CabinetOffice

News from the Panel

No.2 August 2006

Main findings

This newsletter reports the findings from the second year (2003-04) of the State of the Sector Panel, an in-depth survey of 3600 voluntary sector organisations in England and Wales, designed to measure activity in the sector. It compares the findings with those from the previous year (2002-03). The results show that voluntary sector activity increased between 2002-03 and 2003-04.

Funding to the voluntary sector increased between 2002-03 and 2003-04. In 2003-04 the organisations included in the survey received a total of £2.8 billion in funding from central government, local government and the European Union. Each organisation received an average of £89,000 in funding (as measured by the median[1] amount), up from £80,000 the previous year.

In 2003-04 the panel organisations employed a total of 190,000 paid employees. The average number of employees per organisation (as measured by the median) increased from 7 to 8 between 2002-03 and 2003-04.

Overall the total number of volunteers working in the panel organisations increased substantially, from 3.1 million in 2002-03 to 4.1 million in 2003-04. However, the median number of volunteers per organisation had gone down slightly over this period, from 18 to 16. Large organisations had shown the most growth in number of volunteers.

The increasing numbers of volunteers is in line with other sources. The 2005 Citizenship Survey found that the number of adults in England who regularly volunteered in the previous twelve months had increased from 18.4 million in 2001 to 20.4 million in 2005.

The State of the Sector Panel also found that:

- Overall more than half of organisations were very or fairly satisfied with the process for funding, payment, and monitoring and evaluation.
- A similar proportion of organisations were registered with the Charities Commission in 2003-04 (89%) as they had been a year earlier (87%).
- In 2003-04 four out of five organisations cited funding as one of the top 3 factors holding back activities. This represented no change from a year earlier.
- The proportion of funding distributed by Local Authorities increased from 34% to 39%, while the proportion distributed by Central Government fell from 50% to 46%.

Voluntary sector activity increased overall between 2002-03 and 2003-04. The Voluntary Sector Activity Index increased from 100 to 101.

1. The median was chosen as the summary statistic rather than the mean (average) because the distributions are highly skewed. This median prevents changes to a small number of organisations having undue influence.

Introduction

This report presents findings from the State of the Sector Panel (SOSP) for the financial year 2003 – 04. This is the second year of data from the SOSP, which is used to inform the work of government on issues such as public service delivery in partnership with the third sector and funding. The first edition of News from the Panel, reporting Year 1 data, was published by Home Office's Active Communities Directorate (ACD). However, following Machinery of Government changes on the 5th of May 2006, responsibility for this work was moved to the new Office of the Third Sector (OTS) in the Cabinet Office. This document has been published by the Cabinet Office.

The OTS brings together the ACD from the Home Office (which comprises of the Charities and Sector Development Unit, Partnership & Delivery Unit, and the Volunteering and Charitable Giving Unit), with the Social Enterprise Unit, previously part of the Small Business Service within Department of Trade and Industry. The Minister leading the OTS is Ed Miliband, working under the Chancellor of the Duchy of Lancaster, Hilary Armstrong.

The survey includes questions about a range of issues facing the Voluntary and Community Sector (VCS) in England and Wales including: government funding of the sector, engagement with beneficiaries, users and other VCS organisations (including infrastructure organisations), implementation of the Compact, and obstacles to organisational activity. It also collects information on the Year of the Volunteer 2005.

Following this Panel Newsletter, three reports are planned which will outline further findings from the survey. The three reports cover:

- VCS relationships with government bodies: this report will explore the types and amount of contacts VCS organisations have with government bodies in areas other than funding. The report also covers VCS organisations' awareness of and involvement in the national, regional, and local compacts; and also the organisations awareness and involvement in the 2005 Year of the Volunteer initiative.
- VCS organisations human resources configurations: this report will examine the types of benefits, services and terms of employment offered to employees, information on recruitment and retention, and the types of training offered by the organisations' to their employees. The report will also cover organisations' usage of and expenditure on IT and their selection (and suitability) of accommodation, as well as organisational capacity.
- The VCS Umbrella report: this report will look at issues of bonding and engagement with beneficiaries and members, as well as how they link with other organisations, including collaborative working and mergers, and membership and affiliations with infrastructure and umbrella organisations and organisations' attitudes towards them.

Background

The State of the Sector Panel was set up to:

- collect information about the voluntary and community sector (VCS); and
- measure progress against the Public Service Agreement (PSA) target to increase VCS activity by 5% by 2006.

This report provides main findings from Year 2 of the Panel postal survey, which collected financial data up to the end of 2003-4. It also reports on progress towards the PSA target.

The VCS plays an important role in the delivery of publicly funded services. It was hoped that the Panel would provide a means of communication with the VCS, providing better information about obstacles to, and enablers of, public service delivery.

Since the Panel was set up, government policy developments have widened the expectations of 'contestability' in delivery of publicly funded services, including a level playing field for competition for available funding. This means that the need for information about the VCS - its present and potential role in the delivery of properly funded public services – is greater than ever.

