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**Third Sector
Trends Study**

Keeping the show on the road:

a survey of dynamics and change
amongst third sector organisations
in North East England and Cumbria

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We would like to thank all those organisations which have contributed to this study by completing our questionnaires. We know that organisations are often asked to take part in research projects and this takes up their valuable time, so we are especially grateful to the many organisations which responded. Also, thanks to the Third Sector Trends Advisory Panel.

iii Background to the Third Sector Trends Study

The Northern Rock Foundation's investment in the study of the third sector in North East England and Cumbria is intended to have a significant impact on the way the sector is perceived by itself and its stakeholders. It is also hoped that it will influence how the sector works. Most importantly, the research should help future activity meet beneficiary needs more effectively, securing more positive outcomes.

The research has several different strands, and a phased inter-related programme of work. In the first phase, Teesside University's Third Sector Development Unit (TSDU) has undertaken qualitative and other surveys of the sector. The research team is led by Tony Chapman (Teesside University) and Fred Robinson (Durham University), and researchers include: Robert Crow (Research Associate, TSDU), Peter van der Graaf (Research Fellow, TSDU), Victoria Bell (Research Associate, TSDU), Judith Brown (independent researcher and consultant), Chris Ford (independent researcher) and Sue Shaw (independent researcher and policy analyst).

Alongside this, in the first two years of the study, colleagues at the University of Southampton, the National Council for Voluntary Organisations and Guidestar UK have undertaken a comprehensive mapping exercise of third sector organisations (TSO) in the study region. Following this, and using information from this part of the work, TSDU plan to undertake a longitudinal panel study of TSOs, continuing through to 2012.

The research programme as a whole aims to:
- produce robust data and independent analysis on the scale and scope of the third sector in the North East and Cumbria;
- provide an objective and thorough analysis of the dynamics of the sector through longitudinal study of stakeholder perceptions, organisational practice and local impact;
- develop a more complete understanding of sector impact and potential, and assess policy and practice implications;
- design and test innovative methodological approaches to the study of the sector which are compatible with national data sources and are replicable in other UK regions.

As a longitudinal study, research findings are being disseminated on a regular basis throughout the life of the project. The study should provide a clearer indication than has ever been attempted before in the UK of local trends over time. These will be interpreted in the light of detailed analysis of stakeholder views, network and organisational analysis, and comparison with other regions and countries if possible.

A key objective of the research is to gain a better understanding of the sector, but in so doing, to provide an evidence base upon which to develop policy and practice so that the sector may be enabled to provide the maximum benefit to its beneficiaries, to the economy and to society in general.

1 Introduction

This is the fourth working paper from the Northern Rock Foundation Third
Sector Trends Study. In this paper we build on the body of knowledge
collected in the previous three working papers by discussing the main
findings from a large-scale survey conducted in North East England and
Cumbria amongst third sector organisations. The key aim of the survey was
to explore the relationship between organisational characteristics, their
activity and to assess the preparations they are making for the future.

This report is timely because it is published at the point where the economic,
political and policy environment is changing fast. The UK has just re-emerged,
albeit falteringly, from economic recession and there has been a change in
government after 13 years of Labour control. Shortly after this report is
published, the results of a major public spending review will be published.
The objective of the review is to make significant inroads into the public sector
borrowing deficit. This is likely to result in major cuts to many government
departments, publicly funded non-governmental organisations and also,
presumably, local authority finances too. Parts of the third sector have been
heavily dependent upon the public purse for many decades, but under the
last government, the growth of the third sector has increasingly depended
on government funds which have both spawned many new third sector
organisations and led to the expansion of many of those which were already
in existence prior to 1997.[1] It may be the case, therefore, that there will be
a significant realignment of the shape, size and purpose of the third sector
in the months and years to come.

1 See Mohan, *et al.*, 2010.

1.1 Aims of the research

The Northern Rock Foundation Third Sector Trends Study commissioned Teesside University to assess how the local third sector responds to external challenges, internal changes and transformation in beneficiary needs.[2] As a longitudinal study, the study aims to escape from the constraints that 'snap shot' surveys face when demands are put on researchers to respond quickly to key issues facing the third sector. 'Snap shot' studies usually respond to a 'problem' and their focus is often limited to supporting lobbying activity with powerful stakeholders.

Being longitudinal, this study is not so constrained. Our methodology was developed at the outset to measure change over time and as such, was devised to explain how different parts of the third sector react to change. We wanted to find out whether and how third sector organisations (TSOs) devise plans to weather a storm or to capitalise on a time of plenty. We wanted to find out what local factors, organisational characteristics and strategic responses were most likely to make TSOs of different types more or less robust in the face of change. And most importantly, we wanted to produce an evidence base which can help to inform TSOs about what kinds of choices they can or should make when planning for the future.

We did not anticipate a recession at the start of the project, and while the prospect of a new government was likely – we did not anticipate that it would be a coalition of the Conservative Party and the Liberal-Democrat Party. Neither do we know what else may happen that could have an impact on the third sector. The point is to carefully observe what happens to the third sector under such circumstances and to make informed judgements on how funders can support the sector when that is appropriate. This is not to say that we are advocates of a third sector as an end in itself, of course, but rather for what the third sector can achieve for its beneficiaries.

The current phase of the research has two strands. Another report is published simultaneously with this paper on our study using three separate Foresight Panels in North East England and Cumbria. The purpose of that part of the project was to determine how key stakeholders make sense of changes in the policy environment and to gauge what they thought was the best way

2 The Teesside University elements of the study were initially funded for three years by Northern Rock Foundation, with an ambition to continue the longitudinal elements of the research until 2014.

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that the third sector could prepare for such changes. As a qualitative study, that report produces a great deal of insight into the way that stakeholders from both within and outside the third sector make sense of some of the threats and new opportunities which face the sector, and assesses what its impact will be.

This working paper reports on the 'TSO1000', a quantitative survey of over 1,000 organisations in North East England and Cumbria. Its purpose is to gain more general insights into the way TSOs perceive that changes in the political and economic environment will affect them; and in turn, to get a clearer understanding of how they are addressing future opportunities and challenges. This is a large survey which has given us an opportunity to explore how different parts of the third sector are reacting to the current situation.

It is important to introduce one caveat about this study at the outset. Its purpose was not to produce data on the size, shape, structure and finances of the third sector. That work is currently being undertaken by our colleagues at Southampton University, Guidestar and NCVO. Instead, it is our purpose to concentrate more specifically on the situation of organisations with particular characteristics so that we can measure how they fare as they negotiate their way through turbulent times. In so doing, we will deepen the understanding we gained about how organisations work in our TSO50 report, and further, allow us to comment on the prospects for organisations with particular characteristics in the future.

1.2 Change in the economic and policy environment

A long period of Labour government ended in May 2010. From 1997–2010, the government invested in many initiatives to build the capacity and capability of the third sector, devised new approaches to collaborative governance[3] to involve the third sector in public sector service delivery, and made substantive changes to the legal framework to encourage the development of new kinds of social enterprises. Coupled with very significant investment in social regeneration projects, the intention was to create stronger, more prosperous and sustainable communities.[4] A watchword for success for Labour governments was partnership. Government worked hard to achieve its objectives for collaborative governance[5] by establishing Local Strategic Partnerships and Local Area Agreements in all local authorities; the agreement of national and local compacts; and, major injections of funding into capacity building for the third sector to help TSOs prepare to take on public sector contracts (Cabinet Office 2007, HM Treasury 2006, Office of the Third Sector 2006a, 2006b, Home Office 2004a, 2004b, 2005, Kelly 2007). Within government itself, cross-departmental collaboration was encouraged through the establishment of the Office of the Third Sector and significant investment was made in research and evaluation of government projects involving the third sector to find out what worked best and to share best practice.[6]

Since May 2010, the situation has changed. A new coalition government has been formed by the Conservative and Liberal-Democrat parties. In response to the significant level of public debt, the government has stated its intention to reduce public sector spending. Prime Minister David Cameron claims that by reducing the size of government, the 'Big Society' will emerge.

3 For a useful review on the literature, see Ansell and Gash, 2008.

4 See, Labour Party, 1997; for recent policy analyses, see Craig and Taylor, 2002; Kelly, 2007; Haugh and Kitson, 2007; Davies, 2008; Carmel and Harlock, 2008; and, Birch and Whittam, 2008.

5 For some commentators, who adopt a pluralistic and broadly positive stance, engaging in collaborative governance produces a win-win situation for the public sector, third sector and the beneficiaries of the services that are provided (for an analytical review of this literature see Ansell and Gash, 2007). Other observers are unconvinced that such claims are practicable, achievable or desirable. Indeed, Carmel and Harlock, 2008, assert that collaborative governance is, in reality, a sophisticated form of state control, where the third sector is the object of governance rather than its equal partner. For further discussion of the literature on collaborative governance and its consequences, see: 2008; Alcock, 2010; Atkinson, 1999; Bode, 2006; Gaventa, 2004; Harris *et al.*, 2004; and, Shirlow and Murtagh, 2004.

6 See Pharoah and Williamson, 2008.

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"For years there was the basic assumption at the heart of government that the way to improve things in society was to micromanage from the centre, from Westminster. But this just doesn't work. It has turned able, capable, individuals into passive recipients of state help with little hope for a better future. It has turned lively communities into dull, soulless clones of one another. So we need to turn government completely on its head." (David Cameron, *Guardian*, 19 July 2010).

The object of the Big Society, according to the Prime Minister, is to put the 'heart' back into society and to rely much more heavily on the third sector as a vehicle for local people to decide what and how services should be run.[7] While the government positions the third sector as a key component of the Big Society, it is not yet clear what will be the balance of investment between public funding and funding incentivised from the private sector, public giving and volunteering.

It is not our purpose to undertake an appraisal of government policy, but rather to understand how the third sector in North East England and Cumbria is preparing for the changes which it perceives are coming. In so doing, we find a third sector which is generally optimistic about its future, in spite of the dire warnings from some quarters which are circulating in the third sector press. But we also find a sector within which TSOs with different characteristics are responding to potential changes in very different ways.

1.3 Structure of the report

In Section 2, we present our methodology, outlining the design of the questionnaire, sampling, data collection and processing, and the approach to analysis. In addition, we briefly describe the structure of the data set.

In Sections 3 to 6, we present the main findings from the survey using the four themes that were identified in our earlier research on the TSO50: *Foresight, Enterprise, Capability* and *Impact*.

In Section 7, the key findings of our research are summarised together with a discussion of the implications of our research for the third sector and the plans we have for the next stage of the proposed research process.

7 The notion of a mixed economy of welfare has permeated social policy for some time, for critical discussions and policy analysis see Alcock, 2010; Atkinson, 1999; Barnes, 2006; Billis and Harris, 1996; Bode, 2006; Deakin, 1995; Cabinet Office, 2006; Osborne and McLaughlin, 2004; and, Powell, 2007. The literature on the place of contracts within this broad approach has recently been explored in depth by Macmillan, 2010.

2 Summary of methodology

The aim of this survey was to collect data to help understand how the characteristics of TSOs impact upon their expectations about and planning for the future. Our emphasis on exploring a range of organisational characteristics, in tandem with our TSO50 study, was designed to build a much more comprehensive picture than has previously been attempted.

The purpose of the survey, therefore, was to enrich the findings from the TSO50 study by investigating organisational foresight, enterprise, capacity and impact in more depth. Furthermore, our aim was to test assertions drawn from Foresight Panels, undertaken in the spring of 2010, particularly in relation to organisational planning for the future.[8] Finally, the purpose of the survey is to develop further the conceptual arguments which were presented in our first working paper. That paper challenged the use of the generic term 'third sector' because it did not adequately reflect the reality of the diversity of practice, activity and opinion. This survey was designed to explore other ways of describing the discrete elements of the third sector's structure, functions and contribution to civil society.

2.1 Questionnaire structure

For this survey, we developed a questionnaire which consisted of two parts. The first part sought to collect information on organisational characteristics such as age, size, scope and purpose of activities. These are the 'independent variables' that provide a basis for comparison. The second part was designed to gauge the opinions of TSOs on current trends in the sector, future prospects for each organisation and for the sector as a whole. These questions provide us with a set of 'dependent' variables which we can crosstabulate with variables on organisational characteristics.

We decided to use closed questions throughout (that is, questions with pre-defined responses). This helps to maximise responses to individual questions, increase comparability and also reduce data processing time. By using closed questions, the survey instrument is easier for respondents to use and is less

8 See our companion report, *Forearmed with Foresight*, Bell *et al.*, 2010.

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time consuming to complete. The questionnaire consisted of 28 questions over 8 pages using a range of single and multiple response answers. The questionnaire can be found in Appendix 2.

Questions were, where appropriate, replicated or adapted from previous and current survey instruments to maximise comparability with other studies and increase the reliability of the questions. For instance, 'tried and tested' questions were used from earlier research by Teesside University on the state of the third sector in North East England and in North Yorkshire and City of York.[9] A number of questions were modified to allow for comparability with national data, particularly from the National Survey of Third Sector Organisations (Ipsos/ MORI, 2009, 2010). This included the questions on number of employees, number of volunteers and income bands. New questions were developed to explore in more depth our findings from the Foresight Panels (Bell *et al.*, 2010) to include data on foresight (Q6, 17, 18 and 23) and impact (Q27) and impact assessment (Q26). Validity of responses was checked by using multiple reference points to key questions and by using overlapping questions on role and activities of organisations.

The initial drafting of the questionnaire was undertaken by a team of researchers at the Social Futures Institute in discussion with Northern Rock Foundation. Following this phase of preparation, the full draft of the questionnaire was piloted with members of the Northern Rock Foundation Third Sector Trends Study TSO50. This resulted in a number of minor stylistic changes in the questionnaire, such as changing the design of tables to make rows more distinguishable and clarifying instructions on how many answers respondents were allowed to select for each question.[10]

9 See Chapman and Crow, 2008, for North Yorkshire; and, Chapman *et al.*, 2006, for North East England studies.
10 Most notably, the order of answer categories was changed in Q14 on importance of funding sources, putting the option 'not applicable' in the first column to increase response rates for each funding sources. Finally, one answer category in Q21 was expanded to specify that organisations which are already delivering public sector services have acquired these contracts through tendering.

2.2 Sample structure

A sample of 6,000 TSOs was drawn from a database provided by our research partners at Southampton University, NCVO and Guidestar[11] which was created by integrating principal registers of the sector. We adopted a list containing 8,666 registered charities in North East England and Cumbria.

We sampled the database on the following basis:

- To include *all* Community Interest Companies (CICs), Industrial and Provident Societies (IPSs) and Companies Limited by Guarantee (CLGs) in the registered charities database to maximise the quota of these organisations.

- A random sample of 2 in 3 of the remaining registered charities (i.e., those which were not CICs, IPSs or CLGs), to achieve an overall sample of 6,000 organisations, as shown in Table 2.1.

Table 2.1 Sample structure

	Listed TSOs	N=	% Sampled
Registered charities	6,770	4.104	60.0
Community Interest Companies	186	186	100.0
Companies Limited by Guarantee	797	797	100.0
Industrial and Provident Societies	913	913	100.0
N=	8,666	6,000	100.0

If it had been possible, we would have liked to include 'below the radar' (BTR) organisations in our sample; that is, TSOs which are not registered charities. However, previous research by Ipsos/MORI makes it clear that the production of reliable local listings of BTRs is very difficult to achieve, even with substantial investment of time and resource (Ipsos MORI, 2009, 2010). This is supported by our own findings in the first Northern Rock Foundation Third Sector Trends report on infrastructure organisations and by our research partners' research on BTRs in North East England and Cumbria.[12]

11 Full details on this complex process of merging data bases can be found in Kane and Mohan, 2010a/2010b, Mohan *et al.* 2010.
12 See: Chapman *et al.*, 2009; Mohan *et al.*, 2010.

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2.3 Data collection and processing

The questionnaire was submitted to a data processing company for electronic preparation and dissemination, and paper copy distribution by mail. The questionnaire was sent out on 19 April 2010, with a closing return date of 7 May 2010. The questionnaire was accompanied by a letter, stating its purpose and inviting respondents to participate, together with a prepaid envelope for the return of completed questionnaires.

A record was maintained of the 37 phone calls received from organisations about the questionnaire. Most phone calls related to questions about the relevance of the questionnaire for smaller organisations. All respondents were encouraged to participate as much as possible, regardless of the size of their organisation. Other comments included reference to incorrect address details or to organisations that were no longer operational. Address lists were updated for future waves of the study.

Returned questionnaires were electronically scanned and checked by the data processing company. After the deadline of 7 May, respondents were given a further two weeks to complete and return the questionnaire. This resulted in a total of 1,105 returned questionnaires (representing an 18 per cent response rate) of which 1,051 were suitable for analysis, as 64 questionnaires were returned blank to the sender in the prepaid envelopes. In addition, a further 611 envelopes were returned to sender unopened, most likely because of incorrect address details or because organisations were no longer operating at this address or had closed. Adjusting the sample to exclude invalid entries on the database produced a valid sample of 5,288 addresses, resulting in a response rate of 20 per cent. This is an acceptable response rate for survey of this size and sample characteristics.[13]

13 Response rates were possibly affected by a similar survey that went out on the same day to TSOs in North East England, organised by Voluntary Organisations Network North East as part of their survey series *'Surviving not thriving'.* While we had given prior notice of our intentions, this survey was nevertheless sent out unannounced and organisations were invited by email to take an online survey on the effect of the recession in North East England's third sector. It is likely that this additional survey request may have reduced our response rate by overburdening or confusing our respondents.

