The Northern Rock Foundation's Third Sector Trends Study: a brief description of the policy and research background

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Abstract

This paper outlines the policy and research background to the new local study of the third sector in the North East and Cumbria, commissioned by the Northern Rock Foundation (NRF) in December 2007. With major changes taking place in the local third sector's funding environment and a lack of relevant, authoritative and comprehensive information on the local sector, NRF decided to commission a new study. Its aim was to develop the evidence base on the scale, scope and dynamics of the local third sector, to inform future funding policy and ensure effective foundation investment in the role of the local sector in meeting need. It was also recognised, however, that there were particular challenges in improving local evidence bases, that existing national and local research resources were not currently able to tackle a shift in the focus of study from national to local geographical units of analysis, to review the implications of studying the sector from different spatial perspectives and identify critical networks. There had to be innovative development in research approaches and methodologies. NRF decided that its investment in research should make a contribution to national sector research development, and that replicable research tools should be developed and made available to researchers in other areas.

This paper describes the policy and research context within which Northern Rock Foundation (NRF), a large, regional, charitable funder, took the decision to undertake a large mapping study of third sector trends. The paper sets out the national and regional policy drivers that led the Foundation's Trustees to invest in the research, and the factors determining the research design. Although the main aim of this paper is to provide the background to the research which has been commissioned, and which is presented in detail in separate papers, it also identifies some of the strengths and weaknesses of existing third sector mapping research. It raises questions about the conceptual frameworks used in mapping, which have helped to represent the third sector but only partially reflect its dimensions. Without fuller and more relevant information on the sector's scale, key characteristics and dynamics, policy-makers and funders often feel hampered in forming policies to support the third sector's effectiveness and social impact.

The paper looks first at the policy context, and then briefly reviews existing third sector mapping research.

Local policy context

The starting point for the NRF study was a specific lack of research evidence which could provide perspectives on the diversity and characteristics of the local third sector when changes to national and European regeneration programmes and lottery distribution began to cause concern in 2006. In North East England, a £50 million gap in the sector's finances as a result of these changes was identified[1]. Similar research was conducted in other northern regions, and elsewhere, with comparable findings[2]. In the North East a campaign to address the problem was led by a consortium of funders and funded organisations, 'Invest 2006', but faced a lack of evidence showing where the impact would be most likely to fall. A specially-commissioned survey conducted by the University of Teesside[3] suggested that 'medium sized' organisations (an income of £50,000-£250,000), which had used regeneration and lottery funds to pay for salaried posts, would be the most vulnerable. However, the Government's independent Community Sector Taskforce, set up to ensure "…that central, regional and local government put in place a framework which allows neighbourhood and community groups to manage the wind-down of the Single Regeneration Budget and to ensure there are opportunities for them to access the range of substantial sums of Government investment available"[4], concluded that the need was for continuing small and "micro" grant funding, especially for "smaller community groups". This resulted in new government funds of £80 million in small grants for community organisations and £50 million for endowments for local foundations during 2008-2011. The Community Development Foundation was appointed lead partners in delivering the 'Grassroots Grants' scheme.[5]

An added problem for some organisations was that, alongside the disappearance of the Single Regeneration Budget and most European funding, since 2006 the Neighbourhood Renewal Fund has been remodelled into the Working Neighbourhoods Fund, exclusively focused on economic matters. Anecdotal evidence suggested that many of the medium-sized third sector organisations, identified as a vulnerable group in the Teesside research, are scaling back their work or closing altogether. In this light, the evidence base for launching the Grassroots Grants scheme – the only definite policy response to the declining and disappearing regeneration funding – seems shaky at best.

As a major local funder, NRF participated in the Invest 2006 campaign and was well aware of regional frustrations about the absence of evidence-based policy responses. During 2005 and 2006, the Foundation also ran a major review of its policies and programmes, including a consultation process involving over 500 existing grant applicants, and this revealed a clear demand for the Foundation to play a more active policy role, speaking up for the voluntary sector and promoting its interests where relevant.[6] The Trustees believed that it was neither desirable nor possible for them to address declining national funds through shoring up the sector's finances, and responded by establishing a new policy and research programme to address the sector's weak evidence base. This was seen as a more effective, strategic and long-term intervention, since it would provide the sector and its funders with better data on which to base policy and practice.

