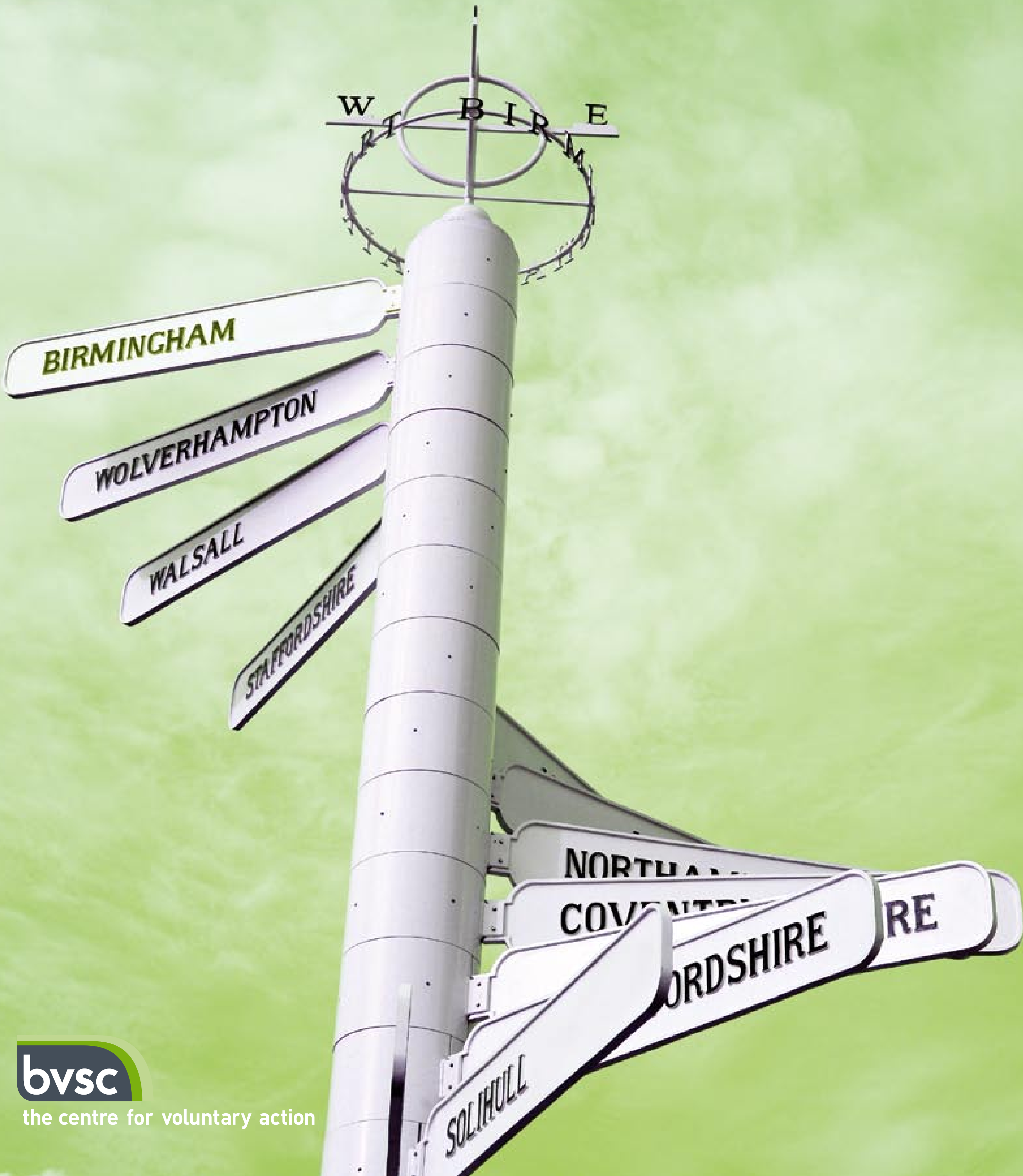
State of the Third Sector
Birmingham

:report

June **2008**



bvsc
the centre for voluntary action

1. Introduction

For the last three years, BVSC has surveyed a sample of third sector organisations in order to establish the size, shape and support needs of the sector. This report analyses the data from 2008, identifying changes from the previous years, in order to produce a snapshot of third sector organisations in the city.

