



CabinetOffice

EXPOSURE OF THE VOLUNTARY, COMMUNITY AND SOCIAL ENTERPRISE SECTOR TO CUTS IN PUBLIC FUNDING

Information for Government Departments and Local
Authorities

Office for Civil Society

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OVERVIEW

This paper outlines sources of information that may be used by Local Authorities and Government Departments to better understand the voluntary, community and social enterprise sector and its current situation, including the parts of the sector most at risk from reductions in public spending.

Used alongside dialogue with the local sector and infrastructure bodies, this information can be used to ensure the most efficient and effective decisions are made in relation to the spending cuts, whilst supporting the sector to continue its vital role in building a stronger civil society.

INTRODUCTION

The Government has set out an ambitious agenda to build a Big Society – a society in which power is transferred from Whitehall to local communities to enable individuals, families, groups and communities to take control and drive real change in local areas. The voluntary, community and social enterprise (VCSE) sector sits at the heart of these ambitions, galvanising social action, supporting people to take more control within their area, providing personalised public services, and frequently creating efficiencies by working to prevent future costly social ills.

This valuable contribution is fully recognised by Government which has set out clear support for the VCSE sector in its 'Building a Stronger Civil Society' strategy. This support includes real, tangible measures for the sector to maximise new opportunities presented by the reforms and play an even greater role in shaping a stronger sense of society and improving people's lives, including:

- A £100 million **Transition Fund** to support the shift to a tighter funding environment and enable organisations to take advantage of future opportunities presented by increased public service delivery.
- An independent, wholesale **Big Society Bank** to grow the social investment market and broaden the finance opportunities available to the sector.

- Over 5,000 **Community Organisers** to build and mobilise local networks to drive the change that communities want.
- **National Citizen Service** to enable young people to make a difference in their local area and play an active role in making society a better place.
- **Community First** fund for communities in disadvantaged areas to help them to take action to improve their lives.
- A specific **taskforce** to look at **reducing bureaucracy and red tape** for VCSE organisations.
- Measures to **modernise public sector commissioning** to make it more accessible to new providers
- **Supporting Civil Society consultation** to seek views on how to improve the support and guidance provided by infrastructure organisations.

However, the scale of the current deficit brings clear challenges to the sector as Government seeks to make necessary spending reductions. The VCSE cannot be immune from these cuts, which will fall on all sectors, but the Government is clear that cutting funding to the VCSE sector must not be seen as the easy option. To do so will risk a disproportionate impact on the sector, threatening the services the sector provides for some of the most vulnerable in our communities, and potentially slowing progress towards the vision of a stronger civil society.

With this in mind it is vital that central and local government have robust, local information on the sector to inform any decisions relating to cuts and ensure that the sector, and the social capital it generates, is not weakened.

The first and foremost source for information should be through **direct communication with the local VCSE sector and infrastructure bodies** in your local area, or area of work. Local Councils for Voluntary Service (CVS) agencies hold a wealth of knowledge on the scale and scope of the local sector, its impact on citizens and communities and the current challenges it may be facing. Discussions of the risks and impacts of potential spending cuts will be vital in mitigating the impact of any such cuts on the sector and the communities and citizens it supports.

In addition to this direct information from the local sector it is essential that any decisions regarding public spending cuts are **underpinned by robust data** and take account of the factors crucial to organisations' success.

As such, this document outlines key sources of information on the sector which may be useful in understanding and mitigating the impact of spending cuts on the sector, including:

- **The exposure of the VCSE sector to public funding cuts**
- **Local level data on the sector**
- **Key factors in supporting organisations' success.**

This document is not intended to be prescriptive as to how local decisions should be made, but provides information which may be used to understand the current situation and vulnerabilities of the sector. Used in conjunction with dialogue with the sector, and principles of best practice, this information can help to limit the risks of the spending cuts and strengthen relationships with the sector so that it can continue its vital work with citizens and communities.

DATA ON THE NATIONAL PICTURE

There are several national sources of data that provide insight into the exposure of the sector to public funding cuts, and factors important to its success. These include; the National Council for Voluntary Organisations (NCVO) Civil Society Almanac, which analyses the activity, scale and scope of the charitable sector in the UK; and the National Survey of Charities and Social Enterprises (NSCSE), a representative survey of the VCSE sector in England sent to over 100,000 organisations, which gathers information on the state of the sector and the factors important to its success.