We have now surveyed the sector for 2 years and are beginning a third year of surveys. We have had some feedback that the burden of providing data is too heavy, and so we have reduced the amount of information requested. We have done this by removing some questions, and by providing the option to supply total funding information, rather than providing detailed breakdowns by funding stream.

However, some organisations have told us that the way we have asked for funding stream data has been helpful. Breaking funding down by the government department or other source it comes from has helped some organisations with their record keeping and understanding of sources of funding.

Design of the Panel

Most good sample surveys aim to mirror the pattern of the population they cover. This can only be done when the pattern of the total population is known (such as through a census). This caused a problem for a voluntary sector survey, because parts of a healthy non-formal sector exist outside formal monitoring structures, and also change in response to changing local circumstances.

We wanted the survey to include even the smallest organisations, as well as the large and medium sized ones. So the solution we found was to invite participants from across the sector, and as far as possible maintain the same structure of regional representation and size in each year. Because there were some changes in the membership of the Panel as we went along, we did this by 'weighting' to preserve the original structure. This enabled us to make fairer comparisons between years. In Year 1, there were 4,482 participants[2]. In Year 2, there were 3,687.

Progress towards PSA target

The Office of Third Sector (previously Home Office) has a target of increasing voluntary and community sector capacity by 2006. This target is measured by adding scaled median values for numbers of full time employees, numbers of volunteers and total government funding. These values are then converted to an index for which Year 1 (2002-3) is set at 100[3].

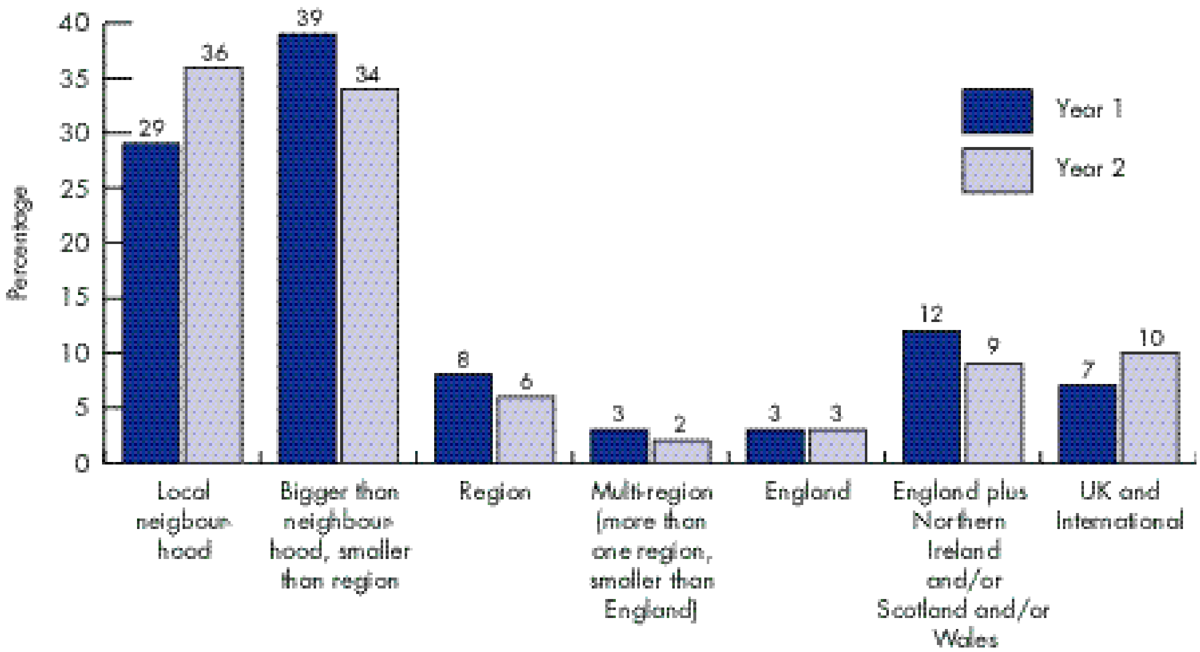
Of these component values, funding (including an adjustment for Housing Associations) rose by 12%[4] from £80,000 in Year 1 to £89,000 in Year 2. Over the same period, the employee component was also up by 7% from 7 to 8. Although, median volunteers (including board members) fell by 11%, in 2003-4 data, the mean volunteers rose by 30%, showing that increased numbers of volunteers in the larger organisation were not reflected right across the sector.

This year's panel survey will measure the Index for 2004-5, and we will need a further year's results to provide a measure for 2005-6. The latest available figures, based on data for financial periods ending March 31st 2004 (Year 2), show an overall increase in the Index from 100 to 100.93)[5]. However, this overall change is not statistically significant, and was affected by the fall in reported numbers of volunteers.

Area of operation

Compared to the first postal survey, we found a similar spread of areas of operation. An apparent increase in the proportion of organisations operating at a local level was matched by a similar decrease in those operating in the next larger category. This change may account for the fall in median volunteers. However, it may also reflect the way we changed our response categories between Years 1 and 2.[6] Figure 1 shows Year 1 and Year 2 findings for comparison.