2.4 Data management and analysis

A number of independent variables were re-categorised into larger groupings once we had undertaken a preliminary analysis of the distribution of TSOs. When collapsing variables into a smaller range of categories for analytical purposes, we made sure that reasonably equal distribution of cases was achieved.[14]

In some cases, the pattern of distribution of data was too complicated to achieve this objective. For example, when attempting to categorise organisations by the beneficiaries they served, no obvious patterns could be observed because, on average, TSOs stated that they served between four and five beneficiary groups. Similarly, re-categorising 'principal sources of funding' was also too complex because TSOs listed on average eight different sources of funding (such as local and national public sector grants, foundation grants, contracts, investment income, individual donations and subscriptions).[15]

2.5 Characteristics of the sample

Table 2.3 presents data on the basic characteristics of the sample. It can be seen from these data that the sample structure provides a strong basis for comparison of organisational types and that the sample is evenly spread across the five sub-regions which compose the study area. We make no claim that the study aimed to achieve a representative sample of the sector as a whole because the objective of the study was to compare organisational types rather than make an assessment of sector structure. However, we can report that our sample is broadly representative through comparisons with a scoping study of North East England undertaken by our colleagues at Southampton University, NCVO and Guidestar.

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14 For example, the 'age of organisation' variable was re-categorised from actual date of establishment to four cohorts. In defining these cohorts, we attempted to achieve a reasonably equitable distribution of cases whilst also aligning, in broad terms, with changes in the policy environment. These cohorts included: the period before the Second World War; the period where the discourse of the 'welfare state' was dominant, from 1945-1980; from 1981 to 1997 which captures most of the policy developments surrounding the re-alignment of the welfare state under the period of conservative government; and, from 1997 to the time of the survey when New Labour were in government.

15 To illustrate this point, the extent of overlap between different sources o/f funding is shown in Table A.1, see Appendix 1.

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Kane and Mohan listed 6,624 TSOs in North East England, of which 91.9 per cent were classified as general charities, 10.5 per cent as CLGs, 2.5 per cent as CICs and 4.8 per cent as IPSs. In our sample of 681 organisations in North East England, similar percentages are found, although our sample includes a higher percentage of CLGs – as would be expected as we did not sample them (see Table 2.1 above). These data are compared in Table 2.2

Table 2.2 Southampton mapping exercise and Teesside sample compared

	North East England		Cumbria	
	Southampton Mapping Exercise	Teesside Sample Survey	Southampton Mapping Exercise	Teesside Sample Survey
Housing associations	1.1	not sampled	0.7	not sampled
CLGs	10.5	19.8	7.5	18.8
CICs	2.5	2.8	0.9	0.3
IPSs	9.8	4.0	4.4	2.7
Faith groups	4.3	not sampled	4.0	not sampled
General charities	71.9	73.4	82.6	78.2

The findings from both studies are also similar when average income and income distribution are compared. Kane and Mohan recorded an average income of charities in the North East of £153,400 (in 2007/08) with 8.2 per cent reporting an income over £1m. The average income of charities in our sample for North East England is similar to this with estimates standing at £160,428 and 6.9% respectively. Furthermore, in Kane and Mohan's study 56.6 per cent of income for general charities in the North East for 2007/08 was voluntary, while 34.7 per cent was earned and 8.8 per cent was investment. In our sample 34.7 per cent of the charities have earned income and 13.1 per cent generated income through investment. Similar percentages are also found when comparing contract delivery: Kane and Mohan's research finds 56.7 per cent of statutory income was earned through contracts by charities in the North East (2007/08), while in our sample 51.2 per cent of the organisations earned income through contracts.

For further analysis of sector structure, see companion reports by our colleagues at Southampton University, NCVO and Guidestar.[16]

16 See Kane and Mohan, 2010a, 2010b, Mohan *et al.*, 2010.

Table 2.3 Characteristics of the sample

Variables	N=	%
Date organisation established (banded)		
Pre 1945	248	25.4
1945–1980	246	25.2
1981–1996	241	24.7
1996–2010	240	24.6
N=	975	100.0
Organisational size (banded by income)		
No income	33	3.3
£1–2,000	136	13.5
£2,001–5,000	133	13.2
£5,001–10,000	137	13.6
£10,001–25,000	141	14.0
£25,001–50,000	76	7.5
£50,001–100,000	97	9.6
£100,001–250,000	89	8.8
£250,001–500,000	67	6.7
£500,001–1,000,000	42	4.2
£1,000,001 plus	56	5.6
N=	1,007	100.0
Organisational location (banded by sub-region)		
Cumbria	292	30.0
Northumberland	140	14.4
Tyne and Wear	248	25.3
County Durham	156	16.2
Tees Valley	137	14.1
N=	973	100.0
Area of operation (banded by highest area of operation)		
Neighbourhood or village	269	26.5
Urban or former district local authority area	281	27.7
More than one LA/former district area	254	25.0
Regional, national or international	212	20.9
N=	1,018	100.0

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Table 2.3 Characteristics of the sample *(continued)*

Variables	N=	%
Earned income (banded)		
No earned income	400	41.1
Up to 50 per cent earned income	266	27.3
Over 50 per cent earned income	308	31.6
N=	974	100.0
Organisational function		
Primary front-line direct services	328	36.1
Secondary front-line indirect services	131	14.4
Tertiary services	119	13.0
(Tertiary support to beneficiaries	*21*	*2.3)*
(Tertiary infrastructure support	*34*	*3.7)*
(Tertiary foundations and trusts	*64*	*7.0)*
Mixed services (other)	330	36.3
N=	908	100.0

3 Foresight

Organisational foresight has been defined in our previous research as
*"the capability of an organisation as a whole to be able to anticipate change
and develop strategic plans to accommodate or exploit opportunities arising
from change"* (Chapman *et al.*, 2010: 34).

In the TSO50 study, we drew tentative conclusions about how organisations
plan for changes and develop strategies to accommodate change in the
social, economic and political environment within which they work. Key
findings included:

- Organisations that were under pressure to secure adequate funding felt
  less confident about their ability to meet their objectives.

- Very few organisations were driven by a desire to grow as an objective
  in itself.

- Organisations tended to be confident about their short-term prospects
  and expected to remain more or less at their current size.

- TSOs tended to have an 'abyss mentality' when longer-term prospects
  were considered.

- Many TSOs, in the past, had to make hard decisions in order to secure
  their future vitality – some of these hard decisions included responding
  to changes in their pattern of funding.

This section will use the results of the TSO1000 survey to explore the validity of
these findings. We will explore, in particular, how the third sector anticipates
change in relation to income and service demand and will show how TSOs
with different characteristics develop strategies to manage these changes.

3.1 Forecasting the future

In spite of the economic downturn and the uncertainty this might bring for
the financial future, the TSO1000 study reveals that in North East England and
Cumbria organisations are fairly confident about their short-term survival.
This confirms our findings from the TSO50. Most TSOs in North East England

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and Cumbria (72 per cent) expect their income to remain the same over the
next two years. By contrast, 17 per cent forecast a significant fall in their
income and 11 per cent expect that income will rise significantly. When asked
about their life expectancy, the vast majority (89 per cent) of TSOs are certain
that their organisation will to continue to operate in the long term. This
appears, on the surface at least, to run counter to our suggestion that there
is an 'abyss mentality' about funding (as we found in the TSO50 and in our
Foresight Panel research). What we understand by these contrasting findings
is that while TSOs do tend to worry a great deal about short- or medium-term
prospects, and there are often claims that the 'sky is about to fall in', this
does not generally dent their confidence about remaining in operation over
the long term – albeit in, perhaps, straitened circumstances.

Certainly, TSOs are confident that the demand for their services will not
collapse. On the contrary, as Table 3.1 shows, in spite of worries about
their own income, TSOs expect that demand for their services will increase.
When asked about the future demand for their services, the majority of
organisations believe that the demand for their services in general, and
involvement in public service delivery in particular, will remain broadly the
same. Confidence about increased involvement in public service delivery is,
perhaps, surprising given the current economic and political climate: over
37 per cent of TSOs which are currently involved in such activity, are sure
that they will be more involved in the delivery of public services. If, as the
data suggest, funding falls but demand rises, this could put enormous and
unrealistic pressure on TSO budgets and affect the quality of service they
are able to deliver.

Table 3.1 Expectation for the next two years

Expectations by TSOs for the next two years	Income		Demand for their services		Involvement in delivery of public services	
	N=	%	N=	%	N=	%
Rise significantly	83	11.4	259	26.1	211	36.5
Remain about the same	524	71.7	702	70.8	340	58.8
Fall significantly	124	17.0	31	3.1	27	4.7
Total	731	100.0	992	100.0	578	100.0

Note: the lower number of organisations in the final column, 'involvement in delivery of public services'
is due to the smaller number of TSOs that have roles to play directly or indirectly in public service delivery.

This is further confirmed when TSOs' expectations about future funding levels are taken into consideration. Table 3.2 presents three columns of data. The first column refers to TSOs which are broadly optimistic about their future. The middle column shows the responses of TSOs which expect stability in their funding. The final column shows the responses of organisations which expect their income to fall. The general optimism or pessimism of organisations about their funding clearly impacts upon their attitudes about the future on a wide range of issues. The bold figures show where the most pessimistic predictions are held. Mean scores have been calculated for TSO responses to a set of questions on expectations about the future. A score below 3.00 indicates an optimistic response while a score above 3.00 indicates a negative response.

These data indicate that *TSOs which are optimistic about their financial future* are more positive than other organisations in the sample on most indicators. They believe, in particular, that the need for their services will rise significantly and that this will be accompanied by increased organisational expenditure. The scores for *TSOs which expect their income to remain the same* sit between the more or less optimistic organisations, except in the case of their lower optimism about the need for their services rising, and of statutory expectations about their services rising. This is explained, as will become apparent later in the report, by the fact that the more stable organisations are also less likely to be delivering services to statutory bodies. Why they expect demand for their services to be less pronounced than other organisations may be related to this. The *TSOs which are more pessimistic about their funding* in the next two years are generally very pessimistic about most things apart from a belief that the demand for their services (and statutory expectations from them) will increase. These TSOs are *very* pessimistic about future income from statutory bodies in particular.

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Table 3.2 TSOs' expectations over the next two years (means)

TSO expectations about the future	TSOs which think that their income will increase significantly over the next two years	TSOs which think that their income will remain at about the same level	TSOs which think that their income will fall significantly over the next two years
Expenditure will increase/decrease.	1.95	2.69	2.79
Number of paid staff will increase/decrease	2.27	2.96	**3.55**
Number of volunteers will increase/decrease	2.41	2.87	**3.11**
Working in partnership will increase/decrease	2.14	2.52	2.88
Contracts held will increase/decrease	2.18	2.82	**3.55**
The need for our services will increase/decrease	1.77	2.56	2.22
Statutory agencies expectations of our services will increase/decrease	2.04	2.47	2.29
Funding from statutory bodies will increase/decrease	2.84	**3.42**	<u>**4.21**</u>
Ease of staff recruitment will increase/decrease	2.88	**3.09**	**3.27**
Ease of trustee recruitment will increase/decrease	2.97	**3.18**	**3.55**
Ease of volunteer recruitment will increase/decrease	2.87	**3.09**	**3.45**

Note: the mean scores represent the average point on a scale of 1 'increase significantly' to 5 'decrease significantly'. A score of 3 is the midpoint, so any score above 3.00 suggests that expectations are of increasing likelihood and scores of 3 or below are decreasing likelihood. **Bold** scores are negative, <u>**underlined bold**</u> scores are very negative.

3.2 Reasons for optimism

We now ask this question, what factors make organisations more optimistic than others? In the analysis we take into account key characteristics of TSOs, such as: their size; geographical area of operation; age; main functional activity; and, their current level of earned income. We also explore whether previous income levels have an influence on future development. Following this, the current level of TSO involvement in public service delivery and expectations about future involvement is explored.

When expectations about levels of income over the next two years are compared with TSOs' previous income – some interesting findings emerge.[17]

Firstly, **_longevity of organisations_** appears to have a significant impact on future expectations. More recently established organisations (from 1997 to date) are the most optimistic: 24 per cent of these forecast a significant rise in their income over the next two years. However, one-fifth of these TSOs think things could go the other way and expect a significant fall in income. These recently established organisations seem to be, as a group, the least consistent in their forecast for future income. Over the last two years, organisations established after 1997 were the most likely to have experienced increased income (23 per cent).

Over 80 per cent of TSOs established between 1981 and 1996 expressed a high degree of optimism about the future: 70 per cent expected income to remain stable, and 10 per cent thought income would rise over the next two years, compared with 19 per cent of TSOs which believed that income would fall. Their optimism about the future is more cautious than the most recently established organisations however – even though 18 per cent of these TSOs had increased income over the last two years and 71 per cent enjoyed stable income.

Longer established TSOs were generally less optimistic about increasing income (fewer than 8 per cent) but they had high expectations of economic stability. These expectations are matched quite closely with experience of the last two years where about three-quarters of organisations had experienced stability in funding terms.

17 See Table A.2, Appendix 1, for full statistical details.

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The *geographical area* within which TSOs operate also has a quite significant impact on confidence about the future. Organisations which operate at a regional level or beyond are generally more optimistic about increasing their future earnings (19 per cent) than organisations that mainly operate at the neighbourhood, local authority or sub-regional level. Indeed, only 7 per cent of TSOs operating at neighbourhood level think that income will increase over the next two years – while 16 per cent think it will fall. This compares with 12 per cent of neighbourhood TSOs actually increasing their income over the last two years and 12 per cent with falling income. This pessimism about the future applies also to TSOs operating at local authority level and for TSOs working across local authorities. It is interesting to note that levels of optimism for TSOs operating at regional level or across a wider area match their experiences over the last two years quite closely. This is the only category of TSO which holds this view. It is not yet clear why their optimism is more pronounced, upon what practices it is based, or whether or not it is justified.

Size of organisation, as measured by income, also indicates different levels of optimism. The largest TSOs, earning over £250,000, are by far the most pessimistic: 29 per cent expect income to fall, and only 12 per cent expect it to rise over the next two years. This contrasts significantly with their experience over the last two years where there were 25 per cent of TSOs with rising income, and 18 per cent with falling income. Expectations about falling income in future decrease if organisations are smaller – indeed, only 9 per cent of the smallest organisations expect income to fall – but of course, they start from a very low income base.

Differences in optimism about the future are also evident between *organisations which offer different types of services*. In the survey questionnaire, we distinguished between the provision of 'front-line services to beneficiaries' (e.g. providing accommodation, care services, training etc.) and the 'provision of direct support services' (e.g. providing advocacy, information advice and guidance, etc.). The former is defined as 'primary service', and the latter is 'secondary service'. 'Tertiary service' refers to the role of TSOs which provide 'indirect services' (through research and campaigning), 'infrastructure support' to other TSOs (such as a Council for Voluntary Service), or 'provide grants to TSOs' as a charitable foundation or trust.

Organisations that provide a secondary service are more inclined to take a negative view and expect a significant fall in their income over the next two years (28 per cent). Organisations that provide a primary service are more positive about their future income, with 16 per cent forecasting a significant rise and 70 per cent expecting income to remain about the same. Levels of optimism or pessimism broadly match the experiences of these TSOs in the last two years – although there are consistent indications of increased pessimism amongst organisations which deliver primary and secondary services. For example, 22 per cent of primary service organisations experienced rising income in the last two years, but only 16 per cent expected it to rise in the next two years.

Confidence in the future is also boosted by TSOs' ability to generate earned income. In this context, 'earned income' includes trading of goods and services by the TSO, or by earning income by delivering contracts for clients. Organisations which earn the majority of their income are more confident about a significant rise in their income (15 per cent), although this is considerably lower than the number of those TSOs which increased income over the last two years (23 per cent). In contrast, organisations which earn half or less of their income predict a significant fall in their financial resources (23 per cent) when over the last two years, only 10 per cent actually experienced falling income. Those TSOs which have no earned income are most likely to expect income stability over the next two years – which broadly matches their recent experiences. While about 15 per cent of TSOs with no earned income had experienced significantly reduced income over the last two years, only 14 per cent expected income to fall over the next two years. By the same token, relatively few TSOs which earn no income have high expectations of rising income over the next two years (8 per cent).

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3.3 Involvement in public sector service delivery

Tables 3.3 and 3.4 indicate the current position and future expectations of TSOs with regard to their involvement in public service delivery. Considering *age of organisation* first, it is apparent that TSOs established since 1997 are the most optimistic about a significant rise in involvement (37 per cent) compared with just 9 per cent of the TSOs established before 1945. Indeed, these longest established organisations have little or no interest in such work: 39 per cent are not aware of such opportunities, and 50 per cent will not become involved because it does not sit with their values or mission.

When the *geographical area of operation* of TSOs is considered, it is apparent that neighbourhood-based organisations are also largely unaware of such opportunities (40 per cent), or are disinterested in becoming involved (51 per cent). Only about 12 per cent of these TSOs think involvement may increase. Towards the other end of the spectrum, TSOs which operate over local authority boundaries are the most likely to be bidding for public sector contracts and are, by far, the most optimistic about involvement increasing (30 per cent) in the future. The optimism about future funding amongst organisations operating at regional or higher level was noted in the previous section of analysis. It is evident here that interest in involvement in public service delivery is comparably low with only 16 per cent bidding, and 48 per cent of these TSOs stating that such work is contrary to their mission or core values. It is not clear, therefore, how such organisations expect to achieve their ambitions.

