



# Research Paper



**The environment for a thriving third sector – chapter 8: potential use of hard economic data**

**Prepared for: Baljit Gill, CLG**

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# The environment for a thriving third sector – chapter 8: potential use of hard economic data

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## 1 Potential use of existing hard economic data to support indicators

As part of the development work for NI 7 the Consortium considered the utility of existing hard economic data either as an alternative to the headline perception based measure or as the basis for assembling a 'basket' of supporting measures.

This development work concludes that the hard economic data does not provide a viable alternative. However the recommended 'influence' measure can be supported by a range of measures derived not only from the survey instrument but also existing hard economic data, which could be used for diagnostic and analytical purposes to support decision-making by local statutory bodies.

A strong body of hard economic data already exists and is held by a range of agencies (see table overleaf). These data include 'micro data' – data held at the individual organisation level – and data held at an area level. (In most cases these micro-data can be aggregated up to give area level data too.) These data can provide considerable insight into:

- The 'ecology' of the third sector – number of organisations, births (new registrations), deaths and marriages (mergers);
- The third sector economy – providing an economic profile based on the income, expenditure, assets and human resource of the third sector;
- Local philanthropic resources – grants from National Lottery distributors and local grant-making trusts, numbers of volunteers, levels of corporate and individual giving.

In order for these data to be useful they must:

- Provide complete coverage in terms of being available for all local authorities and covering all third sector organisations. This coverage allows these data to be used for comparative analysis and to build associations with the variations in the scores for the NI 7 indicator;
- Be up to date;
- Be available on an annual basis to allow changes in the indicator to be tracked;
- Be accessible by local stakeholders.

The table below provides a summary of these data sources and the type of data they can provide, and the following tables include more detailed information.

**Table 1: Summary of data sources and data provided**

Source: Type of agency	Examples	Example data
<b>Regulators</b>	<ul style="list-style-type: none"> <li>• Charity Commission</li> <li>• Companies House</li> <li>• Community Interest Companies Regulator</li> <li>• Financial Services Authority</li> </ul>	<ul style="list-style-type: none"> <li>• Number of registered organisations</li> <li>• Number of new registrations</li> <li>• Number of 'deaths'</li> </ul>
<b>Government agencies</b>	<ul style="list-style-type: none"> <li>• Communities and Local Government</li> <li>• Office for National Statistics</li> </ul>	<ul style="list-style-type: none"> <li>• National Non-Domestic Rate Relief for charitable and not-for-profit organisations</li> <li>• Total paid workforce</li> <li>• Estimates of the total number of volunteers</li> </ul>
<b>Data companies: Business and market intelligence</b>	<ul style="list-style-type: none"> <li>• D&amp;B</li> <li>• Experian</li> <li>• GuideStar UK</li> </ul>	<ul style="list-style-type: none"> <li>• Total income / turnover</li> <li>• Total charitable or primary purpose expenditure</li> <li>• Total assets</li> <li>• Total paid staff</li> </ul>
<b>Data companies: Public sector intelligence</b>	<ul style="list-style-type: none"> <li>• Spikes Cavell</li> <li>• Exor</li> </ul>	<ul style="list-style-type: none"> <li>• Total expenditure by a local statutory body through third sector suppliers</li> </ul>
<b>Funders</b>	<ul style="list-style-type: none"> <li>• BIG Lottery (and other National Lottery distributors)</li> </ul>	<ul style="list-style-type: none"> <li>• Total funding through National Lottery grants</li> </ul>

**Table 2: Supporting measures based on organisation level data: Organisation ecology**

Source	Topic	Measures	Comment
<b>Registers</b>	Total number of: charities, CICs, CLGs, I&PSs etc.	Number, Charities per capita (per 1,000)	Why? Monitor the changing ecology of the third sector. Insight into relative incidence of legal forms.  Challenges: Time lag between ceasing to operate, formal winding up and removal from registers.
<b>Registers</b>	New charities, CICs, CLGs, I&PSs etc.	Number, % change	
<b>Registers</b>	Net change (births and deaths) - charities, CICs, CLGs, I&PSs etc.	Number, % change	
<b>Registers and data companies (Business and market intelligence)</b>	Mergers	Number of mergers Number of organisations merging Total value of organisations merging	Why? Policy and practitioner interest in mergers.  Challenges: Register of mergers for registered charities has only just been established.
<b>Registers and data companies (Business and market intelligence)</b>	Diversity and beneficiaries / clients served	Number of organisations addressing specific issues e.g. elderly, children and young people, BME  Total expenditure by organisations addressing specific issues e.g. elderly, children and young people, BME.  Number of organisations / total expenditure per capita by target groups e.g. 3 TSOs per 1,000 elderly people, £100 expenditure for each elderly person.	Why? The third sector serves many and diverse client groups.  Challenges: Many organisations have multiple beneficiary and client groups.