Figure 1: Area of operation - Year 1(2002/03) - Year 2 (2003/04)

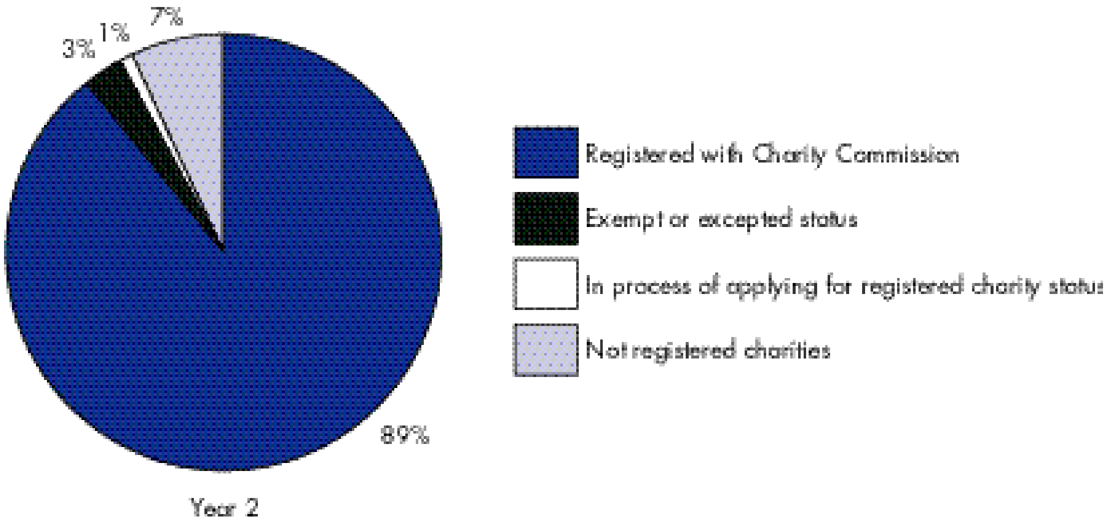


Year 1 n = 4,482
Year 2 n = 3,687

Charity Commission Registration

There were broadly similar proportions registered and not registered with the Charity Commission.

Figure 2: Members of the Panel registered or not with the Charity Commission (n=3687)



Service area

There was an increased proportion of organisations providing services in the area of arts, culture sport and/or recreation, and also in employment and training.[7] There was a smaller proportion of organisations providing social services.[8]

Table 1: Year 1 and Year 2 panel by service area (%)[9]

Service area	Year 1	Year 2
Social services	39	31
Arts, culture, sport and/or recreation	25	32
Education and research	24	23
Law, crime, civil rights and/or information	22	22
Health	16	17
Housing, including housing associations	14	13
Employment and training	11	14
Voluntary and community sector infrastructure/umbrella organisations	9	9
Economic, social and community development	7	6
Environment	5	5
Religion	3	4
Transport	3	3
International	2	3
Animals	1	1

2. News from the Panel 1 reported findings from 3,600 members. This represented an un-weighted actual sample of 4,482.
3. The medians are calculated based on organisations with a non-zero value. We use medians as the distributions are highly skewed and this prevents changes to a small number of organisations having undue influence. The distributions are scaled in Year 1 so that each component has a median of 100. The scaling is defined as 100 divided by the median in year one. This is then applied in subsequent years. Each median is weighted by the proportion of organisations with a non-zero value and the three components are added to produce an index. We scale the index to 100 in year 1 and then apply the same scaling factor in future years. This makes calculating percentage changes with Year 1 as the base easy: 101 is a one percent increase; 99 is a one percent decrease.
4. These percent changes are calculated using the non-zero value based median multiplied by the proportion of organisations to which each element of the index applies. The percent changes without multiplying by the proportion show the following values: employees up by 11%; volunteers down by 11% and funding up by 16%.
5. This suggests that increases may be concentrated in larger organisations.
6. In Year 2 the global category 'Intermediate: bigger than neighbourhood, smaller than region', was broken down into three sub-groups: 'London borough, metropolitan district council, non-metropolitan district council, unitary council'; 'county council'; and 'intermediate – bigger than county council, smaller than region'.
7. Because this data was coded from qualitative responses, the results should be interpreted with caution.
8. This change may have affected numbers of volunteers. We will conduct further analysis to investigate this.
9. Because of changes in our coding structure between Years 1 and 2, Table 1 shows somewhat different data for Year 1 compared to that previously reported. News from the Panel, No. 1, December 2004. In Year 2, we took 'youth' and 'asylum' out of service area and put them into special interest groups. Organisations coded as 'youth' and 'asylum' were back coded and therefore other codes increased. Values add up to more than 100% because of organisations reporting more than 1 area of activity.

Special groups[10]

Table 2: Members of the panel that serve special groups (%)

Special group	Year 1 (n=4084)	Year 2 (n=3435)
Disabled people	28	27
Young adults	13	18
Women	5	6
Young people	15	15
Older people	13	15
Children	14	12
People from minority ethnic groups	8	12
Asylum seekers	2	2

These data show a similar pattern from Year 1 to Year 2, with increasing proportions reporting that they serve young adults and people from minority ethnic groups. This change[11] may be due to a targeted recruitment drive to include more organisations serving people from minority ethnic groups.