Size of organisation, as measured by income levels, has a very significant impact on participation in bidding for public sector contracts. 32 per cent of the largest TSOs are involved in this activity compared with only 7 per cent of organisations with incomes ranging from £50,000 to £249,000. It is explicable, therefore, why these largest organisations are the most optimistic about increasing involvement over the next two years (38 per cent). It is not yet clear why there is such a mis-match between data in Tables 3.3 and 3.4 about middle-sized TSOs' expectations about future involvement and actual participation in bidding. This will require, in the coming months, further exploration of these quantitative data together with qualitative material we have collected.

The **service function** of TSOs has a pronounced impact on awareness about and involvement in bidding for public sector contracts. About a third of TSOs which deliver primary or secondary services state that they expect involvement with public sector delivery to increase compared with very few TSOs which deliver tertiary services (14 per cent). This is matched with higher levels of involvement in bidding for contracts (18 per cent of primary TSOs and 23 per cent of secondary TSOs). As our analysis continues, it will be important to drill down into the data to explore why many organisations which deliver primary or secondary services seem to be unaware about opportunities to deliver public sector services, or why over a third of these organisations state that this is against their core values. We will also need to explore this further in our qualitative research with the TSO50.

Finally, we compare the experiences of organisations which rely heavily on **earned income** and those which do not. These data demonstrate clearly that the more income TSOs earn is closely related to their activity in bidding. About a quarter of TSOs which earn more than half of their income are actively bidding for contracts. Furthermore, about a quarter expect that their involvement will rise significantly over the next two years. It is worth noting that 27 per cent of TSOs which earn up to half of their income emphasise their need for further support in bidding for public sector services. While their current involvement in bidding is relatively low at 15 per cent of TSOs, expectations are quite high to increase activity (33 per cent). Clearly, there is a need to match ambition and capability.

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Table 3.3 Expectations about involvement in the delivery of public sector services (Row percentages)

	Involvement will rise significantly	Involvement will remain the same	Involvement will fall significantly	Do not deliver public services	N=
Pre 1945	8.5	40.9	2.1	48.5	235
1945–1980	11.9	39.1	1.3	47.7	235
1981–1996	32.9	29.4	5.6	32.0	231
1997 to date	36.7	29.6	2.2	31.4	226
Neighbourhood	12.7	40.6	1.2	45.4	251
Local authority	22.8	34.5	3.0	39.7	267
More than one LA	29.5	33.2	4.1	33.2	244
Regional or wider	21.1	30.9	2.9	45.1	204
£2,001–10,000	7.1	38.1	1.2	53.6	252
£10,001–50,000	9.9	35.7	1.5	52.9	263
£50,001–250,000	33.1	31.9	3.1	31.9	163
£250,001+	38.1	32.5	5.2	24.2	194
Primary service	32.6	41.5	3.2	22.8	316
Secondary service	37.9	33.1	2.4	26.6	124
Tertiary service	13.5	30.6	4.5	51.4	111
Mixed	7.7	28.8	1.9	61.7	313
No earned income	11.1	32.4	1.0	55.4	386
Up to 50% earned	33.2	30.5	2.7	33.6	262
Above 50% earned	24.4	42.1	5.4	28.1	299

Table 3.4 Awareness of opportunities for involvement in public service delivery (Row percentages)

	Not aware of opportunities	Not bidding: contrary to values/ mission	Aware but need support	Bidding/ delivering	N=
Pre 1945	38.5	49.7	6.5	5.3	211
1945–1980	30.8	50.6	10.5	8.1	218
1981–1996	18.5	36.9	20.0	24.6	223
1997 to date	24.0	38.5	23.5	14.0	221
Neighbourhood	40.7	50.3	6.2	2.8	230
Local authority	26.2	45.8	16.8	11.2	260
More than one LA	22.6	34.9	20.3	22.2	231
Regional or wider	20.6	47.5	15.6	16.2	190
£2,001–10,000	38.6	56.8	2.8	1.7	226
£10,001–50,000	35.3	54.9	7.4	2.5	246
£50,001–250,000	24.6	43.7	24.6	7.0	161
£250,001+	11.2	26.2	30.6	31.9	186
Primary service	25.4	36.4	20.0	18.2	307
Secondary service	14.8	33.0	29.6	22.6	122
Tertiary service	25.6	57.0	8.1	9.3	104
Mixed	33.8	56.0	6.3	3.9	288
No earned income	30.6	60.1	6.7	2.6	349
Up to 50% earned	20.0	37.7	27.3	15.0	244
Above 50% earned	28.2	33.1	14.5	24.2	285

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3.4 Conclusion

In spite of uncertainties about future funding arrangements, most TSOs in North East England and Cumbria tend to be confident about their short-term prospects and expect their income to remain at a similar level over the next two years. Most organisations believe that they will survive because of a steady demand for their services. Interestingly, more than a quarter of the organisations expect an increase in the demand for their services and 22 per cent are sure that they will be more involved in the delivery of public services. Many organisations expect that they will serve a larger group of beneficiaries and be more involved in public service delivery. This could put pressure on their existing budgets and could affect the quality of service they are able to deliver.

Organisations that are most optimistic about their future share similar characteristics: they are more recently established (since 1997); are fairly large as measured by income; they work across a wider geographical level; they provide direct services to beneficiaries; and, they generate most of their funding through earned income. Their optimism and confidence is fuelled by their size, independence (in terms of earned income) and enterprising attitude. However, this is a relatively small proportion of the organisations working in the third sector across the study region. The majority of organisations are happy to maintain equilibrium. Most of these TSOs' income seems to be generated through grants and gifts. These organisations are characterised by their relatively small size; they operate usually at the neighbourhood level, their income does not usually exceed £50,000 and they are well established with long histories, often dating back before 1945.

We also identify a group of TSOs that are more concerned and worried about the future: they fear a reduction both in income and service demand. These organisations have usually been operating for some time (established between 1981 and 1996) and they do have the benefit of experience and established practices. These organisations operate often at an intermediate level (town to local authority) and tend to earn a significant part of their income through providing services (primary and secondary) on a contract basis to statutory services in their area. These organisations fear the upcoming budget cuts and plan try to make up for this by getting more involved in public service delivery. Judging from our findings in the TSO50 study, however,

we suspect that their lower levels of confidence, when compared with other organisations, are more likely to reflect their 'realistic' appraisals of the future and we do not think that they necessarily indicate organisational vulnerability (when compared with those organisations established since 1997).

In the next section, we will explore how organisations are planning ahead so that they may be better prepared for the future.

4 Enterprise

Enterprise has been defined in this study as *"the organisation's capability to marshal its resources and prioritise its energies to achieve the objectives it sets itself in its strategic mission. Enterprise is the means by which the organisation successfully positions itself in order to generate, find or win opportunities which will ultimately benefit its beneficiaries"* (Chapman *et al.*, 2010:35).

The TSO50 report presented data from a small scale, in-depth qualitative study of organisations' preparedness to face the challenges of the future. We concluded that key factors which contribute to the success of organisations are:

- The capability to spot and assess opportunities.

- The capacity to concentrate on building external relationships and networks.

- To know when it is better for them strategically to compete with other organisations and when it is most beneficial for them to work cooperatively.

- To adopt appropriate innovative practice when the needs of the beneficiaries were at the forefront of their minds.

- To have an organisational culture that is responsive to change.

- To foster, where appropriate, good relationships with the public sector organisations or foundations which supported them.

The TSO1000 survey now provides an opportunity to undertake a broader quantitative assessment of the wider significance of these key findings. The Section begins by discussing TSOs' reliance on different sources of income. We then explore the extent to which organisations with different characteristics are more or less likely to exhibit similar practices to those found in the TSO50.

To develop the analysis further, we distinguish between broad categories of organisation to illustrate the extent to which they operate in an enterprising way. Three pairs of opposing organisational positions are identified:

- Organisations which are planning to increase earned income compared with those which are not.

■ Organisations which are planning to collaborate (formally or informally) with other TSOs to achieve their objectives and those which are not.

■ Organisations which are planning to change their practices in order to capitalise upon new opportunities (or protect themselves from changes they face) and those which are not.

While these are relatively crude measures, they produce interesting results as the following series of tables demonstrate, suggesting that organisations at either end of the spectrum do have different ambitions, expectations and experiences.

4.1 Sources of income

Our analysis shows that the extent to which TSOs claim they rely on different sources of income is strongly influenced by their key characteristics.[18] It is commonplace in reports on third sector funding to concentrate most attention on the sources of funding upon which TSOs are *most* dependent. However, here we start by highlighting those sources of funding upon which TSOs are *least* reliant. This approach helps to defamiliarise the observer from taken-for-granted expectations about the essentiality of most forms of funding.

Firstly, it is evident that very few TSOs rely on ***loan income*** – if indeed, they have considered this possibility at all. This tells us something important about the different approach to enterprise of TSOs when compared with small and medium-sized private enterprises (where loan income is their lifeblood if expansion is an ambition). This may also help to explain why organisations which do offer loans often find it difficult to attract third sector customers and may undermine future government attempts to encourage TSOs to rely more heavily upon loans.[19]

A second source of income upon which relatively few TSOs can rely is ***investment income***. With the exception of charitable foundations (grant makers), reliance on this source of income is very low indeed across the board. It is interesting to note that the larger TSOs are (measured by income)

18 The full set of statistics from which this analysis is drawn can be found in Table A.3, Appendix 1.
19 Policy makers have been interested in encouraging third sector organisations to consider using loans instead of, or in addition to grants for some time. Other initiatives indicate the value of 'blended value' creation (see Mulgran and Landry, 1995). New innovations, such as the Social Impact Bond, have gained some favour with the new coalition government, but we have yet to see detail on its introduction and scope. See, for example, Social Finance (2010) for a discussion paper on blended value creation through social bonds.

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the lower the likelihood that they will rely on such sources of income. The same applies for the age of organisations with, as would be expected, newer organisations being much less reliant on investment income. Having isolated two sources of income which have low TSO reliance, it is noted that the picture is much more complicated for other sources of income.

Reliance on **subscriptions** is higher for smaller TSOs (measured by income), older TSOs, and those TSOs which have low levels of earned income. Similarly, gift income is more important for organisations which have no earned income and for smaller TSOs. Elsewhere, patterns are harder to discern, although it is clear that grant makers do have a stronger reliance on gifts than other TSOs. Contributions in kind are not generally ranked very highly by TSOs, although there is some evidence to suggest that small, neighbourhood-based organisations with no earned income are the most reliant on such assistance.

Reliance upon **grants** is generally heavy in the whole sector – including, perhaps paradoxically, those TSOs which earn more than 50 per cent of their income. The same is the case amongst the largest organisations. More recently established organisations (post 1981) are more dependent upon grants than longer established TSOs. It might be expected that TSOs which provide front-line services to beneficiaries would be somewhat less reliant on grants as they rely more heavily on contracts and earned income – but this turns out not to be the case. This suggests that such organisations rely on a range of income sources – a finding which is certainly supported by the results of the TSO50 study – but the consequence of which may be the experience of rapidly fluctuating income from year to year.[20]

Reliance upon **contracts or service level agreements** (SLAs) varies significantly by organisational type. As would be expected, TSOs which earn no income have very low reliance compared with their more entrepreneurial counterparts; similarly, very small organisations express low levels of reliance on such income when compared with larger TSOs. Longer established organisations, particularly those established pre 1945, tend to have a lower reliance on such income than newer TSOs. TSOs which operate at the local level tend to depend less heavily on contracts than organisations which run services across local authority boundaries or at a regional level. As expected, organisations which deliver primary services are amongst the most likely to rely on contracts, although not to the same extent as infrastructure

20 See Chapman *et al.* (2009: 48).

organisations which put a high premium on such sources of income (to include services as, for example, volunteer bureaux or to play a representative function in their area of operation).

Finally, it is apparent that the extent to which TSOs rely on **earned income** (not including contracts and SLAs) varies significantly according to organisational type. Older organisations (pre 1981) are rather more reliant on such income than newer TSOs. This is also the case with TSOs which operate at a neighbourhood level; however, our analysis also shows that small organisations generally have lower levels of dependence on earned income than larger ones.

Tables 4.1 and 4.2 take the analysis further by exploring what kinds of organisations are most likely to rely on earned income. In these tables, however, the definition of earned income is widened to include contracts and SLAs as categories of earned income. It should be noted that the organisational types defined in this table are those which TSOs "choose" to describe themselves as, rather than referring purely to their legal form. It is clear from these data that those organisations which are most reliant on earned income are Industrial and Provident Societies (IPSs) (82 per cent), Cooperatives (71 per cent), Community Interest Companies (CICs) (65 per cent), Social Enterprises (59 per cent) and Companies Limited by Guarantee (CLGs) (45 per cent). This is to be expected, but it is interesting to note that many such TSOs do not earn a majority of income, or indeed any of it in some cases. It is certainly surprising to note that 15 per cent of organisations which describe themselves as social enterprises have no earned income.

As the second panel of Table 4.2 shows, the majority of organisations which have a higher reliance on earned income are larger TSOs: well over half of IPSs and CLGs have incomes above £250,000 a year. The 'less enterprising' organisations generally describe themselves as charities, voluntary or community organisations – or are unincorporated. The majority of these organisations (63–74 per cent) are smaller organisations with incomes of less than £50,000 a year.

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Table 4.1 Earned income and by organisational type

	Proportion of TSO income earned			
	No earned Income	Up to 50% earned income	Over 50% earned income	N=[1]
More enterprising TSO types				
Industrial and Provident Society	8.8	8.8	82.4	34
Community Interest Company	10.0	25.0	65.0	20
Cooperative	14.3	14.3	71.4	7
Social enterprise	14.7	26.5	58.8	68
Company Limited by Guarantee	13.4	41.8	44.8	194
Less enterprising TSO types				
Community organisation	38.2	30.1	33.5	279
Voluntary organisation	42.2	29.3	28.4	334
Registered charity	43.0	28.6	28.4	783
Charity	48.1	24.1	27.8	79
Unincorporated organisation	45.5	31.8	22.7	44

1. N= the number of cases on % of earned income, The overall count equals more than 1,050 because respondents were able to choose as many definitions that they felt applied to them.

Table 4.2 Income by organisational type

	Total TSO income in previous year			
	% of TSOs with income below £49k	% of TSOs with income £50–249k	% of TSOs with income £250k+	N=[1]
More enterprising TSO types				
Industrial and Provident Society	6.9	34.5	58.6	29
Community Interest Company	35.0	45.0	20.0	20
Cooperative	20.0	40.0	40.0	5
Social enterprise	29.2	24.1	46.6	58
Company Limited by Guarantee	16.6	26.0	57.4	169
Less enterprising TSO types				
Community organisation	69.6	16.6	13.7	277
Voluntary organisation	67.9	15.6	16.5	340
Registered charity	63.2	17.1	19.8	779
Charity	73.3	10.7	16.0	75
Unincorporated organisation	74.4	17.0	8.5	47

1. N= refers to cases on overall income in the previous year. The overall count equals more than 1,050 because respondents were able to choose as many definitions that they felt applied to them.

4.2 Organisational planning

We turn attention now to explore the extent to which organisations are planning for the future.[21] The analysis suggests that TSOs which are planning to increase income are much more likely to think demand for services will rise (40 per cent). Interestingly, these organisations are less certain about their financial future than non-planners where almost 80 per cent of TSOs expect stability in their financial futures. Indeed, planners are almost equally divided on expectations about future rises or falls in income – with about 18 per cent expecting income to rise and 22 per cent expecting income to fall. Judging from recent successes, however, it appears that those organisations which do plan have recently experienced rising income compared with those which are not planning for their future (23 per cent compared with 10 per cent respectively).

TSOs which are planning to collaborate (or are already doing so) with other TSOs, are much more likely to expect demand for their services to rise (51 per cent compared with 19 per cent not planning to collaborate). Also, their income is more likely to have risen in the last two years (23 per cent) compared with those which do not collaborate where income was generally more stable. While those TSOs which are interested in collaboration are more likely to expect income to rise – they remain relatively cautious – suggesting a higher level of realism on their part about the future, or possibly of unrealistic expectations amongst those TSOs which are not prepared to work with others. We will be exploring this further in future waves of the study.

A willingness to change practices to meet future needs can also be an indicator of organisational confidence. Those organisations which intend to change practices are much more likely to think demand for their services will rise (49 per cent) and they are generally cautiously optimistic that income will rise (although a substantial number feel that income could fall). Those organisations that are not intending to change their practices, by contrast, generally expect that things will remain the same (78 per cent). Determining whether these expectations are well founded or not will also need to be explored in future waves of the study. It is useful to note, however, that in the last two years, TSOs which now seek to change practices were much more likely to have increased income than those which have no such plans.

21 The full set of data can be found in Table A.4, Appendix 1.

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Table 4.3 considers the relationship between organisational planning and the confidence TSOs have in their own capability to achieve their objectives on a range of fronts. It is evident from these data that those TSOs which are: planning to increase income; planning to collaborate with other TSOs; and, planning to change practices are all considerably more confident about their ability to: produce innovative solutions to meet beneficiary needs; effectively deliver community support; and, be professional in practice in comparison with TSOs which are not planning such changes. Differences are less pronounced in relation to communicating achievements; appointing trustees with the right skills; being effective at reaching into communities and involving beneficiaries – but in most cases, organisations which plan their activities are more confident than those which do not.