The mapping work was funded by the ChangeUp Consortium in 2007 and 2008. The 2008 sample has been funded by Birmingham & Solihull Learning & Skills Council, Birmingham City Council and the Big Lottery Fund.

The mapping survey asks organisations to supply information in response to questions in the following areas:

- Staff, volunteers, trustees and members;
- Quality standards and systems;
- Impact assessment and monitoring;
- Policies and procedures;
- Public service delivery;
- Financial information;
- Infrastructure support and other support needs.

In 2006, ChangeUp consortium members shared their databases and a total of 269 organisations were mapped. In 2007, both the geographical scope and 'community' representation of the sample was increased[1]. An additional 549 organisations were mapped, making a total sample of 818 organisations. This year 329 organisations completed the mapping forms. Analysis in section 1.1 below shows that the 2008 sample is representative of the larger sample from the previous two years. It is therefore feasible to compare the two datasets and to draw conclusions from the changes.

1.1 Profile of survey sample

Figure A shows the legal status of all VCS organisations that completed the mapping/registration forms in 2006/2007 and the smaller sample that completed the mapping survey this year. Principally, it shows that the 2008 sample is representative of all organisations mapped so far.

The 2008 survey sample contains organisations with a broad spectrum of income, with 32% having an income below £10,000 and 11% having an income in excess of £1 million.

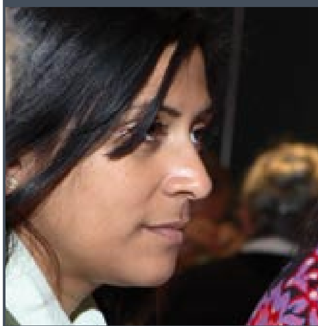
92% of the sample has management committees, board members or trustees, with an average number of 9 board members reported. More than three quarters of the sample organisations have volunteers (78%) with a high average number of volunteers (43). Approximately two thirds of the sample organisations have staff, the majority having fewer than 10 employees.

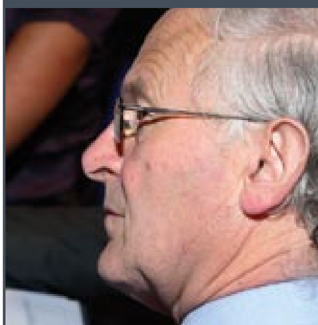
FIGURE A Legal status of sample organisations

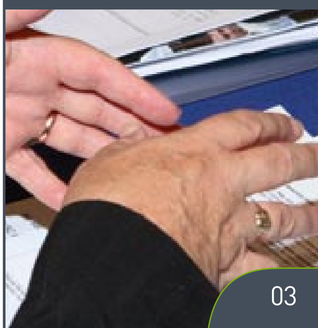
Legal status	Total sample	2008 Survey sample
Informal self-help or user group	7%	8%
Community organisation with a constitution	16%	16%
Voluntary organisation with a constitution	16%	16%
Registered charity	37%	39%
Registered as both a charity and company limited by guarantee	16%	19%
Community Interest Company (CIC)	*%	-
A registered social landlord	1%	1%
A co-operative	*%	-
A Private Limited Company (Ltd)	3%	2%
A Public Limited Company (Plc)	-	-
Other	10%	9%
Base:	815	329

* Less than 0.5%

1 The sample was required to have 33% non-registered charities and community groups and that 50% should fall into one of the following categories: BME groups; Women's groups; Children and young people's groups; Older people's groups; Faith groups; Groups supporting people with physical or mental disabilities; Groups supporting homeless people or people in poverty.







2. Survey findings

The survey findings have been summarised into the following themes:

- The growing 'professionalisation' of third sector organisations
- Changing infrastructure support needs
- Changes in funding profile and shifts in funding sources
- Involvement in the delivery of public services.

2.1 The growing 'professionalisation' of third sector organisations

There is an increase in 'professionalisation' amongst organisations evidenced by the increase in quality standards, most notably Investors in People, with its focus on staff development, and with the increase in policies and procedures. It is also apparent that funder are requiring organisations to operate more professionally by monitoring their services.

Of those organisations without quality standards, more of them are working towards achieving one this year. There were fewer requests for information on quality standards, which shows the extent to which quality is being adopted as a mainstream practice within the sector. These results are borne out by the increase in organisations holding formal contracts with public sector funders (see section 2.4 on page 6). Quality standards and monitoring arrangements are common contractual requirements.

