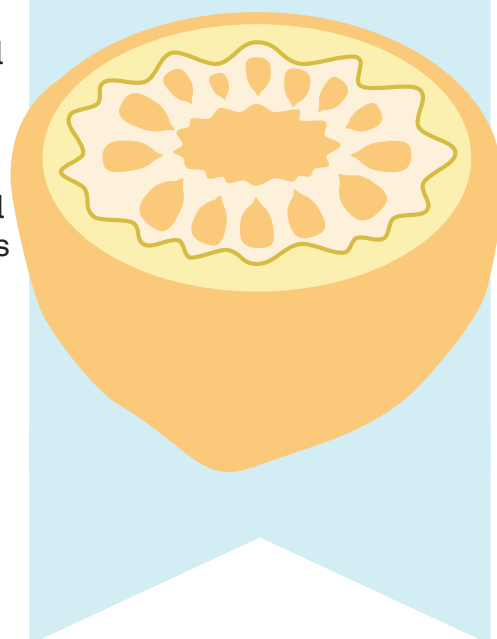
It is not just the impact on Londoners by each individual reform, but the cumulative impact of the economy and reforms taken together creating a series of interlocking challenges. Those made vulnerable by previous reforms have been pushed into crisis. In addition to the financial impact of benefit changes themselves, are the problems caused by the processes for implementation and sanctions applied - confusion and fear are adding to problems, combined with reductions in advice services and legal aid meaning people are not always getting the support that they need. This has knock on effects to other services, including social care and health.

Echoing the results of the 2012 survey, the Big Squeeze 2013 provided clear evidence of an increase in demand for advice services to address the immediate impacts of welfare reform, unemployment and/or increasing poverty. It also suggests an increase in demand for support to address the longer-term problems these issues produce, such as support around housing and homelessness issues and direct support to alleviate poverty.

As with the 2012 survey, the Big Squeeze 2013 found that voluntary and community sector organisations working locally within a borough or neighbourhood may be more severely affected by the economic climate and funding cuts than those working over a larger geographical area. Local organisations reported increasing competition for local contracts from national organisations and the private sector and increasing barriers that reduced their ability to bid for contracts.

At a time of increasing public sector spending cuts, this survey and other research suggests that London is storing up long-term social problems which are impacting disadvantaged communities the most. Despite their efforts, VCS organisations lack the resources and increasingly also lack remedies to these policies.

“Your report and evaluation are helpful in our understanding of the challenges that voluntary and community organisations face in London as a result of the various austerity measures”





# Recommendations

## London's voluntary and community sector

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### Frontline VCS organisations should:

- ◆ Continue to improve partnership working, develop local networks and formalise signposting and referral routes to advice and other services, to help manage demand for their services.
- ◆ Build on current good practice to work with local authorities to build dialogue and work on joint solutions to dealing with interlocking welfare reforms, including through strategic use of the Local Support Services Framework.
- ◆ Join, collaborate with and support existing networks of advice organisations (such as the London Advice Forum, the Black Advice Network, Advice UK, Law Centres Network and Local Advice Providers Forums which exist in many boroughs), to ensure service users can access high quality information on what is changing, how and when.
- ◆ Advocate and campaign against reductions to advice services – as the need and impact is relevant to all sub-sectors.

## LVSC and VCS infrastructure organisations

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### LVSC should:

- ◆ Develop a partnership of infrastructure organisations to lead on implementing the recommendations of this report.

### LVSC and VCS infrastructure organisations should:

- ◆ Work together to create a more co-ordinated response to the welfare forms, escalating poverty crisis and service provision, advice and legal aid cuts. This should include:
  - building a strong evidence base on the impact of cuts and reforms in London,
  - developing a coherent, collective campaigning voice on behalf of disadvantaged Londoners, and
  - developing effective advice and information resources for service users and staff.

- ◆ Share information to ensure frontline organisations are informed about the progress of legislation that may impact their work, such as the Transparency of Lobbying Bill, Judicial Review Reform Consultation, and progress on current or planned reviews of the Public Sector Equality Duty and the Human Rights Act.
- ◆ Signpost frontline organisations to existing clear, practical guidance on what the welfare changes mean and where they can access updates.
- ◆ Provide guidance to resolve uncertainty about the impact of volunteering on benefit entitlements.
- ◆ Provide support across London to assist with strategic thinking about local and regional collaboration and merger.
- ◆ Develop new sources of funding for the sector, such as from corporate sources.
- ◆ Influence London policy makers to prioritise work on understanding and combatting the impacts of the cuts on Londoners, in particular the disproportionate impact on equalities groups.

## Funders and commissioners

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### Funders in London should:

- ◆ Work together to develop a coordinated funding strategy, identifying gaps in funding and commissioning activity to fill those gaps. Particular attention should be paid to advice services, building on good practice such as public legal education, collaboration with non-advice services and work to improve the efficiency of advice services.
- ◆ Take account in any funding strategy of the vital role of infrastructure organisations to provide support to frontline organisations in dealing with increased demands and reduced resources.
- ◆ Consult VCS organisations in developing funding and commissioning processes to ensure that social value is adequately considered, and that smaller organisations with local knowledge and connections are not excluded from delivery.
- ◆ Add their voice, research and influence to sector campaigns highlighting the impact of policies on London communities.

## Policy makers

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### The Government should:

- ◆ Review estimates of the cumulative impact of welfare reforms and service cuts, particularly on groups protected under the Equality Act 2010.
- ◆ Take a holistic approach looking at central and local costs and implications across all departments, including long-term impact on health.

### **The Mayor of London should:**

- ◆ Carry out an equalities based analysis consistent with his public equality duty, examining the cumulative impact of these changes on Londoners, then use his influence with the Government to mitigate these impacts.
- ◆ Secure greater investment in building homes which are affordable to Londoners.

### **The Mayor and local authorities should:**

- ◆ Work together to review funding for advice services, and develop a strategic solution to the need for advice services, affordable for all, across London.
- ◆ Ensure the London Living Wage is paid across the GLA group, local authorities and their supply chains.

### **The London Enterprise Panel should:**

- ◆ Increase its focus on reducing inequality, in-work poverty and early preventative action, and
- ◆ Support this work by appointing a VCS representative on to the Panel.
- ◆ Adopt ambitious targets to increase uptake of the London Living Wage by employers.

### **The London Health Board and the London Health Inequality Network should:**

- ◆ Build upon the London recession indicators to undertake an assessment of their impacts on the mental health and wellbeing of Londoners, and whether spending cuts by central Government have driven increased spend on local services.

### **The Mayor's Office for Policing and Crime should:**

- ◆ Undertake an assessment of the impact of these changes on levels of crime, and on whether spending cuts by central government have driven increased spend on local services.

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