Table 4.3 Relationship between organisational planning and degree of confidence in capability (mean scores[1])

	Can produce innovative solutions	Can deliver community support	Professional in practice	Can communicate achievements	Can appoint trustees with right skills	Effective at reaching into communities	Effective at involving beneficiaries	N=[2]
Planning to increase earned income	1.77	1.65	1.53	2.07	2.08	1.86	2.01	356
Not planning to increase earned income	2.08	1.90	1.78	2.14	2.05	1.98	2.21	414
Planning to collaborate with other TSOs	1.71	1.57	1.42	2.08	2.03	1.76	1.96	209
Not planning to collaborate with other TSOs	2.01	1.86	1.75	2.12	2.07	1.98	2.17	561
Planning to change practices	1.75	1.57	1.45	2.12	2.13	1.81	1.97	211
Not planning to change practices	2.00	1.86	1.74	2.10	2.04	1.96	2.17	568

1. Mean scores on a scale ranging from 1='Strongly agree' to 4='Strongly disagree'. Any scores above 2.50 suggest a higher degree of pessimism than optimism.
2. N= average response across all categories.

northern rock foundation

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Table 4.4 considers the relationship between a willingness to embrace organisational change and interest in delivering public sector contracts. This table produces some surprising results on the lack of preparedness of many TSOs to consider such options or even be aware of them. Indeed, there is no real difference between those organisations which are planning to increase income and those which are not when considering awareness of such opportunities. However, much bigger differences emerge in relation to choices about whether or not to engage with such opportunities. Those organisations which are not planning to increase their earned income are very much more likely to think that such work runs against their core values or mission (54 per cent). This suggests that there is a sizeable core of organisations in the third sector which have a relatively conservative position on organisational mission and organisational change. But in keeping with this, they want to maintain the status quo: remain more or less the same size and keep doing what they do in more or less the same way.

Those TSOs which are interested in collaborating with other TSOs are much more likely to be aware of opportunities to deliver public services and are also much more likely to be bidding for or delivering public services (27 per cent compared with 9 per cent who are not planning to collaborate). By the same token, those TSOs which intend to change practices are also much more aware of opportunities, and much more likely to be bidding. This suggests that there is a group of organisations in the third sector which have more flexible outlooks on sources of funding and are also more agile in terms of attitudes towards changing practices and engaging in productive collaboration with other TSOs.

This is not to suggest, by implication, that there are only two types of organisation which are 'poles apart' in their approach to planning for the future. But it does imply that at each end of a continuum, there may be TSOs which are quite comfortable about what they are and what they do – even if their missions are really quite different. It will be important to examine in future waves of the study how those organisations which are less certain about their position on such issues as collaboration, income generation and changing practices will fare in an uncertain world.

Table 4.4 Relationship between organisational planning and willingness to seek contracts to deliver public services (row percentages)

	Not aware of opportunities to tender for public sector services	Not bidding due to core values or relevance to mission	Aware of opportunities but need more information, support or perceive barriers	Bidding for or delivering contracted services now	N=
Planning to increase earned income	26.0	33.0	20.8	20.2	361
Not planning to increase earned income	28.4	54.0	10.2	7.4	409
Planning to collaborate with other TSOs	16.2	25.1	31.9	26.7	219
Not planning to collaborate with other TSOs	30.9	50.5	15.2	9.0	768
Planning to change practices	16.1	26.2	32.2	25.6	199
Not planning to change practices	31.2	50.4	9.4	9.1	571

4

In order to explore the relationship between broadly defined organisational types and expectations about the future, Table 4.5 examines attitudes about a more clearly defined form of collaboration between TSOs, that is, 'partnership bidding' for contracts or grants. What is immediately apparent from these data is that relatively few TSOs are taking the idea of partnership bidding particularly seriously – whatever their position is towards income generation, collaboration or changing practices. Indeed 58 per cent of TSOs which intend to increase earned income will not consider partnership bidding, although the percentage for those which are not planning to increase income is very much higher, standing at 86 per cent.

When considering the situation of those organisations which see collaboration as a possibility, however, it is apparent that the majority (60 per cent) are planning, doing, or at minimum, thinking about this possibility. TSOs which are not interested in changing their practices are mostly disinterested in partnership bidding, with fewer than 18 per cent considering this possibility – and a likelihood (judging from our work with foresight panels), that many of these organisations do so somewhat reluctantly.[22] In sum, the analysis in Table 4.5 lends significant support to the emerging picture that a significant proportion of organisations in the sector are somewhat polarised by what we might call more 'entrepreneurial' and more 'conservative' attitudes. This is not to say that either position is better than the other, or is more likely to protect organisations in the future from changes in social, political and economic environment.

22 See Bell, *et al.*, 2010: 34–38.

Table 4.5 Relationship between organisational planning and success in partnership bidding (row percentages)

	Have been successful in partnership bidding	Have applied in partnership but not successful yet	Not yet bidding in partnership but are considering this	Not considering partnership bidding for contracts	N=
Planning to increase earned income	16.4	8.4	17.6	57.6	403
Not planning to increase earned income	4.8	1.5	7.5	86.1	584
Planning to collaborate with other TSOs	24.7	10.5	25.1	39.7	219
Not planning to collaborate with other TSOs	5.2	2.8	7.7	84.4	768
Planning to change practices	20.3	9.2	24.0	46.5	217
Not planning to change practices	6.5	3.0	8.2	82.3	770

4

The final table in this series (Table 4.6) explores the relationship between organisational 'conservatism' or 'entrepreneurialism' by considering TSOs' attitudes about what the future holds for them. The first two columns of the table examine expectations about the ease of employing the services of paid staff and volunteers in the future. It is apparent that whether TSOs are planning to increase earned income or not, many share an expectation that the number of employed staff will remain about the same. When considering the prospects of maintaining numbers of volunteers, by contrast, TSOs which are planning to increase income are slightly more likely to think number of volunteers will increase. Those TSOs which see the advantages of collaboration are more likely to expect that numbers of employed staff and volunteers will increase compared with TSOs which do not intend to collaborate – although again, these differences are not great. TSOs which either intend to change their practices or to leave things as they are, expect that numbers of employed staff will remain about the same; but those which want to change practices are generally more optimistic about volunteer numbers.

As noted in the discussion of Table 4.5, relatively few organisations are interested in partnership bidding. However, it is apparent that those which do consider collaboration as a positive option are considerably more optimistic about this activity becoming more common. Similarly, TSOs which plan to increase income or change practices are generally more positive about the prospects for partnership opportunities. When considering the possibilities of increasing numbers of partnerships, organisations across the board are relatively pessimistic about future prospects. Attitudes about levels of funding from statutory bodies is, however, very much more pessimistic – especially amongst organisations which are planning to increase earned income or work collaboratively. This suggests a strong sense of realism about the future by those TSOs which are planning for their future, but not to the point of denting their optimism completely. This also, presumably, accounts for their interest in planning in the first place as relatively entrepreneurially oriented organisations. This sense of realism is also reflected in the future expectations of public sector organisations about the activities of TSOs. More entrepreneurial organisations are considerably more likely to think that expectations will increase – although this is not to say that this will deter them from working with the public sector.

Table 4.6 Relationship between organisational planning and expectations about the future (mean scores[1])

	Number of paid staff will increase	Number of volunteers will increase	Working in partnership will increase	Number of contracts held will increase	Statutory agencies' expectations will increase	Funding from statutory bodies will increase	N=[2]
Planning to increase earned income	2.93	2.75	2.47	2.85	2.28	3.52	274
Not planning to increase earned income	2.99	2.91	2.67	2.84	2.56	3.39	225
Planning to collaborate with other TSOs	2.89	2.64	2.27	2.79	2.12	3.53	187
Not planning to collaborate with other TSOs	2.99	2.91	2.73	2.88	2.56	3.43	335
Planning to change practices	2.94	2.66	2.36	2.82	2.25	3.47	176
Not planning to change practices	2.97	2.90	2.68	2.87	2.50	3.48	327

1. Mean scores on a scale ranging from 1='Increase significantly' to 5='Decrease significantly'. Any scores above 3.00 suggest a higher degree of pessimism than optimism.
2. N= average response across all categories.

4

4.3 Conclusion

In this section, we have shown that within the third sector there are important distinctions to be drawn between the 'places' organisations occupy. While these findings are preliminary, it seems to be the case that there are two categories of organisational placement which emerge through the analysis. There is a group of smaller, more local, older organisations which operate within a more traditional model of a TSO. They appear to be less interested in following the agendas of the last two decades where the delivery of public services has become more common in the third sector. They are less formal in their organisational operation in the sense that they do not appear to have a strong 'businesslike' or 'professional' orientation. But they are embedded in their communities and are likely to have significant support through the relationships they have nurtured over time. This category of TSO seems to be in the majority, accounting for between 40–60 per cent of the third sector.

There is another group, which is much smaller in size, which is more entrepreneurial in its orientation. These organisations were mainly established from 1981 to 1997 and they operate regionally or across local authority boundaries. They tend to be larger and to have a strong orientation to the delivery of direct services to beneficiaries, often under contracts. While they do tender for contracts, this is by no means the only source of income – as they are also recipients of grants and other sources of income they raise or earn. These organisations seem to be much more likely to operate strategically. They plan ahead well and this indicates that they are agile about placing themselves in a good position to withstand changes in a complex social market. They appear to comprise about 15–25 per cent of the third sector.

There are other organisations which fall between these two categories. Some seem to lean more closely towards the entrepreneurial organisations, but they are less well established and seem to be more vulnerable. Most seem to have emerged in the post 1997 period and may have grown, particularly, in those areas where there has been much investment in urban regeneration under New Labour. In the current political and economic climate many of these organisations may not have the resilience to withstand intense downward pressure on funding.[23]

23 This is not, of course, to call into question the quality of services or the impact of these organisations.

In more general terms, this section has confirmed many of the findings from the TSO50 study. But we find a sector which is more varied (and perhaps polarised) in its composition than we might have expected. In the conclusion to this report ,we will explore the importance of the way that TSOs are placed in relation to each other and in relation to other sectors in more depth.

Most TSOs appear to have capacity to concentrate on building external relationships and networks, seem to know when it is better for them strategically to compete with other organisations and when it is most beneficial for them to work cooperatively. We also find however, as indicated above, that some organisations are more likely to have organisational cultures that are responsive to change than others. In the next section, we need to explore further what factors are important for TSOs in terms of planning for the future.

5 Capability

An organisation's capability is defined in our previous work as *"its ability to employ, manage, and develop its resources in order to achieve its strategic objectives. All of the resources of the organisation are considered including: its trustees, employees and volunteers; its financial resources; its property; and its relationships with partners, funders and other key stakeholders"* (Chapman *et al.*, 2010: 36).

In the TSO50 study, we concluded that:

■ Many TSOs give serious consideration to their responsibilities in preparing staff successfully to undertake their roles. Training is regarded as an important priority but can be limited by resources, especially in smaller TSOs.

■ Smaller organisations were more likely to seek support from larger TSOs which offer infrastructure support.

■ More confident TSOs integrate many different aspects of their work with the aim of securing their financial future by building close relationships with key stakeholders in funding organisations.

■ Several TSOs did not have a business plan and appeared to be burying their heads in the sand.

■ Some organisations did not need to have a strong business orientation because of their small scale.

■ Larger organisations had full sets of established procedures and organisational practice.

■ Small organisations did not generally need to establish many formal practices, apart from meeting statutory requirements.

The previous section has shown that there is a strong distinction in the third sector in North East England and Cumbria between more 'entrepreneurial' and more 'traditional' organisations. Entrepreneurial organisations plan ahead more, are more collaborative, confident, and are often more successful in partnership bidding. As a result, entrepreneurial organisations are generally more optimistic about the future.

This section looks at how organisations manage their resources, how this may differ between TSOs and the different ways that they achieve their objectives. It will show how differences in practice can be equated to different outlooks of organisations: those who are more entrepreneurial and those who are more conservative. It will also consider if the 'entrepreneurial' organisations are backing up their optimism and 'can do' attitude with significant investments in capacity building, both internally and externally.

5.1 Training provision and needs

In the TSO50 study we found that training is regarded as an important priority but can be limited by resources, especially in smaller TSOs. This is further evidenced here: 56 per cent of TSOs provide training to their staff, volunteers and employees. In-house (42 per cent) and external training (39 per cent) are the most popular types of training, with long distance learning used much less (11 per cent). 18 per cent of organisations provide both in-house and external training.

Volunteers are the primary recipients of training (41 per cent) followed by trustees (32 per cent) and staff, both part time (33 per cent) and full time (29 per cent). 9 per cent of the organisations provide only training to their volunteers, while 15 per cent provide training to all groups: staff, volunteers and trustees.

These findings correlate with the numbers of staff (full and part time) and volunteers that TSOs said that they have. Overall, TSOs employ a higher percentage of volunteers than staff: 17 per cent have no volunteers, with 60 per cent having between 1 and 20 volunteers. 54 per cent have no full-time staff with 39 per cent having between 1 and 20 full-time staff. This is very similar for part-time staff: 45 per cent had none and 39 per cent between 1 and 20.

Interestingly, only 22 per cent of TSOs state that they have a training budget, which means that a large number of TSOs provide training to their staff, volunteers and trustees without having to budget for this cost. On closer inspection, almost half of the organisations that do not have resources available for training are able to provide some form of training, presumably

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through accessing free training on offer from infrastructure organisations or funding bodies (see Table 5.1). In particular, organisations that operate at the local level (neighbourhood to local authority category) often access free training opportunities, although they do not have a dedicated budget to buy in (or pay to send staff to attend) specific training.

Table 5.1 TSOs with a training budget and provide training

	TSO has a training budget	TSO does not have a training budget	All TSOs
Organisation does not provide training	0.9	53.5	41.0
Organisation does provide training	99.1	46.5	59.0
N=	230	738	968

In the TSO50 study we found that smaller organisations were the most likely to seek support from larger TSOs which offer infrastructure support (such as legal advice, back-office services, funding assistance). Reliance on infrastructure organisations was, in general, quite limited. One reason for this might be that the free training available through infrastructure organisations does not always meet the organisations' requirements. Previous research conducted by the PNE Group in North East England on third sector skills (2008:5) concluded that training provision often does not match training needs:

"Unfortunately, the majority of the third sector courses available in the North East do not match the type of training people say that they want or need. In particular, there is a real shortage of training in the following [...] subjects: business skills, fundraising and finance, leadership and governance, coaching and mentoring, marketing and promotion, training and assessment, equality and diversity, and legal issues."

These findings are confirmed by the survey. Table 5.2 considers TSOs' training needs and the priority put on different types of training. Highest priorities include bidding for grants and fundraising. Managing staff and volunteers, financial management, strategic planning and business planning are, on the other hand, not considered high priorities. The 'training not needed'

responses are interesting. On the one hand, the fact that such a high percentage say that they do not need training in tendering and commissioning relates closely to the limited number of organisations involved in this activity. This could also be the case with strategic management. However, business planning, financial management and managing staff and volunteers all need further investigation – we need to find out whether the TSOs do not need training because they already have the right skill set in place, or whether their views about training needs are misplaced.

Table 5.2 TSOs' training needs (row percentages)

	High priority given to different elements of training	Low priority given to different elements of training	Training is not thought to be needed	N=
Managing staff and volunteers	15.6	27.4	56.9	793
Fundraising	35.7	23.6	40.7	852
Bidding for grants	38.9	22.5	38.7	845
Strategic management	16.3	24.2	59.5	744
Financial management	15.0	26.4	58.6	765
Business planning	16.0	23.4	60.7	745
Marketing and publicity	24.7	25.6	49.7	781
Tendering and commissioning	18.2	17.0	64.9	737

It is apparent that training needs and priorities differ significantly between organisations with different characteristics. Differences in training priorities become more apparent in Figure 5.1 which differentiates training needs by age of the organisation. Training in bidding for grants and fundraising is in particularly high demand amongst more recently established organisations (1997 to date). These are also important for organisations established between 1981 and 1996, which also stated that training in marketing and publicity is also in demand. Background analysis reveals that more established organisations are less in need of training in these areas. Size of organisation also impacts on attitudes about training needs: the bigger the organisation the lower the priority in training on strategic and financial management, business planning, and marketing and publicity. Fundraising and bidding are particularly low priorities for middle-sized organisations.

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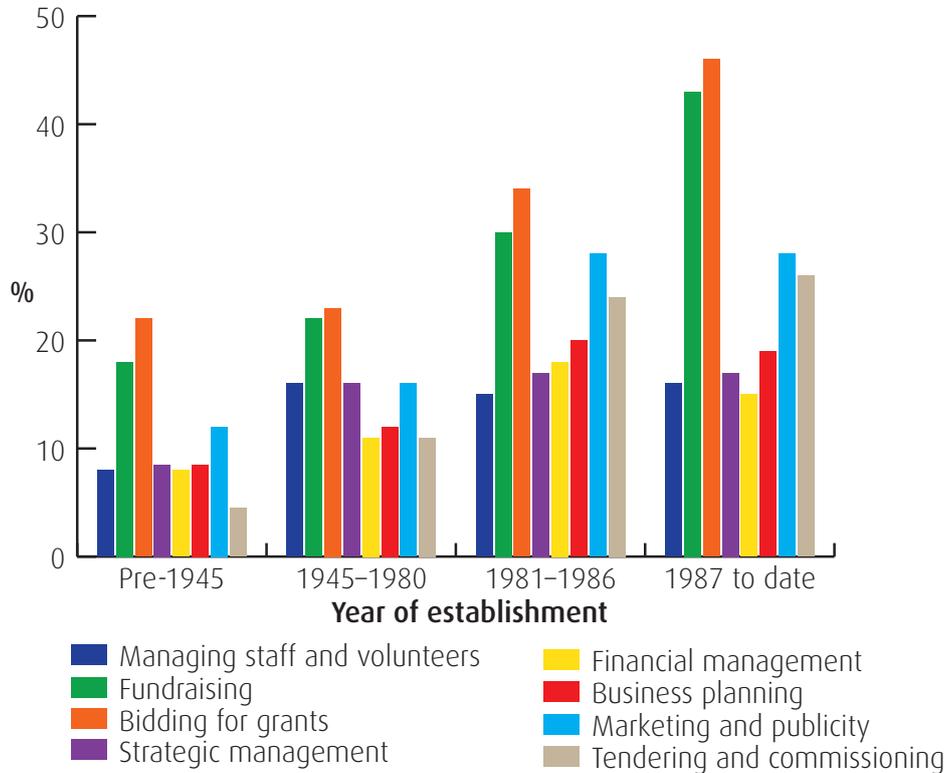**Figure 5.1 Training needs identified by TSOs of different ages**

Table 5.3 shows that TSOs' ability to reserve resources for training depends on a number of organisational characteristics, most notably size (measured by income), level of operation, function, earned income and age of organisation. For example, 92 per cent of organisations that have an income of over £250,000 said that they provide training.