- There has been no significant change in the number of organisations employing staff and the number of organisations without staff. Almost a third of the organisations mapped have no staff (31%) and nearly two thirds have employed staff (69%).
- There is a 12% increase in organisations having achieved a quality standard (45% with at least one standard in 2008 compared with 33% in 2006/2007). Investors in People is the most widely held quality standard, followed by PQASSO. The largest increases in quality standards are in OFSTED (3-9%) and Two Ticks Disability Kite Mark (1-5%)
- 10% more organisations are working towards quality standards this year compared with the last two years.
- 71% of third sector organisations formally funded by Birmingham City Council have achieved at least one quality system or standard.
- In 2008, 86% of organisations monitored their work and services.
- More organisations are required to monitor their work by their funders: 61% this year compared with 53% in the last period.
- A higher proportion of organisations collect impact assessment information (i.e. information informing them of changes brought about through their work) this year compared to the last two years (59-50%). This year fewer organisations reported that impact assessment did not apply to them.
- Overall, more organisations have policies and procedures than previously. There has been growth in the following policies and procedures: Complaints Procedure; Grievance and Disciplinary Procedure; Governance Policy; Staff Supervision Policy; Staff Development Policy and Family and Flexible Working Policy.

2.2 Changing infrastructure support needs

Organisations have increased support needs in those areas of professionalisation examined in section 2.1 on page 3. Given the overall drop in income coming into the sector, it is logical that organisations would like help in generating their own income. Also there is a lack of resources to pay for support but organisations were less inclined to say "No" to paying, the increase in "Don't Knows" points to the complexity of making budget decisions when there is less money around.

Partnership working was identified as a need area both with other third sector organisations and public sector agencies. This factor is evidence of the increased role for the third sector in the delivery of public services but also of the need for consortium working in the sector in order for the sector to win the larger public sector contracts.

2.2.1 Organisational development

- This year more organisations reported the need for external help and support (93-85%).
- Compared to 2006/2007 the proportion of organisations that would benefit from help has risen in all areas except ICT, which broadly remains the same. These areas of need in descending priority order are: Finance and funding; Improving performance & Quality of services; Recruiting and developing volunteers; Developing your trustees or management committee and Recruiting and developing the workforce.
- In relation to performance and quality of services, help with forward planning is ranked as a top priority, closely followed by performance management, monitoring and evaluation and then quality standards. Although help with quality standards is reported as a need, this statistic should be considered alongside the amount of organisations who have achieved them see section 2.1 on page 3.

2.2.2 Support with volunteers

- Over both sample periods in excess of 78% of organisations have volunteers. At the same time 63% state they require help with volunteers, of these specific help was requested with:
  - Recruitment and retention (above 70%)
  - Training and development (62% in 2006/2007 and 59% in 2008)
  - Volunteer management, policies and procedures (40% in 2006/2007 and 50% in 2008).
- This year fewer organisations said they were unwilling to pay for support with volunteers, 55% in 2006/2007 compared with 43% of organisations in 2008. More organisations responded "Don't Know" when asked about paying for support with volunteers whilst there was a minimal increase in those willing to pay.

2.2.3 Workforce development

51% of organisations requested help in this area. These organisations ranked their greatest needs as: Identifying and responding to staff training and development needs and Management and leadership skills. Both these needs had grown slightly from 2006/2007 (61-68% and 54-59% respectively).

- There was an 8% increase in the number of organisations requiring help with Increasing and creating self-generated income.
- In terms of organisations' willingness to pay for support services, in general they were slightly less inclined to pay for services, less said they didn't want to pay for services but the biggest increased response was "Don't Know".

2.2.4 Partnership development

- This year 51% of all organisations surveyed require help with working in partnership with both voluntary organisations and public sector organisations. There was a 10% increase from 2006/2007 in need for help in working with public sector organisations.
- In 2008, 49% of all organisations surveyed require help with ensuring the views and experiences of their organisation informed local policies.

2.3 Changes in funding profile and shifts in funding sources

There is less money coming into the sector than in previous years. More of it is coming from statutory funders and more of it is ring-fenced project funding. This is evidence of the shift from grant aid arrangements to commissioning whereby money is restricted to specific projects. Fewer organisations have totally unrestricted funds.