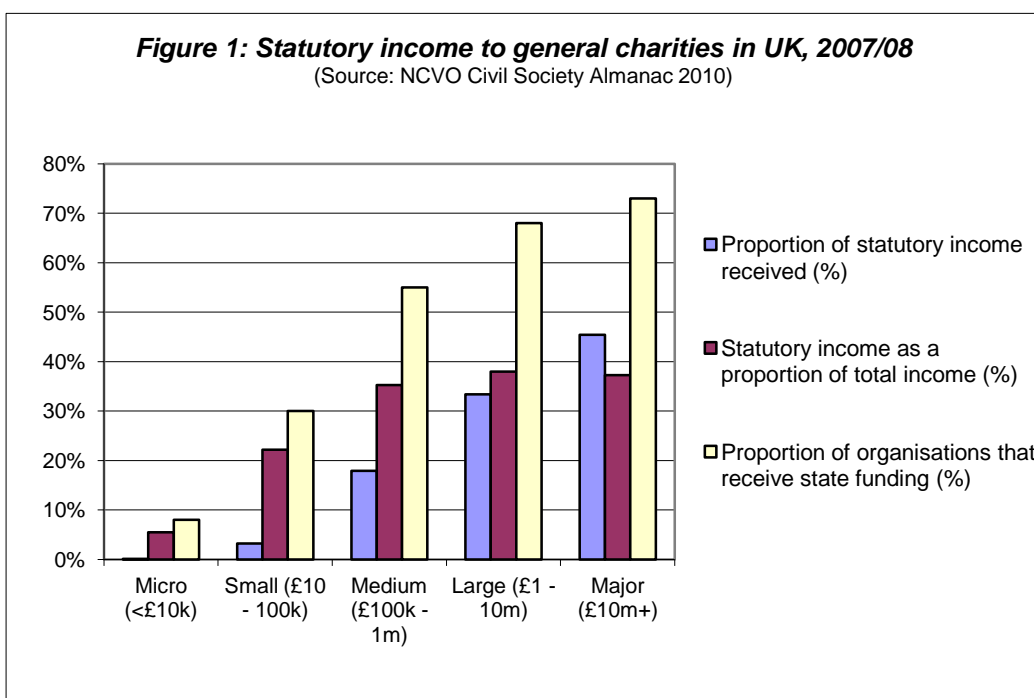
In addition the Third Sector Research Centre (TSRC) has used the NSCSE data to examine the dependency of the sector on public funding.

It is important to note that these sources of information are pre-Spending Review and do not provide an actual assessment of the impact of spending reductions, which must remain speculative until greater detail of the Spending Review and its consequences are known. However this data can be used to build a picture of the parts of the sector most exposed to potential spending reductions.

Data from the 2010 NCVO Almanac shows:

Government is a significant funder of the sector...

- Overall the sector receives around £12.8bn from the state – a small percentage of public spending but a sizeable proportion of the sector’s overall £35.5bn income.



- Of this income, £6.6 billion (52%) comes from local authorities, £5.3 billion (41%) from central government and NHS, and £0.9 billion (7%) from European and international sources.

However, Government funding to the sector is not universal...

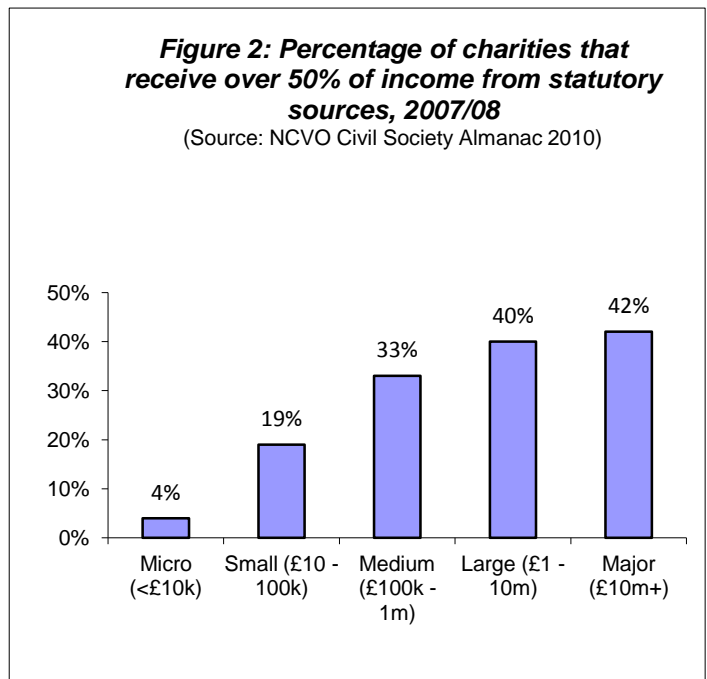
- Only 22% (38,000) of general charities in the UK have a funding relationship with the state, meaning over 133,000 organisations receive no income from statutory sources.