In the TSO50 report, we concluded that organisations generally operate at an appropriate level of professionalism according to their resources and mission. This seems to be confirmed in the survey with larger organisations, both in terms of income and area of operation, being more able to put money aside for training and offer courses to their staff and volunteers.

These findings also reflect those of the TSO50 study where we reported that larger organisations had full sets of established procedures, and that statutory or professional requirements surrounding practice were understood and

Table 5.3 Training budget and provision

	% TSOs with a training budget	% TSOs providing training
Pre 1945	13.9	45.6
1945–1980	20.0	52.8
1981–1996	35.7	67.7
1997 to date	29.9	68.8
Neighbourhood	6.8	38.7
Local authority	21.6	63.3
More than one LA	36.8	67.7
Regional or wider	32.3	62.7
£0–2,000	6.7	48.5
£2,001–10,000	2.0	26.8
£10,001–50,000	10.8	48.6
£50,001–250,000	24.1	67.6
£250,001+	56.6	91.9
Primary service	38.5	76.5
Secondary service	47.2	83.2
Tertiary service	15.8	37.8
Mixed	6.1	41.2
No earned income	10.3	38.0
Up to 50% earned income	37.7	71.1
Above 50% earned income	30.5	74.0
Income risen significantly	43.2	77.4
Income remained the same	20.2	54.5
Income fallen significantly	19.8	57.8

integrated into organisational practice. Small organisations did not generally need to establish many formal practices, apart from meeting statutory requirements. The need for training and requirement of a training budget is

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also higher amongst TSOs offering primary or secondary services. Providing specialist services and working closely with beneficiaries requires focused training that staff and volunteers may not have. Finally, TSOs which were established after 1981 are more likely to have a training budget at their disposal and so give their staff, volunteers and trustees training more often.

5.2 Investing in external relationships

In the TSO50 report, we noted that TSOs are willing and able to work effectively with other organisations when they can see the benefits of partnerships. The TSO1000 results show that willingness to engage in partnership bidding varies considerably across organisations.

Table 5.4 shows TSOs' willingness to be involved in partnership bidding. The results show that more recently established organisations (1997 to date) have been most successful in partnership bidding (16 per cent). Those established earlier (1981–1996) have experienced more difficulties in partnership bidding and have more often been unsuccessful (9 per cent). Although they are more successful in bidding (in partnership), they require more training in this area. Older organisations (established between 1945 and 1980) are simply not considering partnership bidding.

Partnership bidding also becomes more common and successful as the level of operation of an organisation increases. At the regional to international level, 16 per cent of organisations have been successful at partnership bidding, compared to 10 and 11 per cent at local authority and sub-regional level respectively. In contrast, most neighbourhood-based organisations are not considering taking part in partnership bidding (90 per cent). Interestingly, organisations at the sub-regional level are more likely to consider engaging in partnership bidding (21 per cent). Organisations at the sub-regional level also have the highest demand for training in fundraising and bidding.

The same principle applies to size of organisation defined by income, although success is limited: the very largest organisations are most successful in partnership bidding (25 per cent), while the medium-sized TSOs have more unsuccessful experiences (37 per cent). Smaller organisations with incomes below £50,000 are generally not considering this option (87–90 per cent).

Table 5.4 Involvement in partnership bidding (row percentages)

	Has organisation been involved in partnership bidding?				
	Yes and been successful	Yes and been unsuccessful	No, but considering	No and not considering	N=
Pre 1945	3.4	1.3	6.0	89.3	234
1945–1980	6.2	1.7	7.9	84.2	240
1981–1996	15.2	9.1	19.9	55.8	231
1997 to date	15.8	6.1	14.9	63.2	228
Neighbourhood	2.0	2.3	4.3	91.4	256
Local authority	10.3	4.0	11.0	74.7	273
More than one LA	11.6	6.0	21.1	61.4	251
Regional or wider	15.6	5.5	10.6	68.3	199
£2,001–10,000	1.6	1.6	4.3	92.6	256
£10,001–50,000	3.8	0.8	5.3	90.2	264
£50,001–250,000	10.2	37.1	11.4	70.7	167
£250,001+	24.5	8.2	24.5	42.9	196
Primary service	13.2	4.7	16.4	65.6	317
Secondary service	17.2	12.5	23.4	46.9	128
Tertiary service	9.7	1.8	7.1	81.4	113
Mixed	3.8	1.6	4.4	90.3	318
No earned income	2.8	0.3	5.4	91.5	386
Up to 50% earned income	15.5	8.1	18.2	58.1	258
Above 50% earned income	13.3	7.2	14.7	64.8	293
Income risen significantly	18.8	4.7	18.1	58.4	149
Income remained the same	7.6	4.0	9.8	78.6	682
Income fallen significantly	6.6	7.4	13.1	73.0	122
Have training budget	26.1	11.1	25.7	37.2	226
No training budget	4.5	2.3	7.2	86.0	706
Provide training	15.6	6.8	17.7	59.9	416
Provide no training	1.2	1.0	3.4	94.5	571

5 Organisations that provide training for their staff and volunteers share similar characteristics with organisations that engage successfully in partnership bidding. The link between internal and external capacity building becomes even more evident when policies on partnership bidding are compared to the provision of training and establishment of training budgets. Organisations that reserve resources for training and/or provide training by other means are much more likely to be successfully involved in partnership bidding (16–26 per cent), while organisations without a budget or training are in most cases not considering partnership bidding (86–95 per cent).

Moreover, organisations that combine internal and external capacity building are more successful. Organisations whose income has risen significantly over the past two years are often more successful in partnership bidding (19 per cent), while organisations that witnessed a significant reduction in income have more often been unsuccessful in bidding (7 per cent). In contrast, organisations that maintained equilibrium in income are more indifferent to partnership bidding: they do engage in it, sometimes successful (8 per cent) sometimes not (4 per cent), but more often they are not considering becoming involved in partnership bidding (79 per cent).

In turn, success through partnership bidding impacts on the capacity building needs of TSOs. Organisations that experienced financial growth in the past two years have more need for training in financial management, while organisations that were faced with budget cuts over the last two years show more need for training in strategic management and marketing/publicity.

TSOs that have experienced a significant reduction in income over the last two years often have less money to spend on training. They are also less likely to prioritise capacity building. This is evidenced in Figure 5.2 which shows TSOs' training priorities by previous growth. This may be affected by their ability to fund training as suggested in Figure 5.3. Indeed, TSOs whose income has risen significantly in the last two years are much more likely to have a training budget at their disposal (43 per cent), while TSOs with reduced resources mostly have to do so without a dedicated budget (19 per cent).

Figure 5.2 Training needs by previous growth

Managing staff and volunteers
Fundraising
Bidding for grants
Strategic management
Financial management
Business planning
Marketing and publicity
Tendering and commissioning
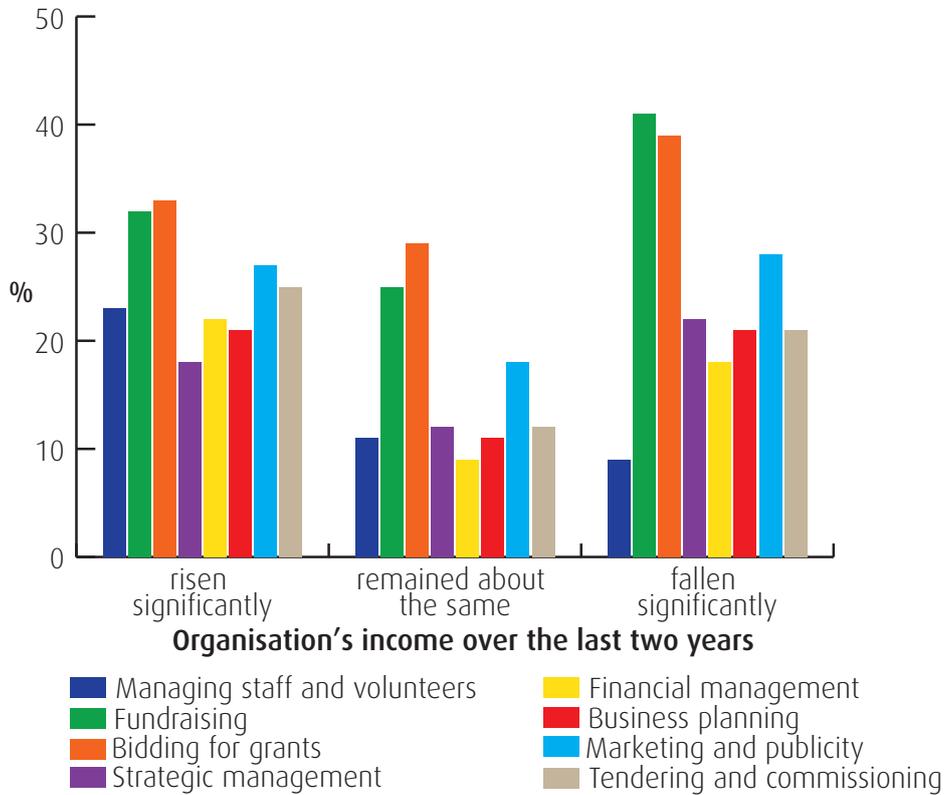
Figure 5.3 Training budget by previous growth
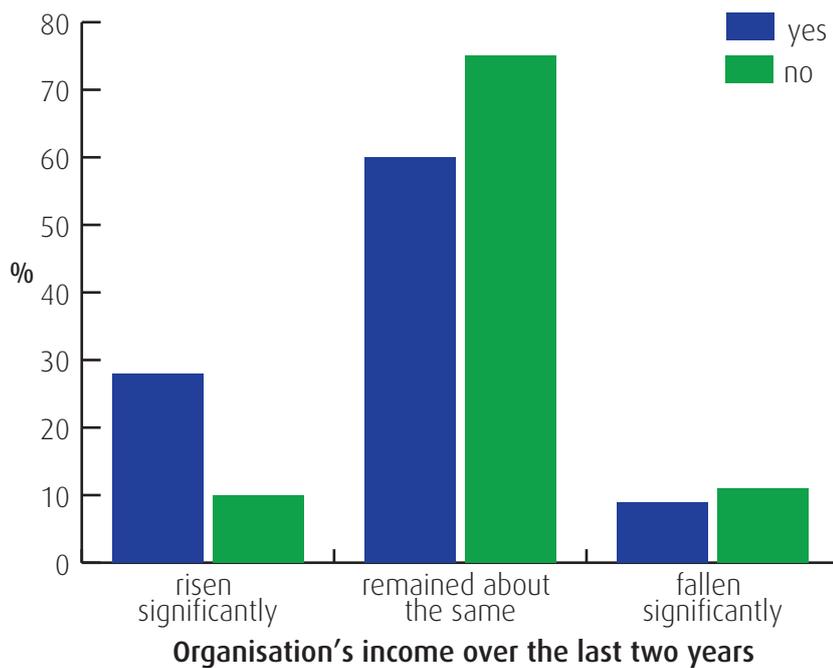
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5.3 Conclusion

Investing in people through training appears to pay off for TSOs and may stimulate strong interest in further training in specific areas. Lack of training seems to put TSOs in more of a disadvantaged position. We are cautious though about reaching conclusions too quickly about causal priority. If we were to argue that the gap between those TSOs which invest in their trustees, staff and volunteers and those which do not could widen as a result of investment in capacity, there is a risk that we are misunderstanding the objectives of some organisations. There may be a compelling argument for stimulating and funding capacity building through training for some kinds of TSOs for future success and sustainability. But equally, it could be that other organisational types make provision in very different ways. We need to explore this in more depth in the next round of our TSO50 study.

For the more entrepreneurial TSOs, our findings do seem to fall in line with the results from the TSO50 study, where we found evidence that the more confident TSOs tend to be more strategic in their planning for training and other aspects of their operations. Indeed, such TSOs tend to integrate many different aspects of their work with the aim of securing their financial future by: building close relationships with key stakeholders in funding organisations; communicating their successes well; and, prioritising time for pre-bidding activity when opportunities were expected to come along.

Other organisations in the TSO50 did not have, or necessarily need to have a strong business orientation because of their small scale. Others did have complex operational requirements and needed to be well run financially – but were not achieving this. Several TSOs did not have a business plan and some appeared to be burying their heads in the sand. Results from the TSO1000 seem to indicate that there are many organisations which do not prioritise investment in their people. We do not yet know whether this is simply due to their burdensome work or limited resources, or whether it is indicative of a lack of strategic direction and a belief in investment in building capacity and competence.

In the next section, we will look more closely at the impact that different kinds of organisations have and whether capacity building can not only increase an organisation's income but also enable them to have more impact.

6 Impact

In this study, impact is defined as *"the organisation's capability to serve its beneficiaries effectively and to make a wider contribution to the community of practice within which it works, to the third sector in general, and to civil society broadly defined. Crucially, this involves the ability of the organisation to understand its impact and to be able to communicate this effectively to outsiders"* (Chapman *et al.*, 2010: 37).

In the TSO50 study, the following key points relating to impact were raised in the conclusions to the analysis:

- Most TSOs believed that they were well respected in the field within which they worked and in the areas where they operate.

- Approaches to communication of their successes were patchy and inconsistent.

- Only in a minority of TSOs were beneficiaries closely involved in shaping the mission and practices of organisations.

- In some organisations, user engagement is structured and integrated and ingrained in the culture of the organisation, but in most cases it is less well developed.

- TSOs generally decide, on the basis of professional experience and practice, how to serve the interests of beneficiaries.

- TSOs, for the most part, had a tendency to measure their impact only if they were obliged to do so by funders.

- Where the evidence of the benefit of practice was not a requirement, benefit was 'assumed' rather than tested.

In the analysis which follows we will draw upon quantitative evidence from the TSO1000 to examine how well these findings relate to a more generalised sample of organisations and attempt to determine the extent to which they apply to organisations with particular characteristics.

6

6.1 Perceptions of success and its communication

In our study of the TSO50, we gained a better understanding of the extent to which organisations communicate their role and impact by exploring how well they worked with public sector bodies which funded aspects of their work. Most TSOs in the TSO50 sample felt that they were well respected in the field within which they worked and also in the areas where they operated. In response to our question about the extent to which TSOs felt valued by public sector bodies, our survey data broadly confirms this finding. As the first column of Table 6.1 shows, the majority of organisations felt valued by the public sector bodies with which they worked. In percentage terms, some 90 per cent of TSOs agreed that they felt valued. The results also show that, on average, organisations felt that public sector bodies 'understood their roles' and 'respected their independence' (in percentage terms, those who agreed were 84 per cent and 88 per cent respectively).

Mean scores are a little lower for the extent to which TSOs feel informed on issues which affect or interest them, but remain positive overall. TSOs do not feel that the public sector involves them fully in decision making or responses to consultation. Responses to 'they involve your organisation appropriately in developing and implementing policy on issues which affect you' and 'they act upon your organisation's opinions and/or responses to consultation', were mainly negative (falling below a mean score of 2.5).

While we do not report all the findings here, we have undertaken detailed analysis of TSOs' attitudes by a range of independent variables, including age of organisation, its primary function and whether their income was rising or falling. However, no discernable trends emerged. Indeed, even in relation to organisational size, as shown in Table 6.1, it is by no means clear that any such relationship exists.

In the TSO50 study, it was noted that organisations tend to invest a good deal of energy through networking and relationship building to secure good relationships with public sector organisations rather than focusing on less direct forms of marketing and publicity techniques to convey their successes. While we have no evidence on the financial investment in formal marketing and publicity strategies, there is some evidence to suggest that investment in this area of activity is relatively low: only 18 per cent of TSOs state that the need for training in this area is a high priority – and over 62 per cent of organisations feel that this is not needed.

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Table 6.1 Extent to which TSOs feel valued by the public sector (mean scores)

	They value the work of your organisation	They understand the nature and role of your organisation	They respect your organisation's independence	They inform your organisation on issues which affect you or are of interest to you	They involve your organisation appropriately in developing and implementing policy on issues which affect you	They act upon your organisation's opinions and/or responses to consultation
£2,001–10,000	1.83	1.92	1.92	2.38	2.67	2.52
£10,001–50,000	1.92	2.09	1.99	2.48	2.82	2.81
£50,001–250,000	1.79	1.93	1.90	2.39	2.68	2.66
£250,001+	1.64	2.05	1.96	2.28	2.51	2.55
All TSOs	1.80	2.01	1.95	2.39	2.65	2.64
N=	170	175	170	167	155	154

The mean response is on a scale from 1='strongly agree' to 4='strongly disagree'.