Income generating activities have increased this year and effectiveness of fundraising and donations is demonstrated by it being the highest category of self-earned income. The National Lottery is becoming a notable funder of the sector but it still ranks lower than other charitable trusts.

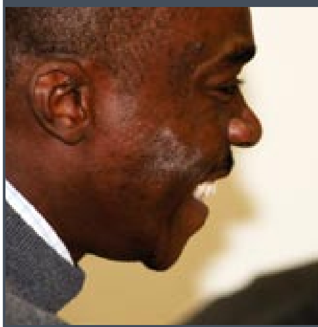
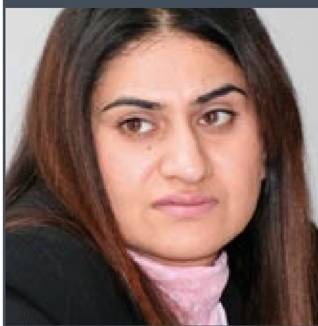
- The average total income reported has reduced by 10% from 2006/2007; correspondingly, there has been a 10% reduction in expenditure.
- There has been an overall increase in organisations receiving statutory funding. A greater proportion of organisations this year have received Local Authority funding (37-49%), funding from Central Government has increased (18-25%) as has National Health Service (14-18%).
- The biggest sources of independent funding have also increased this year namely: charitable trusts and foundations (31-39%) and National Lottery – Big Lottery Fund and Heritage Lottery Fund (12-19%).
- 9% fewer organisations reported receiving no statutory funding this year.
- The number of organisations reporting their income as entirely unrestricted (i.e. not ring-fenced by funders) has fallen this year (40-29%).
- Unrestricted income as a proportion of total income has gone down by 9%.
- A greater proportion of organisations report that they have received income from income generation activities this year compared to last year, an 11% increase from 37% to 48%.
- Organisations report that the activities that generated the most self-earned income were fundraising and donations (64-68%) and income generation activities (37-48%).

  There was also a rise this year (7%) in the category Other sources of funding.

2.4 Involvement in the delivery of public services

The number of organisations delivering services on behalf of public sector organisations has not changed, however, these is an increase in formal contracts and Service Level Agreements with statutory bodies. Correspondingly, there is a smaller pool of organisations that are not contracting with the public sector, and this is borne out by the changes in funding profile discussed in section 2.3 above.

- 51% of organisations have a formal contract or SLA, 46% with a Local Authority. This is twice as many as in 2006/07.
- The vast majority (44%) of organisations have a formal contract or SLA with Birmingham City Council. Again, almost twice as many as the last period (23%).
- 16% of organisations have a formal contract or SLA with a PCT, 11% within Birmingham and Solihull.
- There has been a 20% decrease is organisations reporting no formal contracts or service level agreement with public agencies (69-49%).
- 45% of organisations holding a formal contract or service level agreement with Birmingham City Council have less than ten paid staff in their organisation. A fairly even split occurs between the remaining staff size bandings (see Figures B and C on page 6).

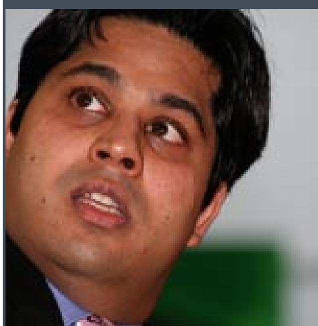
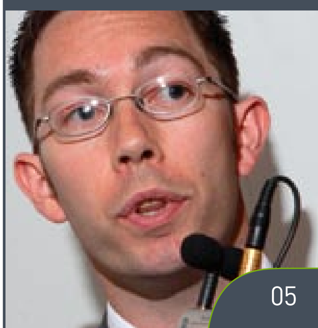



FIGURE B Organisations involved in delivering public services

Number of paid staff	All VCS organisations (2008)	VCS organisations with a formal contract or SLA with...			
		Birmingham City Council	Other Local Authority	Birmingham & Solihull PCT	Other PCT
No paid staff	31%	7%	3%	0%	4%
Less than 10 staff	42%	45%	32%	38%	36%
10-19 staff	10%	16%	13%	16%	18%
20-49 staff	9%	17%	16%	19%	21%
50+ staff	8%	15%	36%	27%	21%

FIGURE C Number of organisations formally contracting with Birmingham City Council by staff size (Base: 326)