...and is directed towards larger organisations

- 97% of statutory income to the sector goes to organisations with an annual income of over £100,000.
- On average, organisations above this size (i.e. medium, large and major organisations) receive over one-third of that income from the state. (See Figure 1)

Organisations vary in their reliance on this funding...

- Overall, 13.6% of organisations are heavily reliant on government income, receiving over 50% of their funding from this source. In line with the above, medium, large and major organisations are more likely to be heavily reliant on this source than smaller organisations. (Figure 2)
- Analysis of the NSCSE by the Third Sector Research Centre (TSRC) suggests that



14% (23,000) of VCSE organisations regard statutory funding as their most important source of income.

Public funding also varies by sub-sector...

- NCVO data shows the sub-sectors with the highest proportion of income from statutory sources is employment and training (70%), followed by education (51%); law and advocacy (51%); housing (50%); social services (50%); umbrella bodies (45%) and health (43%). (Figure 3)

...with organisations supporting vulnerable groups more reliant on this source

- TSRC analysis of NSCSE data shows that the organisations most likely to report public funding as their most important source of income are those working with socially excluded/vulnerable people (33%),

people with mental health needs (31%), victims of crime and their families (26%), people with learning difficulties (26%), offenders and ex-offenders (24%), and homeless people (22%).

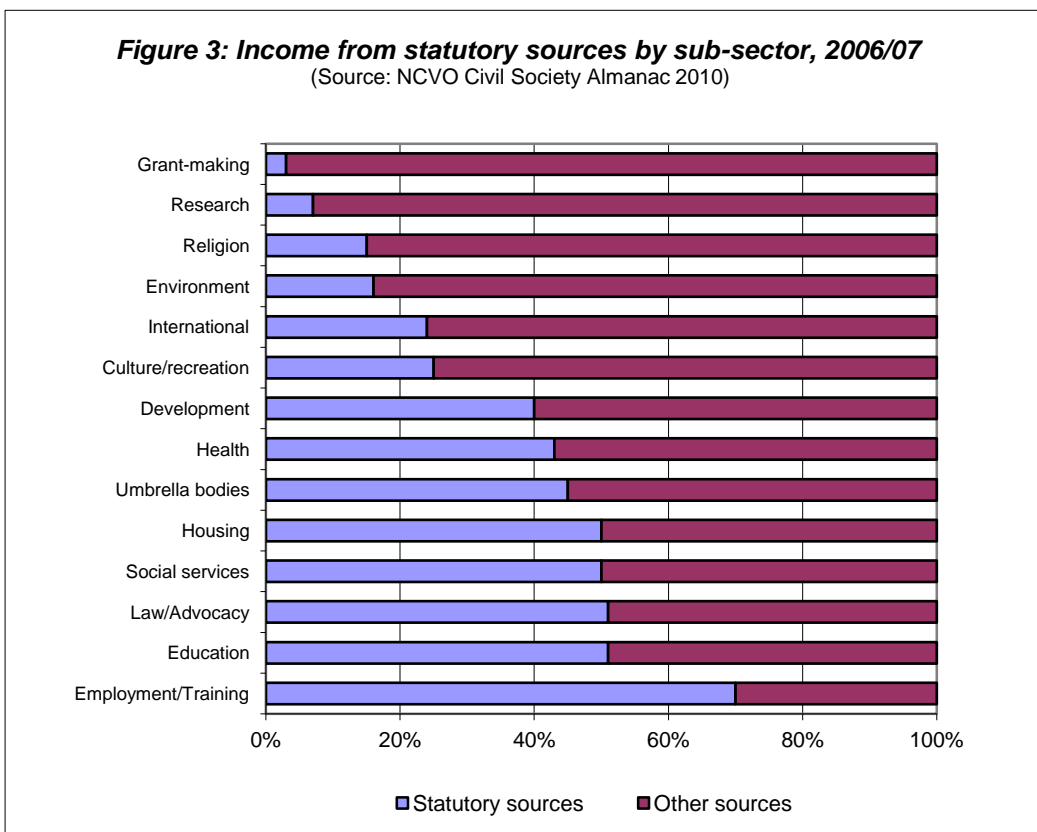
funding as their most important source of income, 55% reported their overall level of income was insufficient (compared to 32% of organisations not receiving public funds), and 45% reported levels of reserves were insufficient (compared to 25% of organisations not receiving public funds).