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6.2 Involvement of beneficiaries

In the TSO50 study, it was found that 'involvement' of beneficiaries in shaping organisational practices and objectives was quite limited. Only in a small minority of organisations was it found that beneficiaries are very closely involved. Evidence presented in Table 6.2 suggests that 'perceptions' of effectiveness may be stronger than the reality. Interestingly, there is a strong relationship between the size of organisation and perceptions of effectiveness at involving beneficiaries. However, we suspect that these differences may be more apparent than real, suggesting that larger organisations understand the rhetoric of beneficiary involvement but are not necessarily actively engaged in its practice.

Table 6.2 Impact on and involvement with beneficiaries (mean scores)

	We are effective in the delivery of community support and development	We are effective at reaching into communities	We are effective at involving beneficiaries in decision making
£2,001–£10,000	1.96	2.04	2.32
£10,001–£50,000	1.92	2.03	2.21
£50,001–£250,000	1.66	1.85	1.90
£250,001+	1.54	1.75	1.98
All TSOs	1.80	1.94	2.11
N=	705	693	682

The mean response is on a scale from 1='strongly agree' to 4='strongly disagree'.

As noted in our TSO50 report, there sometimes appears to be a degree of tokenistic involvement of beneficiaries. While we recognised that TSOs feel that they exist to 'serve' beneficiaries, this ingrained culture of service reveals something about intentionality – about helping the world to become a better place. In another, it may represent an interest in shaping the world in a particular way – that is – defining what it is that people need in order to improve their lives, rather than asking them what they want. That said, it is important for us to reiterate a conclusion from the TSO50 study: we do not know what the 'right' balance is between the competing demands for

the use of professional judgement by the practitioner and respect for individualised needs and wants of the client. This will, therefore, be an issue for serious consideration as our research progresses into the next stage.

In the TSO1000 study, we were keen to explore the extent to which benefit to users is considered and assessed. This is an important issue on different levels. Firstly, to examine how organisations frame the question 'How do we *know* if we are achieving what we want to do?' from the perspective of beneficiaries. Secondly, to find out if they are practicing in an 'efficient' way – that is, using their resources to best effect. And thirdly, whether TSOs can produce the 'evidence' to demonstrate the worth of what they do.

In the TSO50 study, it was reported that TSOs measure the benefit of what they achieve for their clients in a piecemeal way. Many organisations simply had not addressed the issue at all while others grasped for any evidence that came to mind – such as the receipt of complimentary letters or cards. In some organisations, we noted, the lack of attention to measuring success was explicable, because the members of the organisation *are* the beneficiaries and the fact that the organisation continues to exist is evidence enough for them of its success.

Given the small size of the sample in the TSO50, it was felt to be important to explore this issue in more depth using survey data. Our evidence shows that TSOs do not put a high priority (or even a low priority) on involving beneficiaries in assessing the impact of what they do.[24] For the sample as a whole, it is apparent that the most important way that TSOs include beneficiaries is through informal individual discussions: but only about 31 per cent of organisations put some level of priority on this method (25 per cent high and 6 per cent low priority).

The next most important approach is to have an established complaints procedure (28 per cent), followed by the use of surveys (23 per cent), events (22 per cent). Very little priority is allocated to the use of more formal approaches such as participatory appraisal procedures (14 per cent) or the use of focus groups (16 per cent).

24 For the complete set of statistics see Table A.5, which can be found in Appendix 1.

6 When the extent to which organisations prioritise beneficiary involvement in assessing impact by the size of organisation, the evidence indicates that larger organisations generally take such practices more seriously. This point appears to apply equally well, even, to the simple practice of talking to beneficiaries informally about the impact or their practices.

Some measures of organisational impact are collected as a requirement of funding. This is shown in the first two columns of Table 6.4. It is evident that in larger organisations, which are more likely to be involved in the delivery of contracts or service level agreements, a much higher level of priority is placed on reporting both output and outcome data. Indeed, over 50 per cent of organisations with annual incomes above £250,000 collect such data which seems to match quite closely to the extent on their reliance upon such sources of income.[25] Voluntary approaches to the assessment of impact through the conduct of social audits, by contrast, are given very low priority – even in the largest organisations. This was reflected in the findings from the TSO50 study where only the most financially robust organisations conducted social audits. They did so to test their financial resilience and the wider impact of their practice, together with a desire to communicate their successes further afield.

Table 6.3 Use of formal methods to collect data on impact

	Priority	% of TSOs which collect data on outputs for funders	% of TSOs which collect data on outcomes for funders	% of TSOs which conduct social audits	N=
£2,001–10,000	High	3.7	4.5	1.1	269
	Low	1.5	1.8	2.2	
£10,001–50,000	High	8.4	10.4	2.9	278
	Low	5.0	4.3	3.9	
£50,001–250,000	High	31.2	31.8	6.9	173
	Low	5.8	7.5	7.5	
£250,001+	High	54.0	52.5	9.1	198
	Low	4.5	3.5	11.1	
Total	High	21.0	21.4	4.4	951
	Low	4.1	4.2	5.7	

Note: Percentages represent the proportion of the total population of TSOs in each row.

25 See: Kane and Mohan, 2010a, 2010b.

6.3 Conclusion

This section has confirmed many of the findings from the TSO50 study. Most organisations believe that they are well respected in the field within which they work and in the areas where they operate. They are confident that the public sector understands what they are there to do and that their work is valued. However, they do not feel that third sector organisations have a particularly strong voice in the development of policy in their area of operation.

We have found that the third sector is generally quite confident about its practice and feels that it makes a strong contribution to society through its actions. The third sector makes claims that it is close to its beneficiaries and is effective at investing in its communities of practice. As found in the TSO50 study, however, only a minority of TSOs in this study appeared to involve beneficiaries closely in shaping the mission and practices of organisations. In some organisations, user engagement is structured, integrated and ingrained in the culture of the organisation, but in most cases it is less well developed. There is some evidence to suggest that TSOs, for the most part, have a tendency to measure their impact mainly when they were obliged to do so by funders.

We are mindful of the fact that making claims that the third sector *should* be better at evidencing its impact is easily said, but hard to do. There is little agreement amongst academics, social policy practitioners and a plethora of think tanks and consultants about the best way to measure outputs, outcomes and impact of interventions. Worse than this, there is much dispute about what these terms mean – making comparative measurement very difficult to achieve. While successive governments have been interested in the idea of impact measurement through, for example, social return on investment methodology and cost-benefit analysis – no commonly accepted reliable measure has yet emerged.[26]

We cannot say whether heavy commitment of organisational time and resource in evaluation and assessment of organisational impact is a worthwhile investment for TSOs. The indications are, however, that such investment is probably more worthwhile for some organisations than others.

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26 For a concise and thought-provoking review and discussion of the literature see Westall, 2009; see also, New Economics Foundation, 2009; Nutley and Davies, 2002; Laforest and Orsini, 2005; Cabinet Office, 2008; and, Burns and MacKeith, 2006.

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We suspect that the more agile entrepreneurial TSOs, which are more responsive to social market transformations, will benefit most from such work. This is because they are more likely to undertake contracts to deliver public services where demand for the demonstration of impact is greatest. While the new coalition government has stated a lower level of interest in the use of performance management than the previous government, there are still strong indications that a 'payment by results' culture could emerge.

We will be in a strong position to comment on the value of investing in impact measurement following the second and third waves of the study. At that point, we will be able to identify the benefits to organisations of having done such work in terms of their practice and also, more pressingly, in terms of their survival in an increasingly competitive social market.

7 Conclusions and discussion

There is widespread awareness of potential threats to the third sector resulting from significant changes in the social, political and economic environment (as our parallel working paper which reports on the Foresight Panels shows), and we have little doubt that such views have circulated throughout the whole of third sector. And yet, we find that TSOs in North East England and Cumbria remain relatively confident about their prospects in the shorter and longer term. Most organisations expect that their level of income will remain more or less stable over the next two years. Indeed, many organisations are even more optimistic and expect that demand for their services will rise and that their income will increase significantly because of increased involvement in public service delivery.

7.1 Consequences of the changing economic, political and policy environment

A key objective of the Northern Rock Foundation Third Sector Trends Study, as noted in the introduction to this report, is to explore how different parts of the sector are characterised and how this impacts on their response to change. We cannot yet be precise about how such sub-sectors might be identified empirically, but we are much closer to understanding what is going on.

In our first working paper, we considered the idea of comparing the third sector with a mosaic, where there are lots of elements of different colours which ultimately construct a bigger picture. We speculated about the possibility of identifying and clustering TSOs with common characteristics in order to identify particular types of organisations. However, we now know that many TSOs defy placement in a simple or single framework. Taking patterns of funding as just one example, firstly, we find that TSOs often rely on a wide range of funding sources which makes it very difficult to separate organisations into 'types'. Secondly, many of the more successful organisations (as shown in the TSO50 research) appear to have fluctuating income profiles – but this does not necessarily indicate organisational frailty – it is just a characteristic of the way that some TSOs operate. Thirdly, we observe that when organisations describe themselves in one way, for example as a

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'social enterprise', this often does not translate well into their pattern of funding or business practices. Indeed, we found that 15 per cent of organisations which call themselves social enterprises have no earned income at all. Similarly, we find many organisations which say that bidding for contracts to deliver public sector services is against their core values – and yet we find some that are tendering for such contracts, or are doing them already. This suggests to us that we need to adopt, at this stage of the research at least, a more cautious and general approach to understanding organisational typologies. Consequently, we have become more interested in exploring how TSOs are *positioned* in relation to the social market. We can conclude in this paper is that it is possible to identify three broad categories of organisational position within the third sector.

Entrepreneurial organisations which deliver direct services to beneficiaries

These organisations, which are the most optimistic about their future, share similar characteristics. They tend to have been more recently established (since 1981), are medium sized in term of income (£50,000–£250,000) and operate beyond neighbourhood or a single local authority level. They are more likely to provide direct services to beneficiaries and they generate much of their funding through earned income or from contracts. These organisations are characterised by a businesslike attitude. They plan actively to increase their income and are willing to collaborate with other organisations across sectors and engage in partnership bidding to secure future funding. Moreover, they are quite successful in this and invest significantly in capacity building by providing training to their staff, volunteers and trustees. This group of organisations, compromising roughly a 15–25 per cent of organisations in the sector, are the entrepreneurial representatives of the sector, constantly on the lookout for opportunities, combining a strong sense of business acumen with professional values.

Established organisations which are embedded in their communities

Established organisations, with long histories, often dating back before 1945, also feel quite secure about their future; they are less interested in increasing their income; and, are less interested to work in partnerships or to work across sectors. The majority of their income is generated through grants and gifts, more rarely contracts, but they are often partially reliant on long-lasting service level agreements from local authorities and their own earned income.

These organisations are characterised by their relatively small size; usually operating at the neighbourhood or single local authority level.

This group, compromising about 40–60 per cent of the sector are the most established and 'conservative' group in the sector (in the sense that they are comfortable with a situation within which their practice is established, embedded and continuous). They deliver valuable services to their local beneficiaries and are mainly concerned with consolidating these services. They operate on a strong value basis and are less open and responsive to demands from funders and policy makers. They are less concerned with capacity building and formal partnerships, formal business practice and training.

Less secure organisations growing or emerging in the 'boom years'
There appear to be two other organisational positions which sit somewhere between these reasonably secure groups of TSOs but their shared characteristics are quite hard to disentangle. In broad terms, roughly 20–30 per cent of TSOs occupy this position in the sector. Some of these TSOs appear to be closer in mission to the established entrepreneurial TSOs; while others are closer in mission to the more traditional embedded local organisations. These organisations have usually been operating for some time and experienced significant growth during the period of Labour government, or may be fledgling organisations which emerged in response to significant investment in many new regeneration initiatives (such as, for example, the Neighbourhood Renewal Fund, New Deal for Communities, Local Economic Growth Initiative, Housing Market Renewal and Community Cohesion Pathfinders). They may have benefitted from the upsurge in national and local government investment in community and may have gained significant assistance in their establishment through capacity building and infrastructure support. Organisations with these broad characteristics mainly operate at a local authority level but sometimes across local authority boundaries and have some experience in partnership bidding, although not always successfully so. They tend to earn a significant part of their income through providing services (possibly in consortia with other lead partners) on a contract basis to local statutory services or local strategic partnership bodies. Within this broad category, we suspect there are two further organisational positions.

Some appear to be closer in position to more successful *entrepreneurial* TSOs, but they are less mature and less independent organisations and are more

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fearful (or too optimistic) about the looming public sector budget cuts. They are planning to tackle this by, amongst other things, getting more involved in public service delivery and partnership. They are hoping, we suspect, to move towards the position of the more established entrepreneurial organisations we have identified.

Other organisations seem to be less active in scanning the horizon and forward planning. They may have blocked off some of the options which may be available to them because they feel such choices are against their core values and mission. But they also tend to be less well informed about possibilities and are fearful about 'barriers' which may result in them applying for smaller-scale grant funding where they actually have a reasonable chance of success. These organisations seem to be closer in position to the more established and *traditional* locality-based organisations but may not have sufficient assets or regularised core income, or be sufficiently embedded in their communities to weather future storms. Many may be affiliated or federated to other organisations, but are not necessarily protected by this status.

Due to their smaller size, economic fluidity and frailty, lack of community embeddedness and stronger dependency on local funding, both of these sub-groups may be more at risk in the current economic and political climate and need to reposition themselves by finding new sources of income.

We will develop these profiles more clearly in future research, but these current profiles allow us to raise some significant questions about the future well-being of the third sector in North East of England and Cumbria.

7.2 Disentangling profiles of organisations

Awareness of these different organisational profiles helps to make sense of the way the third sector is structured in the study region. What is clear is that nearly all organisations of any size rely, to a greater or lesser degree, on a wide range of funding sources. It makes no sense, therefore, to assert that organisations which have contracts are significantly different from those which have grants. Bolstered by the evidence we have collected in the TSO50, we think that the likelihood is that many organisations will have both.

Indeed, the most entrepreneurial and businesslike organisations appear to be heavily funded by grants – but not necessarily all the time. Perhaps the more important point is that they are not as dependent on one source of income, providing that they maintain the entrepreneurial zeal to ensure that their future finances are catered for. Furthermore, they may have the security of reserves, stable income from renting property, or established and secure sources of earned income.

Grants remain the main source of funding to a large number of traditional and community embedded organisations. Often such organisations state that contracting is against their core values or is not relevant to their mission – and yet, some of these organisations *do* deliver public sector services (and sometimes even do so in partnership with others if it suits them well). The likelihood is that they do not perceive this as contracting and prefer to think of such sources as commissioned services or service level agreements. There is little clarity in the sector about the 'differences' between these terms (as evidence from our Foresight Panels, Infrastructure organisation interviews and TSO50 research has revealed). However, the use of terminology does seem to help organisations to maintain the position in the sector they want to occupy.

If there is such fluidity in the use of terminology about funding, and such a mix and match of funding options employed, then what is it that leads us to argue that there are reasonably distinctive organisational positions (apart from enthusiastic usage of 'businesslike' language and practice by some and abhorrence to such practices by others)? We need to state this case, otherwise, it might be argued that the conclusions we have drawn are nothing more than convenient statistical manipulations to serve a purely theoretical purpose.

We think that three inter-related factors show that there is a degree of polarisation in practices and values the third sector.

Partnership and collaboration

The first is the willingness to engage in formal intra-sector and cross-sector partnerships. We find that relatively few TSOs are ready for formal partnership working – except in a very limited range of circumstances. If it were not for the enormous push for partnership from government and its agencies over the last decade this would seem less surprising. After all, small and

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medium-sized businesses are not characterised by their eagerness to enter into partnerships – and micro businesses are even less likely to. On the contrary, many start such businesses to escape from reliance on others and establish their independence.

During the period of Labour government, the language of partnership became so pervasive, that it almost seemed like an insult to presume that an organisation would *not* enter into such arrangements. In spite of the encouragement (or pressure) to engage in partnership, we find that the sector as a whole is still not yet ready for formal partnership working. This is not to argue that TSOs do not maintain good informal relationships with other TSOs in their area and have often established good relationships with public sector organisations and foundations. This is demonstrated clearly by our research with the TSO50. We found that TSOs are often happy to cooperate informally with each other. And in many cases, larger TSOs take smaller ones under their wings and offer capacity-building support, share back-office resources and assist with a whole range of other activities (such as payroll, accounts and human resource support) sometimes for free or for just a small fee.

As our work with Foresight Panels shows, TSO willingness and ability to engage in formal partnership is hampered by two significant barriers.[27] Firstly, endemic competition over finite resources makes TSOs nervous about collaborating in more 'restricting' formal partnerships. Secondly, the unequal power relationship between TSOs and the public and private sector means that TSOs are often not in a strong enough position to negotiate the conditions of partnership.

Investing in people

The second feature which distinguishes the more entrepreneurial TSOs from the more traditional and community embedded TSOs, is different attitudes towards investment of resource in the development of staff and volunteers. While training is valued across the sector as a good principle, the extent of its practice differs very significantly. Often the lack of a training budget is due to budgetary restrictions or the lack of availability of suitable sources of training and support. This is particularly the case for the third less secure organisations we have identified, which recognise the need for training but often lack the means to resource a training budget for their staff

27 For an in-depth discussion, see Bell, *et al.*, 2010).

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and volunteers. As a result they access free training which may not always adequately meet their needs.