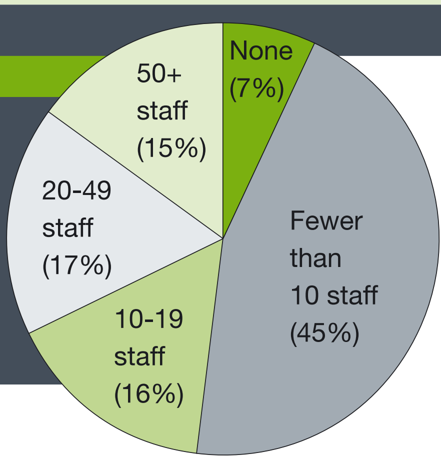


FIGURE D 'Formal' and 'informal' organisations with Service Level Agreements or formal contracts

Commissioning body	Informal VCS (2008)	Formal VCS (2008)
SLA with Local Authority	24%	58%
Birmingham City Council	24%	57%
Other Local Authority	1%	15%
SLA with PCT	7%	24%
Birmingham & Solihull PCT	5%	17%
Other PCT	2%	12%
Birmingham & Solihull Learning & Skills Council (LSC)	2%	8%
Other organisation	10%	23%
No formal contracts/ SLA's	70%	34%
Base:	123	185

(2.4 continued)

- Looking at the results in a slightly different way and focusing solely on formal contracts and SLAs held with Birmingham City Council, just 10% of organisations without paid staff have SLAs compared to 59% of those with paid staff.
- 66% of 'formal' VCS organisations, that is registered charities and those limited by guarantee, have a formal contract or SLA. Just 30% of 'informal' organisations (informal user groups and voluntary or community organisations with a constitution) have one.

3. Conclusion

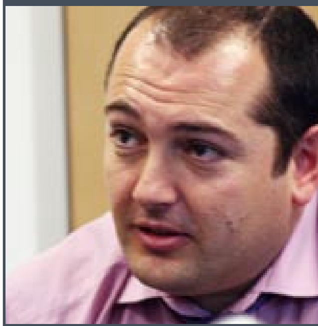
The findings of the survey provide evidence in Birmingham of the changes affecting the sector nationally. The third sector is delivering more services for statutory partners, in Birmingham the largest purchaser of services is Birmingham City Council. The relationship with public sector funders has become more formalised with a sharp rise in Service Level Agreements and formal contracts.

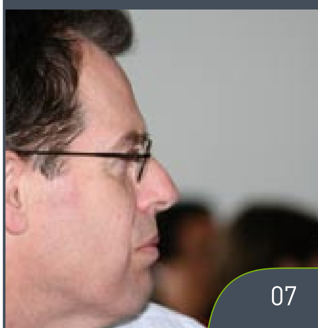
This closer more formalised relationship with statutory agencies has resulted in an increase in professionalisation within the sector, notably in the adoption of quality standards. Though the most widely held quality standards are the organisational excellence types (Investors in People; PQASSO), the increase in the number of organisations with an OFSTED quality standard shows the growing need to have 'service specific' quality standards.

Whilst the sector is more dependent on the state for funding than before, more of unrestricted income is coming from income generation activity than in previous years. The growing importance of income generation to maintain core funding is demonstrated by the growth in requests for help in this area.

Changes in support needs tell us much about how third sector organisations are adapting to current changes. Partnership working is a feature of the new territory organisations find themselves in. More organisations are recognising the need to learn this skill both with the public sector and with other third sector organisations. Consortium working has become essential in the sector in relation to larger public sector contracts notably in the area of learning and training. There is also a willingness to engage in local decision-making with a large number of organisations wanting support in ensuring their views do inform policies locally.

Whilst the closer relationship with the public sector has its benefits, there is a worrying drop in organisations who do not rely on public sector funding. These are the organisations engaged in building civil society beyond the service delivery agenda – engaged in activities such as campaigning, advocacy and alternative views – that are much lauded by politicians. They may not be delivering public services as such but it is important that grant aid is still available to fund their vital work[2]. The whole spectrum of organisations must be supported in order for the third sector to thrive and continue improving life for the people of the Birmingham.





2 BVSC is currently working with associates to research the impact of commissioning on the profile of the third sector in Birmingham. A report will be available in September 2008.

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Supported by The National Lottery® through the Big Lottery Fund

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