And lower levels of reserves amongst organisations in receipt of public funds...

- NCVO research suggests that one third of UK charities have no cash reserves. For charities that receive statutory funding, NCVO estimates that the average level of reserves is between 1 and 4 months.¹
- TSRC research on the NSCSE suggests that organisations in receipt of public funds are most likely to report concerns about levels of reserves or financial security. Of those organisations that regard public

Annex A outlines a guide to accessing and exploring the NSCSE data in more detail.

Further information on the exposure of the VCSE sector to public funding can be found in the Third Sector Research Centre working paper 'How dependent is the third sector on public funding?' www.tsrc.ac.uk/LinkClick.aspx?fileticket=TiDxGXmS2Ko%3d&tabid=741



¹ NCVO submission to the Treasury Spending Review, August 2010

LOCAL PICTURE

In addition to the national overview, the NSCSE provides a representative view of the sector in each top tier local authority area. Reports for each area can be found at www.nscsesurvey.com/analysis/surveyresults/ and give a valuable insight into the make-up of the sector in each local area, their situation, and satisfaction with support, relationships and resources. Due to the small numbers of organisations in some local areas it is not possible to break down the local results further (as with the national result above), however the local picture can be compared against the national patterns outlined in this document in order to understand potential local vulnerabilities, and identify improvements that can be made.

Annex A outlines how to compare local area results to the national results.

It should be noted that NSCSE only covers registered organisations so there will be many more unregistered community and voluntary groups working within local areas. Although these organisations are less likely to receive statutory funding than larger organisations, some may receive this support and all are a vital part of the VCSE sector and essential for driving local action. As such this part of the sector should also be considered when thinking about public spending reductions, and improving support

and relations with the sector. Again, dialogue with local infrastructure bodies here can help in compiling a more complete list of VCSE organisations operating in the local area.

For more information on compiling local lists of VCSE organisations see:

National Survey pilot work with unregistered organisations - www.nscsesurvey.com/pilots/

Third Sector Research Centre work on mapping the local sector - www.tsrc.ac.uk/Research/BelowtheRadarBtR/tabid/450/Default.aspx

STRENGTHENING RELATIONS WITH THE SECTOR

If cuts are to be made to the sector it is vital that local statutory bodies seek to strengthen the relationship with the local VCSE sector. The NSCSE contains a wealth of data on the state of the sector and factors important to organisations' success, which may be used by local statutory bodies to improve partnership working, and the environment for a strong VCSE sector.

Key findings from the 2008 survey include:

- **Involvement and ability to influence is key:** Organisations that are involved in local decision-making, have the ability to influence and that feel valued are more likely to rate that local statutory bodies have a positive influence on their success than those that do not.
- **Support is associated with positive outcomes:** Organisations accessing support in their local area were twice as likely to report that local statutory bodies have a positive influence on their success, and more than twice as likely to have had success in bidding for funding.

- **A good funding relationship is part of the picture:** Funding is a key driver of successful relationships for organisations that receive it; however the need is not simply for finance but for clear processes, advice and guidance around grants and contracts.

The results show that although funding is key to organisations' success, there are many other – and statistically more important – factors which are required for good working relationships, and that have a positive influence on organisations' success. These factors include: clear and timely communication; collaboration within the sector and with local statutory bodies; strong and clear leadership, adherence to the Compact principles, and transparency. All of which serve to highlight the multitude of factors to be considered in both reducing public spending and strengthening the sector so it can play a key role in building a stronger civil society.