The changing environment for voluntary and community organisations

Members' experience and anticipation of change

We measured this in several ways, including by asking:

- whether or not change had been experienced in the last year (in aims, method of operation, client groups, and geographic coverage);
- whether or not members anticipated change in these in the next 3 years;
- how much change in activities they had experienced in the last year; and
- how much change in activities they anticipated in the next 3 years.

As in Year 1, panel members were more likely to report that they experienced and that they expected change in methods of operation than in client groups, geographic coverage or aims (Figures 3a and 3b). They were least likely to have experienced or anticipated change with respect to their aims. Overall, there was less reported experience and anticipation of change in Year 2 than in Year 1. Figures 4a and 4b show a shift in the amounts of change experienced and anticipated by the organisations.

Figure 3a: Whether experienced changes or not (%)

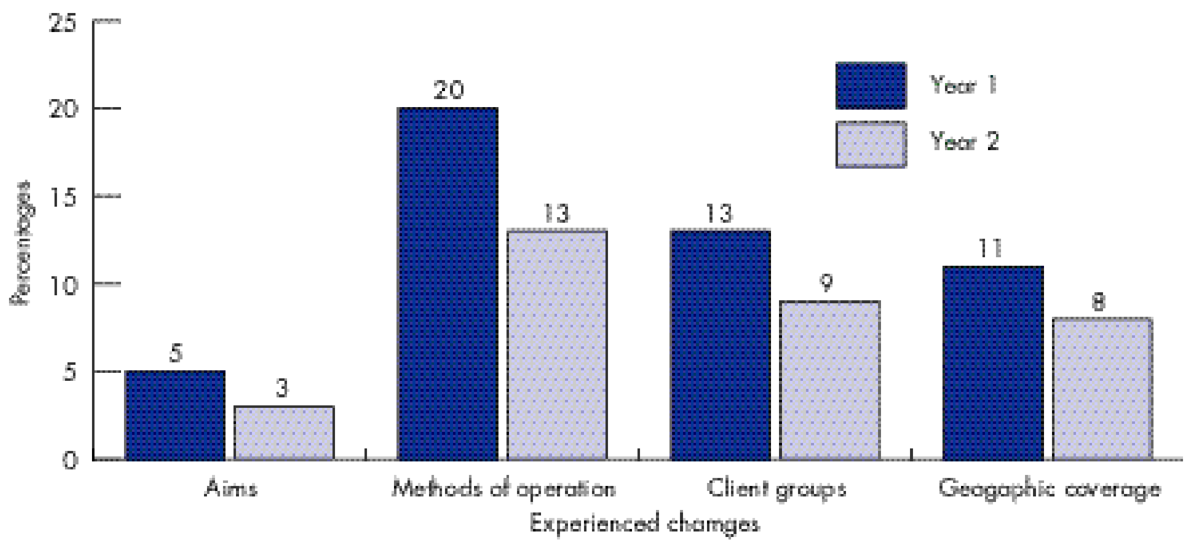


Figure 3b: **Whether changes are anticipated or not in the next three years (%)**