The more secure entrepreneurial TSOs invest more heavily in their staff and volunteers than the more secure traditional locally embedded organisations. It is apparent that this pays them dividends in terms of their success in maintaining financial stability or growth. Here we address a question of causal priority. Do some organisations invest more money and time in training because they have surpluses available to them? Or do they do so because they feel that this is good business practice? Or do some organisations not invest in formal training because they do not feel that it is important for their organisation (because they invest in their staff and volunteers in different ways)? Recent national research on TSOs shows clearly the benefits of investing in staff. The research revealed that staff are much more likely to stay in the TSO where they work if they are appreciated, supported in their career development, and have opportunities for personal development. It was also important that they were able to use their skills to the full in their job role.[28] We do not know at this stage enough about the differences in approach to training by TSOs in different positions in the third sector to comment on the best balance. However, we do recognise clearly that those TSOs which invest directly with training budgets or invest time in staff training appear to be more confident and successful organisations on a range of criteria.

Understanding the impact of practice on beneficiaries
The third area of significant difference between organisational positions in the third sector which has emerged from this research relates to the investment TSOs make in involving their beneficiaries, and the extent to which they measure (or understand) the impact of what they do. The differences between organisational positions is less pronounced than in the first two factors discussed, but they are nevertheless clearly identifiable.

Most organisations emphasise the importance of communicating their successes, but relatively few 'voluntarily' measure the outputs of their work, and fewer still directly evaluate the impact of their practice. Informal approaches are most common, and even then, only about a quarter of organisations do this. Similarly, the evidence from the TSO1000 shows that organisations do not put a high priority on beneficiary engagement or involvement. This finding is reinforced by our TSO50 research where we

28 See: *Third Sector,* 13 July 2010.

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studied organisational practices at close quarters. However, these findings would, like as not, be challenged in open debates about what the third sector *feels* that it is particularly good at. Certainly, this proved to be the case in the discussions we hosted for Foresight Panels (and was also signalled in our first report interviews with sector representatives in infrastructure organisations). In short, third sector 'beliefs' about prioritising beneficiary engagement is strong, but its actual practice appears to be relatively weak.

A similar, apparent contradiction emerges in relation to measurement of the impact of practice. Most TSOs do not seem to prioritise such work (unless they are obliged to do it as a condition of funding) which leads us to the obvious conclusion that the sector has a strong sense of self-confidence both about its 'professional practice' and its 'judgement' about what its beneficiaries' needs are and how they should be dealt with. Many professions feel much the same about their practices because they subscribe to the view that 'professional judgement' cannot easily be measured – and to do so, is usually associated with threats to their autonomy.[29] And yet, we do find quite pronounced differences between our organisational categories. The 'more entrepreneurial' TSOs are more likely to measure their impact and are more likely to engage with their beneficiaries. This may be partly due to the requirements of the kinds of funding they receive, but we doubt that this is the only explanation. It seems, instead, that these organisations are more aware of the importance of such activity to justify their claims about the quality of their practice and often develop their evaluation work well beyond the requirements of others.

The more traditional and locally embedded organisations, by contrast, seem less concerned about such activity. This could be because they are generally smaller organisations which have stronger inter-personal association with beneficiary groups. It could be that they have a strong sense of belief that they take the right approach simply because they have been doing it for a long time. Or, they may resist pressures to examine the value of their activity because they feel this is a distraction from the 'real work' they do. Those organisations which sit between these two broad positions vary in their approaches and, as might be expected, there is considerable variation in the 'middle ground'.

29 Fournier, 1999; see also, Evetts, 2003; Chapman, Brown, Ford and Baxter, 2010.

It is important to reiterate that we make no judgement on which approach to measuring the benefit organisations achieve is the most valuable, or whether each is equally valuable. However, as we proceed with our research with the TSO50 and TSO1000 over time, it should be possible to measure how different approaches impact on organisational well-being, and the contribution such organisations make to their beneficiaries.

7.3 Keeping the show on the road

This research has been undertaken at a time of great uncertainty for the third sector. There has been a serious global economic crisis which has resulted, in the UK, in unprecedented levels of public borrowing. There has also been a change of government. The new coalition government has signalled a sea change in the way that the social market will operate – not least in terms of the reduced spending it intends to commit to that sector. Shortly after the publication of this working paper, the government will publish its public sector spending review on 20 October 2010. The consequences of this for the third sector may be very significant if, as is expected, government cuts public spending by between 25 and 40 per cent.

The third sector in the UK currently receives about 36 per cent of its funding from government sources.[30] In North East England, however, estimates are higher at over 49 per cent; whereas reliance on public sector funding in Cumbria is considerably lower than the national average at 26 per cent.[31] To take a 25 per cent cut in these funds, in North East England particularly, would result in a very significant reduction of funding for the sector as a whole. The speed at which government is hoping to implement cuts in public spending could be particularly damaging to the third sector, because TSOs which depend on public funding may well be on the front line. In the next two years, therefore, reductions of public sector funding to the third sector might be higher than what many will argue is its 'fair share'.

The reason why the third sector is more vulnerable to spending cuts in the immediate future is explicable. Local authorities and government departments will be put under intense pressure to make immediate and significant cuts in their spending. In these circumstances, large public sector organisations are forced to target spending which does the least damage to their 'core

30 See: Clarke *et al.* 2010.
31 See: Kane and Mohan's reports on North East England, 2010a: 11; and Cumbria, 2010b: 11.

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operation' and/or is the 'cheapest and easiest to achieve'. Organisations in the third sector might well be identified as 'softer targets'. Making permanent public-sector employees redundant is a very expensive option compared with the non-renewal or ending of arms-length supplier contracts, service level agreements, commissions or grants. Organisations which are on the fringes of core activity are amongst the most vulnerable. Many TSOs, unfortunately, occupy such positions.

Local and national politicians who govern or scrutinise the operation of local authorities and departments, by the same token, will be keen to minimise the political damage of cuts. Specific areas of activity which may have been important (or at least acceptable) to a broad constituency of people in more affluent times may fall a long way down the list of political, social and economic priority. Local circumstances will make a big difference. And so, while it is very likely that spending cuts will not fall equally on TSOs, it is difficult to predict which organisations will fare better and which will suffer the most. This, in turn, will intensify competition for favour from key political stakeholders by TSOs and will make the process of representation of broad third-sector interests much more difficult to broker. For local politicians and public sector officers to expect the third sector to contribute to consultation on spending priorities would be a big ask, and probably would not be one which has a realistic probability of achievement.

Due to the longitudinal nature of this research, we hope to be in a position to explore and measure precisely the *consequences* of future changes in a more rigorous way than has been achieved before. We have already done a great deal of work which will help to inform the third sector and its stakeholders about its potential. At this stage we are not, unfortunately, in a position to make *predictions* about the future. But it is worth speculating, in conclusion, on two possible scenarios for the third sector in the next year or so.

The emergence of a Big Society?

While government takes the difficult step of cutting public sector funding and tackling public debt, the prospect of the third sector remaining as vibrant as it is now seems implausible. Government claims that increased philanthropy, giving, volunteering and a replacement of public sector service by communities, charities, social enterprise and private business can fill the gap left by a reduced public sector are somewhat controversial.

In North East England and Cumbria, the prospects are, arguably, less positive than in wealthier areas of the country where: cuts in public spending may be felt less severely; job losses/unemployment is likely to be lower; there are large corporate headquarters and wealthy philanthropists to tap for funds; and, business acumen is generally stronger for cultural and economic reasons. There are, however, serious doubts even in these more affluent areas, about the prospects of increasing levels of philanthropy, volunteering and public giving.[32]

Furthermore, it has been demonstrated that we *already* have what might be considered a 'Big Society'. Formal and informal volunteering is well established in North East England and Cumbria where the third sector is large, vibrant and productive. It is difficult to imagine, without maintenance of reasonable levels of investment, how the Big Society is going to work in practice. It is unlikely that the third sector will retain its current buoyancy if the social market shrinks significantly – but that is not to say that the third sector is necessarily facing the abyss.

Contraction of the third sector
The likelihood is that overall funding for the third sector will reduce quite significantly over the next few years. It is possible to anticipate the impact of this in an alarmist or in a more measured way. Alarmists may fear a major impact as hundreds or thousands of TSOs may be forced to close their doors. This would be a world where no organisation appeared to be safe: economically and politically stronger TSOs would entrench; supportive inter-organisational partnerships and collaboration would be threatened; and, more vulnerable organisations would be left to their own devices to keep going. It could be that organisations that have worked well for years could have the rug pulled from under them because they do not have sufficient local support to champion their cause.

Local politicians, trustees and officers of charitable foundations and local authority officers will also find the future environment tough as they try to juggle very limited resources and prioritise demands in a shrinking social market. However well politicians and officers know their local communities and understand local needs, priorities will inevitably shift away from some areas of provision to maintain services in others.

32 See: Clarke *et al.*, 2010.

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If government priorities shift resources away from formal partnership working, and early indications suggest strongly that this will be the case, investment in capacity building in the sector to support such partnerships will probably decline. As is evident now, levels of investment in infrastructure support to the sector will diminish. This is partly due to the restructuring of local government which has already occurred in parts of the study region (Northumberland and County Durham) and partly because high levels of infrastructure and capacity building funding are usually associated with third sector growth. This is not to say that infrastructure support for smaller voluntary and community organisations will no longer be needed. Indeed some of this work will become *more* important because small voluntary and community organisations with few resources of their own will need help. If volunteering is genuinely valued by government, then local support to help make it happen will have to be funded.[33] But those foundations and local authorities which provide funds to such infrastructure organisations will probably be keener than ever to be reassured that their investment is worthwhile.

It is likely that many jobs will be lost in the third sector as budgets are cut and funding streams end. This will be a sad loss for those individuals who face redundancy and for those beneficiaries who depended upon their contribution. However, we do not think that there will be a wholesale collapse in the number of organisations in the third sector. Many of the traditional organisations which are embedded in their communities may reduce the size of their operations. They may be able to offset this by supplanting lost financial resources with higher levels of local public commitment. The more entrepreneurial, service-oriented organisations have shown themselves over the years to be agile in changing markets. They are used to the fluctuations in their income and many may have sufficient resource, momentum and commitment to keep going during the most difficult and immediate period of contraction – even if could result in reduced levels of operation.

The organisations in the middle ground may, however, be more much more vulnerable over the next two years. Those locally based organisations, mainly in less affluent areas, which emerged or grew quickly in response to many of the initiatives of the previous government and have remained largely dependent on such sources of income may find it hard to sustain themselves.

33 Again, the early signs are not particularly positive in this respect. Investment in young people's volunteering activity has already been affected – as is evidenced by recently announced cuts of £8m to the budget of the national youth volunteering charity, 'V' (*The Guardian*, 7 August, 2010).

Many may have to reduce the scale of what they do, inevitably some will close. Others may reformulate their mission to accommodate to a changed environment.

However, it seems very unlikely that the people who have contributed formally or informally to their communities or causes will not continue to do so. Not all TSOs necessarily need large grants and contracts or paid employees to sustain their activity. As the evidence suggests[34], in North East England and Cumbria there are many community organisations already that work with limited resources and no paid employees, driven by the people involved with the organisation. Again, this is very much part of the ethos of the 'Big Society' that has existed in North East England and Cumbria for decades.

The third sector has enjoyed something of a boom over the last few years in financial terms and it is likely, now, that there will be a period of contraction. That said, there will be opportunities which cannot yet be foreseen. Some organisations will do well for reasons which we cannot yet determine. But we do not believe that the future is quite as bleak as many national commentators imagine. This is a third sector which is populated with people who have strong values and beliefs, and have the skills and commitment to make a difference. This research shows, perhaps surprisingly, that the third sector in North East England and Cumbria remains quite optimistic about the future. One way or another, we think, the majority of organisations will keep the show on the road.

34 See: Kane and Mohan 2010a, 2010b

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Appendix one

Table A.1 Funding sources for TSOs in North East England and Cumbria

	No. of TSOs stating that 'principal support' for funding had been gained from listed sources[35]	% of all cases (N= 1,051)
Local Authority funding support	898	87.6
Central government department (e.g. DEFRA)	760	74.1
Government regeneration programme (e.g. Sure Start, New Deal for Communities)	785	76.6
European programme (e.g. ESF)	762	74.3
Community Fund/ Big Lottery Fund	774	75.5
Other lottery distributor (Heritage LF, Arts Lottery, New Opportunities Fund, Sports Lottery etc.)	815	79.5
Charitable trusts, local or regional	776	75.7
Charitable trusts, national	672	65.6
Contracts or Service Level Agreement to deliver public sector services (e.g. PCT, Social Services, Learning and Skills Council, Legal Services Commission etc.)	536	52.3
Company sponsorship or donation	67	6.5
Earned income (e.g. from selling products or services)	367	35.8
Investment income	180	17.6
Individual donations	302	29.5
Subscriptions	295	28.8
Loan income	15	1.5
Other	193	18.8
Total	8197	799.7

35 Respondents were invited to tick all sources of funding which they felt applied to them, hence the large number of cases recorded, N=8197.

Table A.2 Expectations of future income and past performance (row percentages)

	Expectation about income over next two years:				Actual income over the last two years:			
	Rise significantly	Remain the same	Fall significantly	N=	Has risen significantly	Has remained the same	Has fallen significantly	N=
Pre 1945	4.8	82.0	13.2	167	12.4	75.5	12.0	241
1945–1980	8.2	74.7	17.0	182	11.8	71.3	16.9	237
1981–1996	10.3	70.9	18.9	175	17.9	70.9	11.1	234
1997 to date	23.5	55.9	20.6	170	22.6	64.6	12.8	226
Neighbourhood	7.1	77.2	15.8	184	12.1	75.1	12.8	257
Local authority	9.7	69.9	20.4	206	15.2	70.4	14.4	270
More than one LA	11.7	67.2	21.1	180	17.1	71.8	11.0	245
Regional or wider	18.7	72.3	9.0	155	18.8	67.6	13.5	207
£2,001–10,000	8.2	82.5	9.3	183	3.5	80.5	16.0	257
£10,001–50,000	9.3	78.4	12.3	204	13.3	80.1	6.6	271
£50,001–250,000	19.5	60.2	20.3	123	24.6	66.5	9.0	167
£250,001+	11.9	58.7	29.4	143	25.0	56.8	18.2	192
Primary service	15.9	69.8	14.2	232	21.6	67.8	10.6	320
Secondary service	11.0	61.0	28.0	100	19.0	61.1	19.8	126
Tertiary service	13.6	72.7	13.6	88	12.5	71.4	16.1	112
Mixed	6.0	80.2	13.8	232	10.7	80.2	9.1	318
No earned income	8.1	78.1	13.8	283	9.1	76.3	14.6	396
Up to 50% earned income	12.0	64.9	23.0	191	17.8	72.2	10.0	259
Above 50% earned income	15.3	68.6	16.2	229	22.5	64.4	13.1	306

Table A.3 Extent of reliance on different sources of income (mean scores)

	Grants	Contracts/SLAs	Earned income	Investment income	Contributions in kind	Gifts	Subscriptions	Loans
No earned income	1.87	2.46	**3.55**	2.01	2.20	1.84	1.68	**3.51**
Up to 50% earned income	1.49	1.91	2.03	**3.24**	2.39	2.21	2.16	**3.98**
Above 50% earned income	1.83	1.78	1.52	**3.11**	2.49	2.38	**2.60**	**3.63**
Pre 1945	1.97	**2.51**	1.67	2.32	2.45	2.28	1.66	**3.71**
1945–1980	1.88	2.17	1.75	**2.55**	**2.56**	2.06	1.81	**3.86**
1981–1996	1.64	1.71	2.03	**2.99**	2.42	2.27	**2.54**	**3.78**
1997 to date	1.56	1.78	2.10	**3.29**	2.28	2.05	**2.80**	**3.70**
Neighbourhood	1.79	2.38	1.65	2.41	2.03	2.20	1.98	**3.78**
Local authority	1.69	1.88	2.07	**2.78**	2.36	2.09	2.16	**3.55**
More than one LA	1.65	1.84	1.92	**2.82**	2.42	2.15	2.27	**3.87**
Regional or wider	1.85	1.88	1.95	**2.85**	**2.69**	2.12	2.08	**3.84**
£2,001–10,000	2.02	**3.37**	2.26	1.96	2.21	1.96	1.62	**3.74**
£10,001–50,000	1.84	**2.82**	1.73	**2.64**	2.16	1.90	1.66	**3.69**
£50,001–250,000	1.52	1.93	1.88	**3.05**	2.35	2.21	2.37	**3.91**
£250,001+	1.51	1.61	1.87	**3.12**	**2.53**	2.45	**2.94**	**3.75**
Primary service	1.69	1.63	1.85	**3.01**	2.42	2.09	2.44	**3.73**
Secondary direct service	1.49	1.81	2.28	**3.42**	2.41	2.25	**2.74**	**4.00**
Secondary indirect support	1.69	1.67	**2.50**	**2.55**	**3.00**	1.93	1.50	**4.00**
Infrastructure support	1.46	1.50	1.94	**2.92**	**2.60**	**2.50**	2.33	**3.67**
Grant makers	2.12	**3.33**	**2.67**	1.41	**2.90**	1.75	2.25	**4.00**

The mean scores represent the extent of reliance on different sources of income on a scale of 1='Most important' to 4='Least important'. A score above the value of 2.50 suggest that this source of income is more important to them than unimportant.