For more information on using the NSCSE results to improve the environment for the VCSE sector see - www.cabinetoffice.gov.uk/media/346047/301480_14049_nstouserguide_acc.pdf

Wave 2 of the survey is currently in the field and the results in January 2011 will provide further information that can be used to strengthen the sector and drive real change in local areas. Results will be fully published at www.nscsesurvey.com

ISSUES FOR FURTHER CONSIDERATION

In considering public spending reductions to the sector it may be useful to consider the available data in relation to a number of issues which could influence the degree to which spending cuts affect the sector's work and its relationships with local statutory bodies. These issues include:

- **Timing:** Public sector reform and other Big Society initiatives should open up significant opportunities for the sector, as set out in the Government's strategy document, 'Building a Stronger Civil Society'.² However these will not emerge overnight and the sector may need support to manage this transition and ensure they are equipped to take advantage of opportunities when they arise.
- **Quality of engagement:** Now, more than ever, there will be a need for strong working relationships between the sector and local statutory bodies to ensure that the sector are consulted and involved in local decision making, underpinned by adherence to Compact principles.

- **Transparency:** Timely and appropriate information shared between the sector and statutory bodies will be crucial in underpinning evidence-based decisions on public spending cuts.
- **The sector's capacity and efficiency:** Much of the impact will depend on the sector's capacity to respond to the new circumstances. The current Office for Civil Society consultation 'Supporting a stronger Civil Society' is gathering views on how infrastructure organisations can best be improved to support frontline organisations to seize the opportunities that lie ahead.
- **Access to other resources:** Any decisions will need to take account of the availability of other resources, including diverse income streams, strength of philanthropy, levels of volunteering, availability of infrastructure and business support locally.
- **Effectiveness of services:** Decision makers and commissioners will need to take full account of the social, environmental and economic value of VCSE services in any decisions on public spending reductions and in commissioning new services.

² www.cabinetoffice.gov.uk/newsroom/news_releases/2010/101014-big-society-strategy.aspx

SUMMARY

It is clear that in light of the current deficit difficult decisions will have to be made to reduce public spending, and the VCSE sector cannot be immune from these cuts.

However, whilst cuts have to be made there is an opportunity to limit the impact of these spending cuts through effective partnerships working, clear dialogue between public bodies and the sector and the use of robust information on the sector.

This document has outlined key sources of the data on the sector which may be used to examine the exposure of the sector to public spending reductions, and improve the operating environment for the sector. Used appropriately, and in conjunction with thorough communication with the sector, this information can help to guide decisions and ensure the sector is enabled to fulfil its role in strengthening civil society.

Further information on the practice of reducing spending to the sector is provided in the Cabinet Office publication '**Better Together**', which highlights practical ways in which local statutory bodies and the VCSE sector can work together to ensure the most efficient and effective decisions are made in relation to spending cuts, whilst at the same time strengthening the relationships which are so important to a strong and successful VCSE sector.

HELP AND RESOURCES

National Survey of Charities and Social Enterprises:

www.nscsesurvey.com

Results –

www.nscsesurvey.com/wave1results/

Online Tool –

www.nscsesurvey.com/analysis/tool/

NCVO Civil Society Almanac:

www.ncvo-vol.org.uk/products-services/publications/uk-civil-society-almanac-2010

NCVO information on coping with cuts –

www.ncvo-vol.org.uk/copingwithcuts

Guardian cutswatch –

www.guardian.co.uk/society/public-finance+voluntarysector

Third Sector Research Centre analysis –

www.tsrc.ac.uk/LinkClick.aspx?fileticket=TiDxGXmS2Ko%3d&tabid=741

ANNEX A

Accessing data from the National Survey of Charities and Social Enterprises

Part 1: National versus local area comparisons

The following steps outline how to compare results in a particular top tier local authority to the national level results.

- Go to www.nscsesurvey.com/analysis/nextsteps
- Click on the 'Online reporting tool' option

The screenshot shows the 'Online NSTSO Analysis Tool' interface. It features a navigation menu with 'Local Authority / National Comparison' selected. Below this, there are three main sections: '1) Comparison', '2) Question', and '3) Item', each with a corresponding dropdown menu. A 'Submit' button is located at the bottom right of the form area. The interface also includes a 'Please note' section and a 'How to use this tool' section with detailed instructions.

1) Select the 'Local Authority/National Comparison' option.

2) Select the survey question for which you would like to compare the local and national results

3) Select a top tier local authority area

4) Press 'Submit'

A table should appear comparing the results of the chosen local authority against the national results:

The results indicate that significantly fewer respondents in Barking and Dagenham report having sufficient income to meet their main objectives compared to the national level.

Similarly, significantly more respondents report having insufficient income to meet their main objectives compared to the national level.