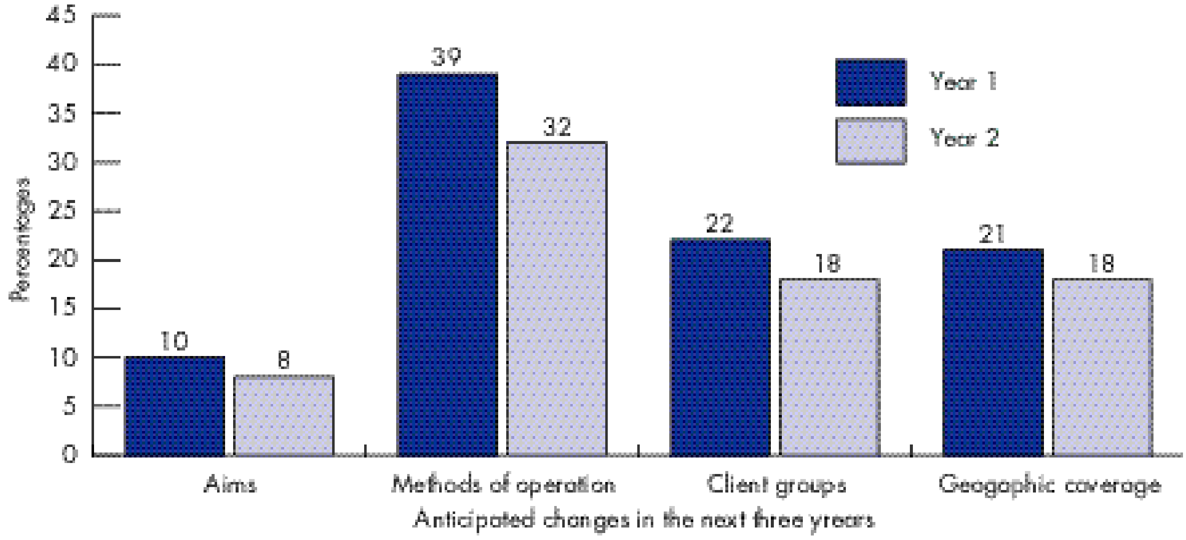


Figure 4a: **Amount of change in activities experienced (%)**

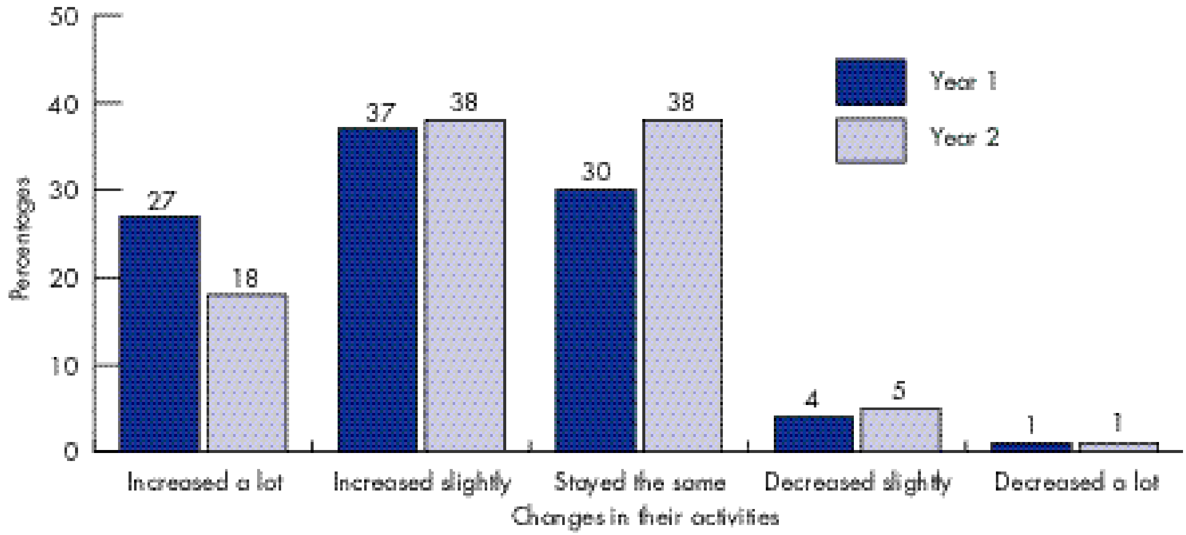
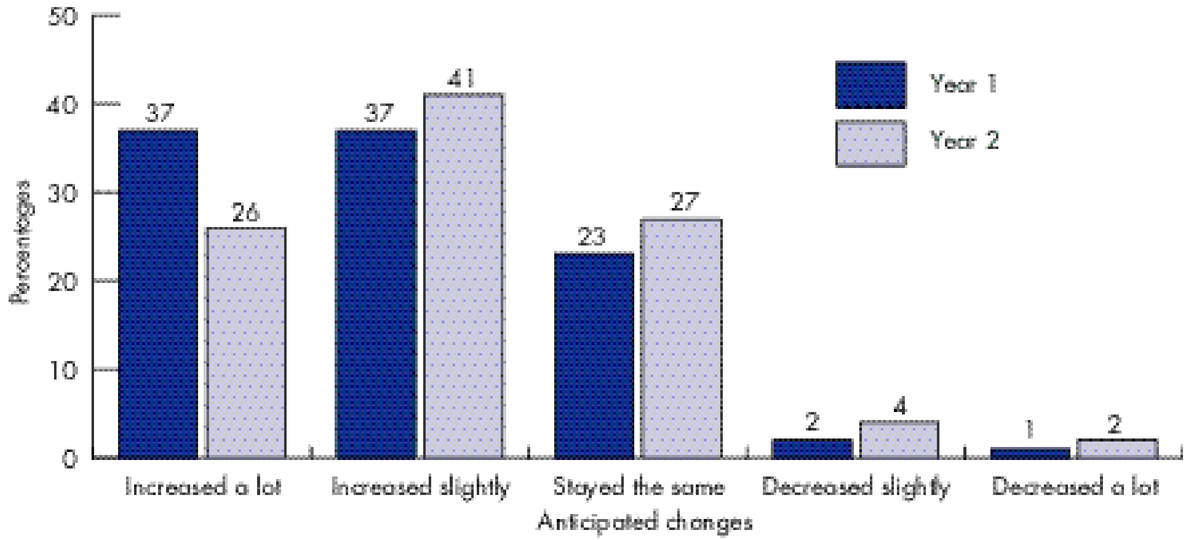


Figure 4b: **Amount of change in activities anticipated in the next three years (%)**



10. Data on special groups reported in News from the Panel 1 was based on a question asked at registration. The Year 1 data presented here has not previously been reported.
11. As for Table 1, the data in Table 2 have been coded from qualitative responses and so must be interpreted with caution.