Bold indicates a source of income that is relatively **unimportant** (i.e. above 2.50 mean score), **Underlined bold** scores are very unimportant (i.e. above 3.00 mean score)

Table A.4 Relationship between organisational planning and expectations about income and demand for services over the next two years (row percentages)

	Expectations of increasing demand for services				Expectations about income over the next two years				Income fluctuations over the last two years			
	Rising	Stable	Falling	N=	Rising	Stable	Falling	N=	Rising	Stable	Falling	N=
Planning to increase earned income	39.7	56.4	3.9	413	17.3	60.5	22.2	306	23.2	63.8	13.0	409
Not planning to increase earned income	16.4	81.0	2.6	579	7.1	79.8	13.2	425	10.3	76.8	12.9	581
Planning to collaborate with other TSOs	51.1	47.1	1.8	223	18.5	61.3	20.2	168	23.4	64.0	12.6	222
Not planning to collaborate with other TSOs	18.9	77.6	3.5	769	9.2	74.8	16.0	563	13.4	73.6	13.0	768
Planning to change practices	49.1	46.9	4.0	224	21.3	56.7	22.0	164	26.6	59.0	14.4	222
Not planning to change practices	19.4	77.7	2.9	768	8.5	76.0	15.5	567	12.5	75.0	12.5	768

Table A.5 Extent to which organisations prioritise involvement of beneficiaries in assessing impact

	Level of priority	Have in place a developed participatory appraisal procedure	Organise participatory events with beneficiaries	Organise focus groups with beneficiaries	Conduct surveys with beneficiaries	Conduct phone interviews with beneficiaries	Have individual discussions with beneficiaries	Have a formal complaint procedure	N=
£2,001–10,000	High	2.2	11.1	3.0	3.3	1.1	13.0	3.3	269
	Low	2.2	2.6	1.9	3.0	1.5	4.8	2.2	
£10,001–50,000	High	5.0	10.8	5.8	8.3	2.9	20.1	12.2	278
	Low	4.7	5.8	5.4	10.1	2.2	5.8	7.1	
£50,001–250,000	High	10.4	21.4	11.6	23.7	4.6	35.3	29.5	173
	Low	12.1	8.7	9.3	8.7	8.1	5.1	11.0	
£250,001+	High	18.1	26.8	21.7	36.4	13.6	41.4	50.0	198
	Low	8.6	7.0	12.6	8.6	9.6	16.1	10.6	
Total	High	8.1	16.4	9.7	15.7	4.9	25.1	20.3	951
	Low	6.0	5.6	6.4	7.4	4.6	5.7	7.4	

Note: Percentages represent the proportion of the total population of TSOs in each row.

Appendix two: The questionnaire

Questionnaire Instructions

Who can fill in the questionnaire?

Any person in your organisation should be able to fill in the questionnaire although we recommend that a senior person in your organisation does so. The questionnaire should take about 15 minutes to fill in.

Filling in the form

The questionnaire asks questions about the size, scope and activities of your organisation. The questionnaire is split into two sections: the first section contains general questions about your organisation (type of organisation, beneficiaries, number of staff, level of operation, etc.). The second section seeks your opinion on current trends in the Third Sector and future prospects for your organisation.

All questions can be answered by ticking the appropriate box or boxes. In some questions you are asked to tick only one answer box, while in other questions you are asked to tick all that apply. This is stated after each question.

The following are examples of how to complete the questions:

4. **Where does your organisation operate?** (Please tick *all* that apply)
   Neighbourhood   ☑
   Village   ☑
   Etc.

In other questions you will be asked to rate items on a five point scale, for instance:

23. **Over the next two years, what do you expect will happen to your organisation?** (Please tick *one* for each line)

	Increase significantly	Increase	Remain similar	Decrease	Decrease significantly	Not applicable
Income will ...				☑		
Expenditure will ...		☑				

If you make a mistake, please block out the entire box of the incorrect answer and tick the appropriate answer.

Any answers you give when filling in the questionnaire will, of course, remain confidential. The questionnaire can be returned in the enclosed pre-paid enveloped or posted to: Clear Data, Innovation House, Coniston Court, Riverside Business Park, Blyth, NE24 4RP. The closing date for the questionnaire is **Friday 7 May, 2010**. If you have any questions about the research and/or the questionnaire, please contact Rob Crow, tel. 01642 738179, email: r.crow@tees.ac.uk.

Thank you for your assistance!

1. Is your organisation:

(Please tick *one* only)

An independent organisation ☐

A branch of a larger organisation ☐

A member of a federation/ confederation of organisations ☐

An organisation affiliated to other organisations ☐

Other ☐

2. When was your organisation established?

(Please state year of initial operation; ie when did you start)

Y Y Y Y ☐ ☐ ☐ ☐

3. How do you usually describe your organisation?

(Please tick *all* that apply)

Unincorporated organisation ☐	Cooperative	☐
(e.g. an informal organisation)		
Community organisation ☐	Company Limited by Guarantee (CLG)	☐
Voluntary organisation ☐	Community Interest Company (CIC)	☐
Charity (Registered) ☐	Industrial & Provident Society (IPS)	☐
Charity ☐	Community Development Company (CDC)	☐
Social enterprise ☐	Other	☐

4. Where does your organisation operate?

(Please tick *all* that apply)

Neighbourhood ☐

Village ☐

Town/city ☐

Local Authority area (District/ former District) ☐

More than one Local Authority/ District area ☐

County Council area wide (e.g. County Durham, Northumberland) ☐

Sub regional *(e.g. Tees Valley, Tyne & Wear, Cumbria)* ☐

Regional *(e.g. NE, NW, Yorkshire & the Humber)* ☐

More than one region in the north of England ☐

Nationwide ☐

International ☐

5. What was your organisation's income in the last financial year?

(Please tick *one* only)

No income	☐	£25,001–£50,000	☐
£1–£2,000	☐	£50,001–£100,000	☐
£2,001–£5,000	☐	£100,001–£250,000	☐
£5,001–£10,000	☐	£250,001–£500,000	☐
£10,001–£25,000	☐	£500,001–£1,000,000	☐
		£1,000,001 plus	☐

6. Over the next two years do you expect that your organisation's income is likely to:

(Please tick *one* only)

Rise significantly	☐
Remain about the same	☐
Fall significantly	☐

7. Approximately how many paid staff and volunteers does your organisation have?

(Please tick *one* in each category)

	Paid Full Time Staff	Paid Part Time Staff	Volunteers (excluding Trustees)	Trustees
0	☐	☐	☐	☐
1	☐	☐	☐	☐
2	☐	☐	☐	☐
3–5	☐	☐	☐	☐
6–10	☐	☐	☐	☐
11–20	☐	☐	☐	☐
21–30	☐	☐	☐	☐
31–50	☐	☐	☐	☐
51–100	☐	☐	☐	☐
101–250	☐	☐	☐	☐
251 plus	☐	☐	☐	☐

8. Do you provide training for:

(Please tick *all* that apply)

	via In – House Training Provider	via External Training Provider	Via Distance Learning
Staff (full time)	☐	☐	☐
Staff (part time)	☐	☐	☐
Volunteers	☐	☐	☐
Trustees	☐	☐	☐

9. Does your organisation have a training budget?

(Please tick *one* only)

Yes	☐
No	☐

10. To what extent does your organisation need more training in the following areas?

(Please tick *all* that apply)

	High Priority	Low Priority	Not Needed
Managing staff/volunteers	☐	☐	☐
Fundraising	☐	☐	☐
Bidding for grants	☐	☐	☐
Strategic management	☐	☐	☐
Financial management	☐	☐	☐
Business planning	☐	☐	☐
Marketing and publicity	☐	☐	☐
Tendering and commissioning	☐	☐	☐

11. What is the *main* thing your organisation does?

(Please tick *one* only)

Provides front-line services to beneficiaries ☐
(e.g. providing accommodation, providing care services, providing training etc.)

Provides direct support services to beneficiaries ☐
(e.g. providing advocacy, providing advice and guidance)

Provides indirect support services to beneficiaries ☐
(e.g. carrying out research, carrying out policy development, campaigning)

Provides infrastructure support to the Third Sector ☐

Provides grants to the Third Sector as a foundation or a trust ☐

Other ☐

12. Who are the *main* beneficiaries of your organisation?

(Please tick *all* that apply)

Black, Asian and minority ethnic people	☐	Victims of crime	☐
Migrant workers	☐	People with drug problems	☐
Asylum seekers	☐	People with alcohol problems	☐
Refugees	☐	Children (under 16)	☐
Lesbian, gay, transgender or bisexual people	☐	Young people (16–24)	☐
People with disabilities	☐	Older people	☐
People with mental health issues	☐	Families	☐
People with physical health issues	☐	Women	☐
People with learning difficulties	☐	Men	☐
Disadvantaged communities in urban areas	☐	Ex-offenders	☐
Disadvantaged communities in rural areas	☐	The environment	☐
Unemployed/workless people	☐	Animals	☐
People with low skills/poor education	☐	Heritage	☐
The homeless	☐	Other	☐

13. What were the *principal* sources of funding for your work over the last two years?

(Please tick *all* that apply)

Local authority grant aid	☐
Central government department *(e.g. DEFRA)*	☐
Government regeneration programme *(e.g. Sure Start, New Deal for Communities)*	☐
European programme *(e.g. ESF)*	☐
Community Fund/ Big Lottery Fund	☐
Other lottery distributor *(Heritage Lottery Fund, Arts Lottery, New Opportunities Fund, Sports Lottery etc.)*	☐
Charitable trusts, local or regional	☐
Charitable trusts, national	☐
Contract or Service Level Agreement to deliver public sector services *(e.g. PCT, Social Services, Learning and Skills Council, Legal Services Commission, etc.)*	☐
Company sponsorship or donation	☐
Earned income *(e.g. from selling products or services)*	☐
Investment income	☐
Individual donations	☐
Subscriptions	☐
Loan income	☐
Other	☐

14. How important are the following sources of funding for your work?

(Please tick from 'most important' to 'least important'; or 'not applicable'; *once* in each row)

	Not applicable	Most important	Important	Of some importance	Least important
Grants	☐	☐	☐	☐	☐
Contracts/Service Level Agreement (SLA)	☐	☐	☐	☐	☐
Earned income *(e.g. shops, products, own services to other organisations)*	☐	☐	☐	☐	☐
Investment income	☐	☐	☐	☐	☐
Contribution in kind *(e.g. use of facilities and free professional assistance)*	☐	☐	☐	☐	☐
Gifts *(e.g. sponsorship, donations)*	☐	☐	☐	☐	☐
Subscriptions	☐	☐	☐	☐	☐
Loan income	☐	☐	☐	☐	☐
Other	☐	☐	☐	☐	☐

15. Approximately how much of your income is earned?
   (e.g. from selling products and services and/ or contracts to deliver services)
   (Please tick *one* only)

0%	☐	51 – 60%	☐
1 – 10%	☐	61 – 70%	☐
11 – 20%	☐	71 – 80%	☐
21 – 30%	☐	81 – 90%	☐
31 – 40%	☐	91 – 100%	☐
41 – 50%	☐		

16. Is your organisation a registered charity?
   (Please tick *one* only)

Yes ☐
No ☐

17. Over the *last* two years, has your organisation's income:
   (Please tick *one* only)

Risen significantly ☐
Remained about the same ☐
Fallen significantly ☐

18. Over the *next* two years do you think demand for your services will:
   (Please tick *one* only)

Rise significantly ☐
Remain about the same ☐
Fall significantly ☐

19. Over the *next* two years do you expect your organisation's involvement
   in the delivery of public services will:
   (Please tick *one* only)

Increase ☐
Stay the same ☐
Reduce ☐
We do not deliver public services ☐

20. Has your organisation been involved in partnership bidding?
   (e.g. for consortia bidding)
   (Please tick *one* only)

Yes and have been successful ☐
Yes and have not yet been successful ☐
No, but we are considering this ☐
No and we are not considering this ☐

21. Which of the following best describes your organisation's position about tendering for public sector services?

(Please tick *one* only)

We are not aware of these opportunities	☐
We are aware of these opportunities but feel they do not meet with our organisations' core values	☐
We are aware of these opportunities but they are not relevant to our organisations' objectives	☐
We are aware of these opportunities but need more information	☐
We are interested in this option but would need extra support to do this	☐
We are interested in this option but feel there are barriers in the tendering process	☐
We are already bidding for public sector services	☐
We are already delivering public sector services that we have tendered for	☐
Other	☐

22. How do you think your organisation is regarded by local statutory bodies in your area? (e.g. Local Authorities, PCTs etc):

(Please tick *once* for each row)

	Strongly agree	Agree	Disagree	Strongly disagree	Not applicable
They value the work of your organisation	☐	☐	☐	☐	☐
They understand the nature and role of your organisation	☐	☐	☐	☐	☐
They respect your organisation's independence	☐	☐	☐	☐	☐
They inform your organisation on issues which affect you or are of interest to you	☐	☐	☐	☐	☐
They involve your organisation appropriately in developing and implementing policy on issues which affect you	☐	☐	☐	☐	☐
They act upon your organisation's opinions and/ or responses to consultation	☐	☐	☐	☐	☐

23. Over the next two years, what do you expect will happen to your organisation?

(Please tick *once* for each row)

	Increase significantly	Increase	Remain similar	Decrease	Decrease significantly	Not applicable
Income will ...	☐	☐	☐	☐	☐	☐
Expenditure will ...	☐	☐	☐	☐	☐	☐
Number of paid staff will ...	☐	☐	☐	☐	☐	☐
Number of volunteers will ...	☐	☐	☐	☐	☐	☐
Working in partnership will ...	☐	☐	☐	☐	☐	☐
Contracts held will ...	☐	☐	☐	☐	☐	☐
The need for our services will ...	☐	☐	☐	☐	☐	☐
Statutory agencies expectations of our services will ...	☐	☐	☐	☐	☐	☐
Funding from statutory bodies will ...	☐	☐	☐	☐	☐	☐
Ease of staff recruitment will ...	☐	☐	☐	☐	☐	☐
Ease of trustee recruitment will ...	☐	☐	☐	☐	☐	☐
Ease of volunteer recruitment will ...	☐	☐	☐	☐	☐	☐

24. Are you actively considering any of these strategies to ensure that your beneficiaries are supported?

(Please tick *all* that apply and select if you are planning or doing this)

	Planning to do this	Doing this now
Increasing earned income	☐	☐
Increasing individual donations	☐	☐
Changing your organisation's legal status	☐	☐
Changing the way you run your services or activities	☐	☐
Merging with one or more similar organisations	☐	☐
Working more closely with another voluntary/not-for-profit organisation	☐	☐
Taking over a service or project from another voluntary/not-for-profit organisation	☐	☐
A public body taking over a service or project from you	☐	☐
Other	☐	☐

25. What is the expected life-span of your organisation?

(Please tick *one* only)

Plan to close within the next 12 months	☐
Plan to close within 1 to 2 years	☐
Plan to close within 2 to 3 years	☐
Plan to continue in the long term	☐

26. In which of the following ways do you assess the impact of what your organisation does? (Please tick *all* that apply)
And how important are these methods for you? (Please tick *one* only)

	We do this now	How important a priority is this?		
		High priority	Low priority	Not needed
Collect feedback from beneficiaries	☐	☐	☐	☐
Have in place a developed Participatory Appraisal Procedure	☐	☐	☐	☐
Organise participatory events with beneficiaries	☐	☐	☐	☐
Organise focus groups with beneficiaries	☐	☐	☐	☐
Conduct surveys with beneficiaries	☐	☐	☐	☐
Conduct (phone) interviews with beneficiaries	☐	☐	☐	☐
Have individual discussions with beneficiaries	☐	☐	☐	☐
Collect data on outputs for funders	☐	☐	☐	☐
Collect data on outcomes for funders	☐	☐	☐	☐
Conduct a social audit	☐	☐	☐	☐
Have a formal complaint procedure	☐	☐	☐	☐
Other	☐	☐	☐	☐

27. As an organisation we are...
(Please tick *once* for each row)

	Strongly agree	Agree	Disagree	Strongly disagree
Able to produce innovative solutions	☐	☐	☐	☐
Effective in the delivery of community support and development	☐	☐	☐	☐
Professional in practice	☐	☐	☐	☐
Able to work well in partnership	☐	☐	☐	☐
Good at communicating our achievements	☐	☐	☐	☐
Able to appoint trustees with the necessary skills and knowledge	☐	☐	☐	☐
Effective at reaching into communities	☐	☐	☐	☐
Effective at involving beneficiaries in decision making	☐	☐	☐	☐

28. In which Local Authority District/former District area is your organisation's main office located?

(Please tick *one* only)

Allerdale Borough	☐	Durham City	☐
Copeland Borough	☐	Chester-le-Street	☐
Barrow in Furness Borough	☐	Derwentside	☐
Carlisle City	☐	Easington	☐
Eden	☐	Sedgefield	☐
South Lakeland	☐	Teesdale	☐
		Wear Valley	☐
Alnwick	☐		
Berwick-upon-Tweed	☐	Darlington Borough	☐
Blyth Valley	☐	Hartlepool Borough	☐
Castle Morpeth	☐	Middlesbrough	☐
Tynedale	☐	Redcar & Cleveland Borough	☐
Wansbeck	☐	Stockton-on-Tees Borough	☐
Gateshead Metropolitan	☐		
Newcastle upon Tyne City	☐		
North Tyneside Metropolitan	☐		
South Tyneside Metropolitan	☐		
Sunderland City	☐		

We may like to invite a sample of respondents to be in involved in future research activities linked to this study. If you are happy to be involved in these activities, please tick the box below and leave your contact details. This information will be stored separately from the questionnaire once the data has been processed to guarantee confidentiality.

I am happy to be contacted for future research activities ☐

Name:

Position in organisation:

Email and/or telephone:

Thank you for your assistance! Please return your questionnaire in the pre-paid envelope provided by F*riday 7 May, 2010*, or post to: Clear Data, Innovation House, Coniston Court, Riverside Business Park, Blyth, NE24 4RP.

northern rock foundation

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