The Trustees were also concerned that, in commissioning such a programme, they should add value to third sector research nationally, given the emerging consensus that a weak third sector evidence base was a UK-wide issue. At an early stage, the Foundation established an advisory group for the study which involved key informers and influencers regionally and nationally. Engagement of the Office of the Third Sector, and of ESRC was seen as critical to enabling the project to make a wider contribution to the development of methodology. Equally important was ensuring the views of key users of the research, through the participation of voluntary sector organisations, policy-makers and informers, other funders and public sector commissioners.[7]

Three key outcomes for the research would be:

- to produce better data on the characteristics and dynamics of the sector locally within North East England and Cumbria (the Foundation's area of remit);
- to develop and share better methodological tools for researching the third sector at local and regional levels, thus contributing to national research development ;
- to shed light on the impact of public policy and on concerns that were outside any government agenda.

The research specification, designed in consultation with the advisory group and aimed at filling some of the critical research gaps in relation to the local third sector which had been identified, has two linked strands: a quantitative, comprehensive and robust mapping of the third sector universe in the Foundation's area, and a qualitative, in-depth picture of trends affecting the sector and how they are changing over time. The Foundation's Trustees initially ring-fenced £750,000 over seven years for the project and, following a competitive tendering process, the Foundation identified a multi-disciplinary partnership of organisations to run the programme. Because of the (well-documented) financial crisis affecting the Foundation's benefactor, Northern Rock, in the Autumn of 2007, the Trustees had to amend their plans and the study was split into two phases. Funding of £500,000 was confirmed for a first three-year wave, to carry out the quantitative work, and an initial sweep of the planned longitudinal qualitative strand. A second phase, to take forward the longitudinal study of trends, will be subject to future funding agreements. In addition to the North East and Cumbria programme, a Yorkshire and Humberside element has now been agreed. Using funds from ChangeUp, a consortium of infrastructure groups in that region has commissioned an extension of the quantitative work, meaning comparable data will be available.

Background to the design of the research

National surveys

UK third sector mapping studies have historically focused on the third sector's national economic importance, from the early survey of charities carried out by the Central Statistical Office (CSO) in 1970 for the purposes of the National Accounts (Clare and Scott 1993[8]) and the innovative charity survey using the Charity Commission Register designed by researchers at the University of York in 1975 (Austen and Posnett 1979[9]). These surveys influenced the research taken forward by the National Council for Voluntary Organisations (NCVO) and Charities Aid Foundation (CAF). The former has produced eight editions of the *Voluntary Sector*, and latterly, *Civil Society Almanac*[10], using a range of primary and secondary evidence from surveys, and in recent years, from Guidestar UK[11]. CAF's *Charity Trends* reports have been based on a historical data series tracking the income and expenditure of the UK's major fundraising charities since 1978. The main limitation to this body of research is the absence of detailed data about third sector organisations other than registered charities, and by a focus on the major, national, and economically significant, charities. In these datasets of registered groups, regional and local factors have been missed.

Beyond the UK, other leading sector researchers are raising questions about the way in which spatial dimensions can most effectively be used in third sector mapping research. For example, in the LSE's 'Global Civil Society' report (2003 edition), one of the most ambitious attempts to provide comprehensive measurement of the dimensions and progress of the third sector, Anheier and Katz discuss the value of going beyond the 'nation state' as the key spatial unit for measuring the sector, while retaining the value of geographical locality-based approaches[12]. Although their remarks relate to a supra-national context, many of their points can valuably be applied to sub-national regional and local contexts, for example, the need to explore third sector organisations and activities as a network, with links in *'trade, investment, travel, corporate structures, collaboration, culture and knowledge-sharing'* which cross spatial boundaries. It is suggested that network approaches enable the 'extensity' (the geographical reach of activities), and 'intensity' (the overall density of networks) to be modelled and mapped, where '*low prevalence and density suggest an under-development of domestic civil society'*. Currently there is little understanding in the UK of the comparative state of development of regional and sub-regional local sectors, the spatial units most significant for the sector and the ways in which they have an impact, or the inter-relationship between different elements of the sector.