**Table 3: Supporting measures based on organisation level data: Economic and financial measures**

Source	Topic	Measures	Comment
Data companies (Business and market intelligence)	Total incoming resources	Amount (£), per capita Measures of the mid-point Distribution coefficient	Why? Income is the most commonly used measure for the third sector and is often used as a stratifying variable.  Challenges: Different definitions of income e.g. turnover versus total income; earned versus trading.  Income not always a good indicator of change, especially where organisations receive capital funds.
Data companies (Business and market intelligence)	Income broken down into types: <ul style="list-style-type: none"> <li>• earned (sales),</li> <li>• voluntary (grants and donations) and</li> <li>• returns on investments</li> </ul>	Proportion, total from each transaction type Concentration versus diversity % from trading % from charitable giving	
Data companies (Business and market intelligence)	Income broken down by source: <ul style="list-style-type: none"> <li>• Government funding (grants and contracts)</li> <li>• Individuals/general public</li> <li>• Grantmaking trusts</li> <li>• Lottery</li> <li>• Self generated (charity shops)</li> </ul>	Proportion, total from each source type Concentration versus diversity Proportion from govt (central/local/etc)	
Data companies (Business and market intelligence)	Charitable expenditure	Amount (£), per capita Percentage of total income (organisational efficiency measure) Expenditure/reserves ratio (see below) Final current expenditure	Why? Expenditure is a more reliable indicator of activity levels over time.  Challenges: Disaggregation into meaningful policy-relevant categories; detail needs careful analysis.  Comparable measure for social enterprises.
Data companies (Business and market intelligence)	Total funds: <ul style="list-style-type: none"> <li>• Unrestricted</li> <li>• Restricted</li> </ul>	Amount (£), per capita Distribution coefficient Ratio of restricted to unrestricted funds	Why? Funds represent the overall value of the sector available for the future and is therefore a key indicator  Challenge: Non-accrual accounts under represent assets and therefore funds; headline figure heavily skewed by big charities.

<b>Data companies (Business and market intelligence)</b>	Tangible fixed assets – property and land	Amount (£)	Why? Key measure of sustainability i.e. the number of TSOs with functional assets. Can be used to track community asset transfer.
<b>Data companies (Business and market intelligence)</b>	Total investment assets	Amount (£)	Why? Investments may be a leading indicator for grantmaking and sustainability  Challenge: Detail requires careful analysis

**Table 4: Supporting measures: Economic – human resource measures**

Source	Topic	Measures	Comment
<b>Organisation level data: - Data companies (Business and market intelligence)</b>	Number of paid staff (and staff costs)  Skills needs (gaps/shortages)	% of TSOs who are employers  % of working population  Average per charity  FTE (imputed where necessary from staff costs)  (% with skills gaps / shortages)	Why? Clear indicator of change understood by the sector; skills / workforce a major public policy area  Challenges: Non-recording in small TSOs. Skills measure reliant on survey data
<b>Organisation level data: - Data companies (Business and market intelligence)</b>	Number of trusteeships	Per capita (000s)  Average per charity  Average hours	Why? Level of active citizenship. Context for the health of governance in an area
<b>Individual level data - Citizenship Survey</b>	Number of volunteers (and average hours worked)	Number of volunteers, per capita  Average hours  Imputed economic value based on minimum wage.	Why? Clear indicator, public policy interest, shifts focus from organisation towards civil society, strong data  Challenges: Definitions. Currently estimates are only available at a regional level.

**Table 5: Supporting measures: Local philanthropic resources**

Source	Topic	Indicator	Comment
<b>Funders e.g. BIG Lottery</b>	Grants from national lottery distributors	Total value of grants made	Why? The National Lottery- especially the BIG Lottery – is an important source of funding for TSOs.  Challenges: Access to micro data.
<b>Data companies (Business and market intelligence)</b>	Grantmaking trusts and community foundations	Total grants made by local grantmaking trusts.  Total funds of local grantmaking trusts.	Why? Local grantmaking trusts can have a very positive effect on the health of the local third sector. Government policies encourage development of local community foundations / funds.
<b>Data companies (Business and market intelligence)</b>	Individual giving	Total number of people making charitable donations  Total amounts donated by individuals	Why? Local fundraising has a very positive effect on the health of the local third sector. Government policies to promote charitable giving.
<b>Data companies (Business and market intelligence)</b>	Corporate giving and community involvement	Total number of companies making charitable donations  Total amount donated by companies.  Total amount of community involvement by companies.  % of pre-tax profits donated  Total amount by local economic indicators / population	Why? Corporate giving and community involvement activities can have a very positive effect on the health of the local third sector. Government policies to promote corporate giving and community involvement.

**Table 6: Supporting measures: Economic – local authority area based measures**

Source	Topic	Indicator	Comment
<b>Data companies (Public sector intelligence)</b>	Spend analysis – analysis of accounts payable ledger for each statutory body	<p>Total expenditure through third sector organisations by local statutory bodies</p> <p>Total expenditure through third sector organisations as a proportion of total expenditure by local statutory bodies</p>	<p>Why? Spend analysis provides the most effective and efficient method of measuring the level of public expenditure through third sector organisations. It also allows you to place third sector public service delivery within the context of overall expenditure by statutory bodies.</p> <p>Spend analysis also categorises spend into main expenditure types which facilitates comparisons across local authorities and also over time.</p> <p>Spend analysis can also underpin other policies such as sustainable procurement and identifies the level of dependence of local suppliers on local statutory bodies.</p>
<b>Government: CLG</b>	Business rate relief for charitable and non-profit organisations	<p>Total value of National Non-Domestic Rate relief, total value of mandatory business rate relief, total value of discretionary business rate relief.</p> <p>Total value of mandatory National Non-Domestic Rate Relief for charitable activities.</p> <p>Total value of National Non-Domestic Rate relief for non-profit activities.</p> <p>Total value of discretionary National Non-Domestic Rate relief for charitable activities.</p> <p>Total value of discretionary National Non-Domestic Rate relief for non-profit activities.</p>	<p>Why? Third sector organisations need space to operate whether it be for offices or service delivery. The cost of this space can be considerable, National Non-Domestic Rate relief is therefore a significant public subsidy of third sector activities.</p> <p>Local authorities have a mandatory requirement to offer 80% discount but can also offer full rate relief. Whilst this was limited to charities, this is now extended to non-profit organisations.</p>





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