Obstacles to activity

More than four out of five organisations listed funding as one of the top three obstacles experienced and anticipated in both Years 1 and 2 (Table 3). Accommodation ranked second for both years, with four out ten citing this as one of the top three obstacles in the past year. Volunteers and government regulation were the next most frequently cited obstacles.[12]

There was little change in the obstacles reported in the past year between Year 1 and Year 2. Network/partnerships and information technology were more likely to be reported as one of the top three obstacles than they had previously.

While partnership working and networks did not appear to be among the greatest areas of concern for members, there may be increasing awareness of this as a factor affecting growth in activities.

Table 3: Obstacles to activities reported in Years 1 and 2, for the last year and the next 3 years (%[13])

	Obstacles last year		Obstacle in next three years	
	Year 1	Year 2	Year 1	Year 2
Funding	85	88	83	86
Funding	85	83	88	86
Accommodation	41	40	40	36
Volunteers	29	28	29	27
Government regulation	29	30	32	31
Employees	23	22	20	20
Management	23	18	15	15
Information technology or technical systems	18	21	17	15
Beneficiaries/clients/tenants/users	17	14	12	13
Members	13	12	12	12
Networks/partnerships	12	15	16	16

Government funding of voluntary and community organisations

Sources of funding

In Year 2 local authorities and councils remained the most frequent funders, with 50% of members receiving some funding from this source. However, there seemed to be a shift in the balance between central and local government in terms of the overall percentage of government funding they provide. Local authorities increased their share of the distributed funds (up from 34% to 39%) while the central government share fell (down from 50% to 46%).

Table 4: Government funding of members in the last financial year, by type of government body[14]

	% members receiving funding from this source		% total government funding	
	Year 1	Year 2	Year 1	Year 2
Local authorities/councils	54	50	34	39
Central government departments and their associated agencies and non departmental public bodies	41	36	50	46
National Health Service	22	19	10	9
Learning and Skills Councils	11	10	3	4
European Union	11	9	3	2
Police/fire authorities	2	2	0	0

Satisfaction with the funding process

As in Year 1, we asked questions about members' satisfaction with aspects of the funding process:

- access to information about opportunities to apply for funding;
- the process of application;
- the process of payment;
- and the process of monitoring and evaluation.

In Year 2 we observed a very similar pattern, with only small changes. The results for Year 2 are shown in Figures 5, 6, 7 and 8. The majority of members remained very or fairly satisfied with access to information about opportunities to apply for funding, except for the National Health Service, where less than one-half (46%) were very or fairly satisfied.

On processes of application, payment and monitoring and evaluation, more than half remained satisfied, except in the case of the European Union where less than half were very or fairly satisfied.

These relatively high levels of satisfaction exist alongside substantial proportions still expressing dissatisfaction. Dissatisfaction was commonest for the European Union (on all measures) and access to Health Service information about opportunities for funding. Also (excluding the European Union), between one and three in ten said they were very or fairly dissatisfied on at least one of the aspects on which we asked questions. We asked for qualitative information on levels of satisfaction which needs further analysis in order to understand the reasons for this.

Figure 5: Satisfaction with access to information about opportunities to apply for funding (%)