Item, %	Overall	Barking and Dagenham
Sufficient	49	17
Insufficient	39	63
Don't know	1	3
Not applicable	6	7
No answer given	5	11
Number of respondents	48939	131

This example compares the responses to Q11 (Thinking back over the past 12 months, has your organisation had sufficient or insufficient overall level of income from all sources to meet its main objectives) in Barking and Dagenham and nationally.

However, as the NSCSE is a sample survey, caution must be taken when comparing any figures between local authorities and national. To determine if differences observed are statistically significant (i.e. 'real'), **the final step should be to consult the statistical significance guide:**

- **Click on the link at the bottom of the page to 'download pdf guide to significance' and follow the instructions included.**

For the above example a difference of +/-10% is needed to indicate a true difference between the local authority/national results. Looking at the results, this implies there are significant differences in the numbers of sufficient/insufficient responses, with all other responses viewed as the same.

Part 2: Cross-referencing two NSCSE questions at the national level

The following steps outline how to cross-tabulate two of the survey questions to provide further insight into the survey results.

- Go to www.nscsesurvey.com/analysis/nextsteps
- Click on the 'Online reporting tool' option

The screenshot shows the 'National Survey of Charities and Social Enterprises' website. The main heading is 'National Survey of Charities and Social Enterprises'. Below it, there is a navigation menu with 'NSTSO Detailed Analysis', 'NSTSO National Analytical Report', and 'Next steps > NSTSO Survey Results'. The 'Online NSTSO Analysis Tool' is the central focus, featuring three main sections: '1) Comparison' with a radio button for 'Local Authority / National Comparison', '2) Question' with a 'Select question' dropdown, and '3) Item' with a 'Select item' dropdown. A 'Submit' button is located at the bottom right of the tool. Below the tool, there is a 'How to use this tool:' section with three bullet points and links to download guides. Four callout boxes are overlaid on the screenshot: '1) Select the 'cross-tabulations' option' points to the 'Cross tabulations' radio button; '2) Select the survey question you want to analyse' points to the 'Select question' dropdown; '3) Select the item you want to analyse by' points to the 'Select item' dropdown; and '4) Press 'Submit'' points to the 'Submit' button.

For example, if we wish to look at how the success of organisations in bidding for grant and contracts (Q15) varies with satisfaction with local support (Q18):

National Survey of Charities and Social Enterprises

NSTSO Detailed Analysis > NSTSO National Analytical Report > Next steps > NSTSO Survey Results

Online NSTSO Analysis Tool

1) Comparison: Local Authority / National Comparison Cross tabulations

2) Question: Q.15 How successful, or not, have you been in applying for funding or bidding for con...

3) Item: Q.18 Overall, how satisfied or dissatisfied are you with the support available to yo...

Table: Item, %

Question	Overall	Very satisfied	Fairly satisfied	Neither satisfied nor dissatisfied	Fairly dissatisfied	Very dissatisfied	Not applicable	Don't know	No answer given
Very successful	4	28	11	4	3	2	1	1	2
Fairly successful	20	22	42	30	27	10	3	6	7
Not very successful	10	4	9	14	26	19	1	3	4
Not at all successful	7	2	3	7	15	32	2	4	3
Have never applied / bid	52	38	30	40	27	34	90	74	16
Don't know	3	3	3	3	2	2	2	10	2
No answer given	3	2	1	1	1	1	1	1	67
Number of respondents	48939	1342	9352	10031	5897	3520	14023	3336	1438

Source: Ipsos MORI

Please note that caution should be taken when comparing any of the percentage figures between different sub-groups in this table. Percentage figures generally need to differ by a certain number of percentage points for the difference to be statistically significant. This number will depend on the number of respondents and the figures themselves.

If for any of the groups the number of respondents is 4,000 or less, you should refer to the guide to statistical significance on this website. Where you are comparing any two groups where the number of respondents for BOTH groups is more than 4,000 then a difference of +/- 2 percentage points will be statistically significant.

[Excel version](#)

➤ Refer to the statistical significance guide beneath the table to interpret the results.

For the example illustrated, the results show a clear link between accessing support and success in bidding for contracts and grants. Respondents who are satisfied with local support are significantly more likely than the overall average to have been very successful or fairly successful in bidding for contracts or grants. They are significantly less likely to have been any not very, or not at all successful, and in addition are less likely to say they have never applied or bid.

Cabinet Office
70 Whitehall
London
SW1A 2AS.

www.cabinetoffice.gov.uk