Local surveys
A number of local surveys, at regional, county, and smaller local area levels have attempted to fill some of the knowledge gap. There is wide variability in their methodology, quality and results. Main sources of variability include:

Purposes of the survey Local surveys are often locally commissioned, by different types of agencies with different purposes. The are often aimed at specific local issues or interests, more aimed at mapping how and where key policies or dynamics are affecting the sector than the size and shape of local sectors. For example, studies have focussed on funding, infrastructure, volunteering, church social action, black and minority ethnic organisations or training and support needs.

Definitions of the sector A major challenge for local studies is the lack of comprehensive databases of local organisations from which to draw sample populations. Criteria for inclusion in surveys are not always formally explained or clarified. In practice, most local surveys use a wider definition of the third sector than the 'registered' charities to which national surveys are confined, and include non-registered voluntary and community organisations, social enterprises and registered charities. In this sense local surveys often throw light on the local third sectors lacking from national surveys of registered organisations, and sometimes enable the calculation of a proportion of registered to non-registered bodies for an area. But there is too much variability to enable generalisations about the character of local third sectors. For example, small organisations such as PTAs, scout groups, religious bodies are included in some surveys and not others, while many exclude housing associations, because their inclusion significantly distorts overall financial statistics. A few surveys include quasi-statutory bodies and other funders (eg grant-making trusts), though the effect on the funding statistics is rarely estimated.

Income and expenditure classification Most studies have sought information about income and funding, though only a few also include expenditure and assets. Only a few have tried to make their findings generalisable against national data by using, for example, the standard income bands in the Charity Commission and Office of National Statistics data (eg with boundaries at £1K, £10K, £100K, and £1m). The collection of data on sources of funding has been approached in different ways, producing widely varying estimates of, for example, reliance on income from members, donations, and trading. Few studies break down government funding by grant or contract, but there is often a national/ local/ European split covering grants/contracts together. Not surprisingly the variation in methodology has produced wide, often apparently inexplicable, differences in calculations of sector income per head of population by local area.

Classification of activities Unnlike the major national surveys, most local surveys aim to classify organisational activities, asking variously about 'type of organisation', 'service area' or 'activity area'. Overall, it is difficult to assess how far the variations in the activity focus of local sectors which studies seem to indicate is due to methodology or real differences. For example, 'advice-giving' or 'health and social care' loom large in some areas, compared with education and sport/recreation in others (not all surveys include the latter),

In conclusion, only a few surveys have developed a methodology which can be replicated in other areas, and provide comparative data, including the 23 Local Voluntary Activity Surveys (LOVAS) carried out by the Home Office in 1994 and 1997[13] all of which used the same methodology and were part of a sample designed to represent the UK's local areas as a whole, and some more academic studies which have tried to build regional and local estimates through using existing national research and methodology (for example, Macmillan 2005, Ponikiewski and Passey 2000[14]). Overall local sector mapping studies neither individually nor collectively provide a coherent or continuous picture of the local sectors. Although providing useful information, none provides a precedent for a robust, representative and replicable local mapping survey.

Developing the sector evidence base

There has been general recognition of the need to strengthen the sector's evidence base. It was identified in the UK Treasury's 2007 comprehensive spending review (CSR), leading to the recent announcement of a new national Centre for Third Sector Research, jointly funded by ESRC, Government and the Barrow Cadbury Trust. Its primary function is defined as researching "the impact and effectiveness of the sector", although it is expected also to "address the current lack of systematic collection and collation of good data on the whole sector…" at the UK level.[15] In a recent paper on building the sector's evidence base, produced in response to an Economic and Social Research Council (ESRC) initiative to engage more effectively with the sector, NCVO wrote: "…our knowledge of the sector…is limited, whether in relation to the sector's characteristics and processes… or in relation to more fundamental questions such as role in society."[16] NCVO's view was that basic descriptions and cataloguing of the sector was a primary concern: "…given the paucity of coverage in official statistics there remains a need to build substantive time-series data sets on the sector…These should describe, in detail, the changing characteristics and dynamics of the third sector, particularly its economic and organisational dimensions…"[17]

In this context, NRF is aiming to contribute to the development of an understanding of the local sector through research which will:

- build on existing national registered-charity data and survey methodology
- develop new and replicable methodologies for assessing the scale and characteristics of the local third sector, representing its full diversity and enabling consistent assessment at different geographical levels
- provide the framework for a deeper mapping of how and where key issues and dynamics were affecting the local sector.

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