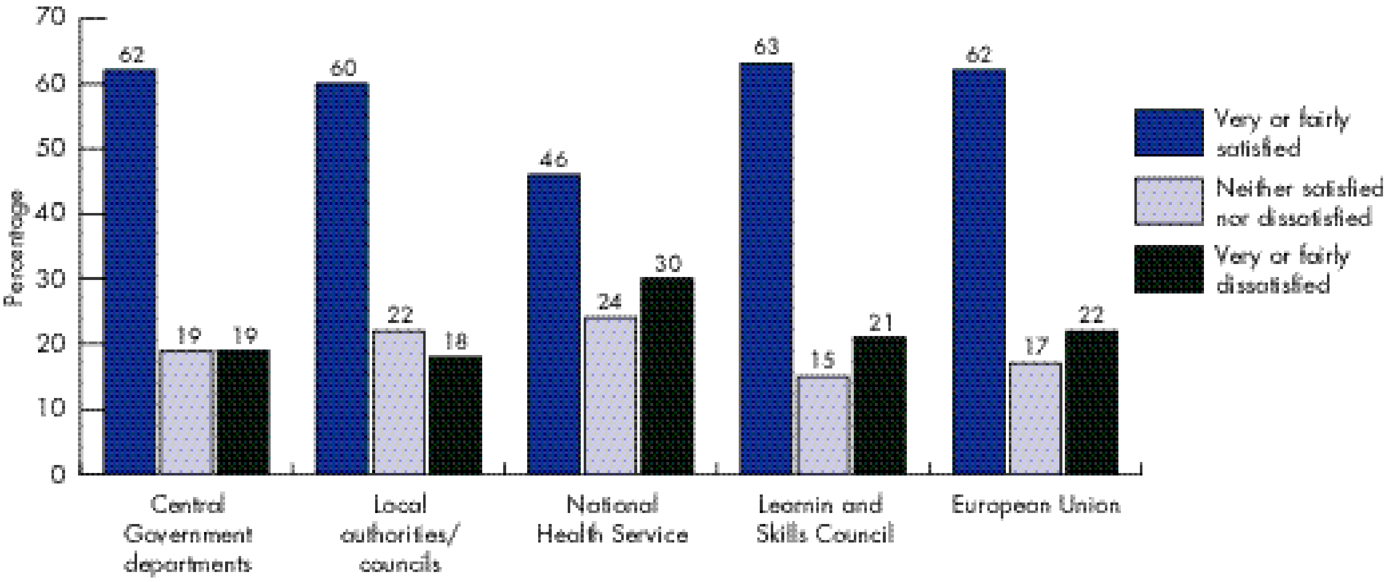
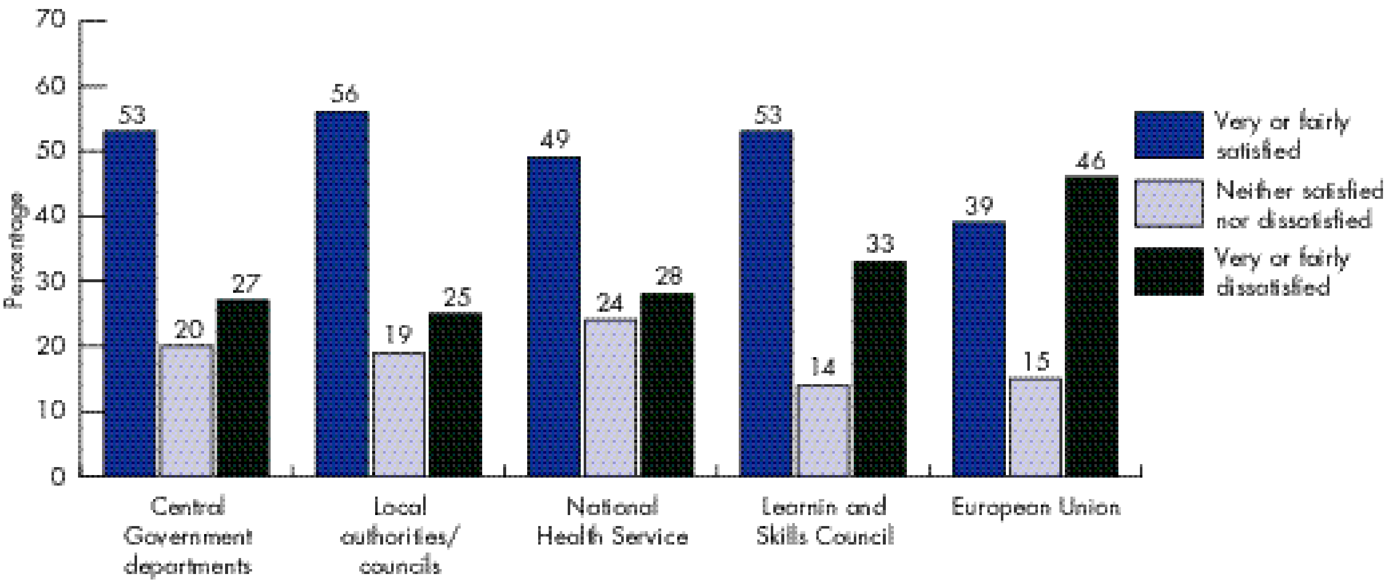


Figure 6: Satisfaction with the process of application for funding (%)



12. There are some differences in data previously reported for Year 1 due to inclusion of 'don't knows'. These differences do not affect the overall rank order.
13. This is the percent of organisations citing each obstacle as one of the top three obstacles to activities in each period.
14. There are some discrepancies between the Year 1 data presented here and that reported in News from the Panel 1 due to changes in methodology.

Figure 7: Satisfaction with the process of payment (%)

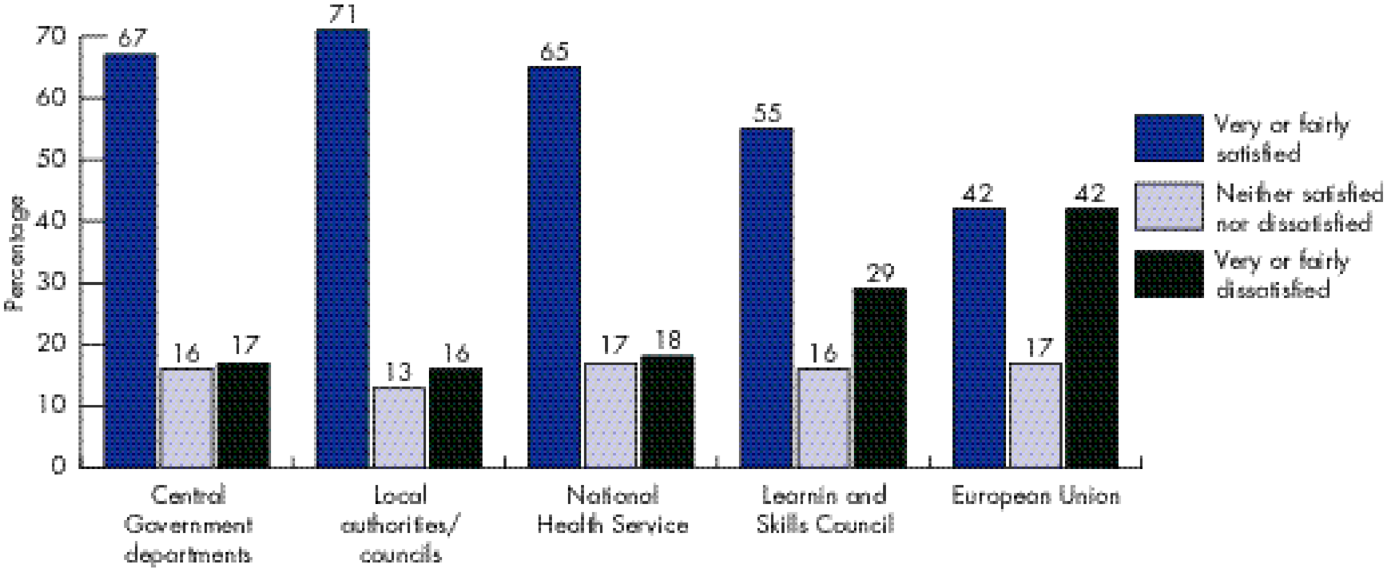
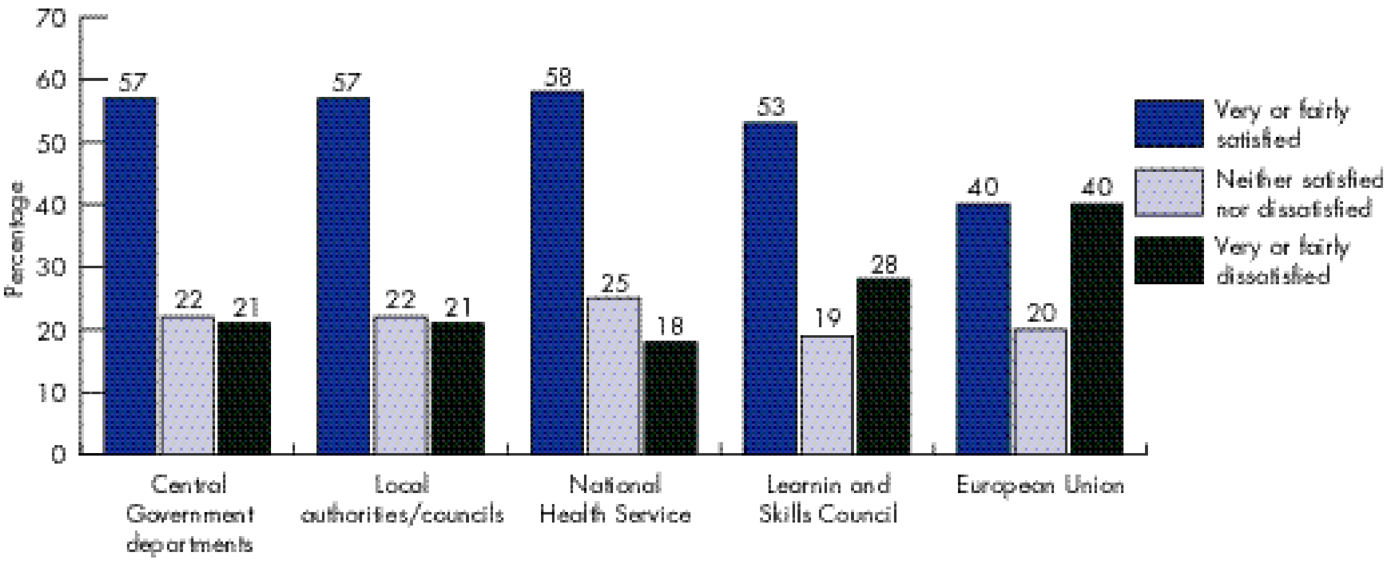


Figure 8: Satisfaction with process of monitoring and evaluation (%)



What next?

This newsletter will be followed by reports of the telephone surveys later this year. The Year 3 postal survey has recently been issued. Findings from Year 3 will enable us to judge further progress towards the PSA target based on 2004-5 financial data.

In Year 2, there was a similar pattern of areas in which change was anticipated or experienced, with reduced overall reported levels of change. A similar range of factors held back development. The most commonly cited of these remained funding, followed by other capacity issues. Also there is some emerging evidence of concern about partnership working that needs to be tested against Year 3 findings.

Government funding remained an important source of funding for public service delivery by the voluntary sector. Overall, this funding has increased. We need to conduct more detailed analysis of our funding data, including analysis of data relevant to full cost recovery.

We collect funding data from organisations themselves, because at present there is no mandatory requirement for central or local government to record their funding of voluntary sector organisations in a way which shows accurately how much funding is going to the voluntary sector. We are working within government to find ways of improving this situation.

While median employees increased, there was a fall in median volunteers. Compared to the rise in mean volunteers, this suggests that growth in volunteers was not reflected right across the sector, being concentrated in the larger organisations.

We also need to look more closely at obstacles to and enablers of public service provision by the voluntary sector. Some qualitative data has been collected, but we may also need to do more qualitative research to find out what might make a difference to members in developing their activities.

Notes

Notes