



Second survey of local third sector support providers: the impact of the economic downturn

November 2009

This report shares the second set of results from Capacitybuilders' surveys on the impact of the economic downturn on support providers. The first was published in July 2009. Both are available from the Improving Support website www.improvingsupport.org.uk/tools.

1. Summary

Capacitybuilders' second survey of support providers shows the impact of economic changes on the sector, including key issues emerging over the last 6 months.

Frontline organisations are now demanding even more support, in addition to the increase reported in the first survey in June. The majority of support providers feel they are coping well with this demand.

However, more support providers have faced reduced income over the last twelve months. This suggests growing financial pressures, which may limit the ability of support providers to respond to further increases in demand for their services.

Perhaps as a consequence of these pressures, more support providers are considering cutting staff, rationalising their services and exploring collaboration or merger.

Capacitybuilders will continue to monitor such changes to help government and the sector respond effectively during this challenging time.

2. Introduction

Capacitybuilders has commissioned a series of surveys of local, third sector support providers that will explore the effects of changes in the economy on support services.

Topics covered by the six-monthly surveys include:

- changing patterns of demand for support services
- changes in income
- organisational responses to the recession
- the impact of current economic challenges on the wider third sector
- expectations for the future

This report presents the findings of the second survey which took place in October/ November 2009 and, where appropriate, are shown in relation to findings from the first survey in the series conducted in May/June 2009.

Conducting surveys at regular intervals will allow us to track changes to the sector as well as emerging responses. We also expect that the results will help identify areas of resilience within the sector, as well as areas where there is greatest vulnerability. The next survey will take place in April/May 2010 with all findings in this series of surveys being published on the Improving Support website under the building resilience topic area:

www.improvingsupport.org.uk/buildingresilience.

Sample

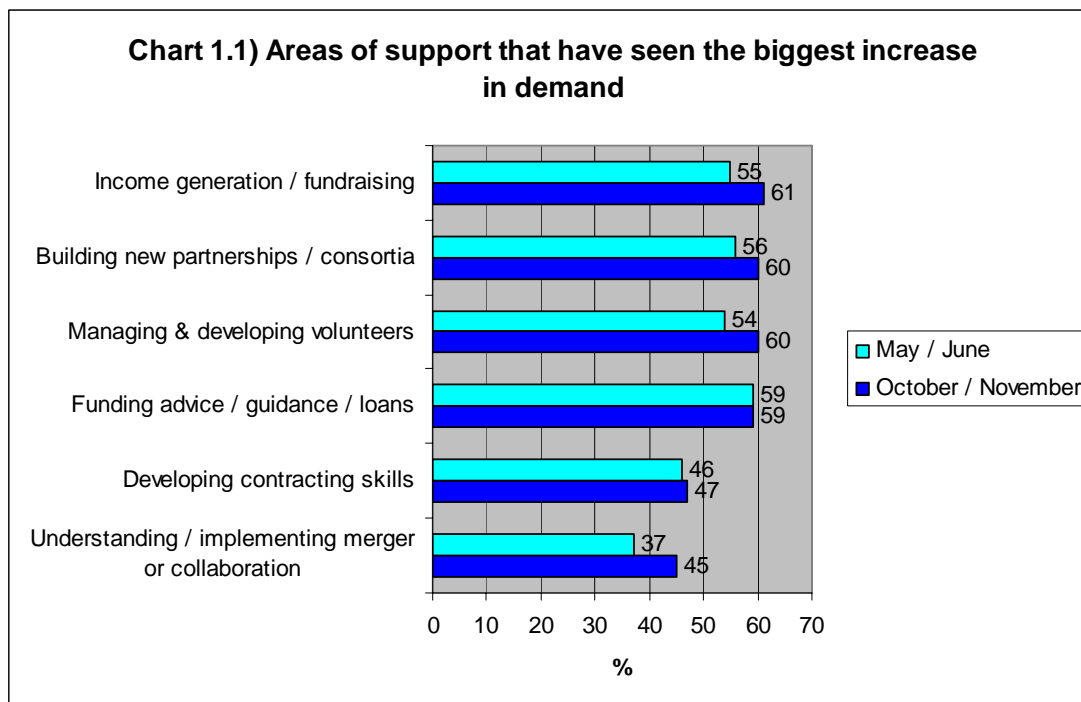
May/June 2009 – 898 third sector providers were invited to participate in the study via an online questionnaire. Of this sample 289 responses were achieved, giving a response rate of 32%.

October/November 2009 – 1544 support providers were invited to participate; 389 responses were achieved, providing a response rate of 25%.

3. Key Findings

1) Demand for services

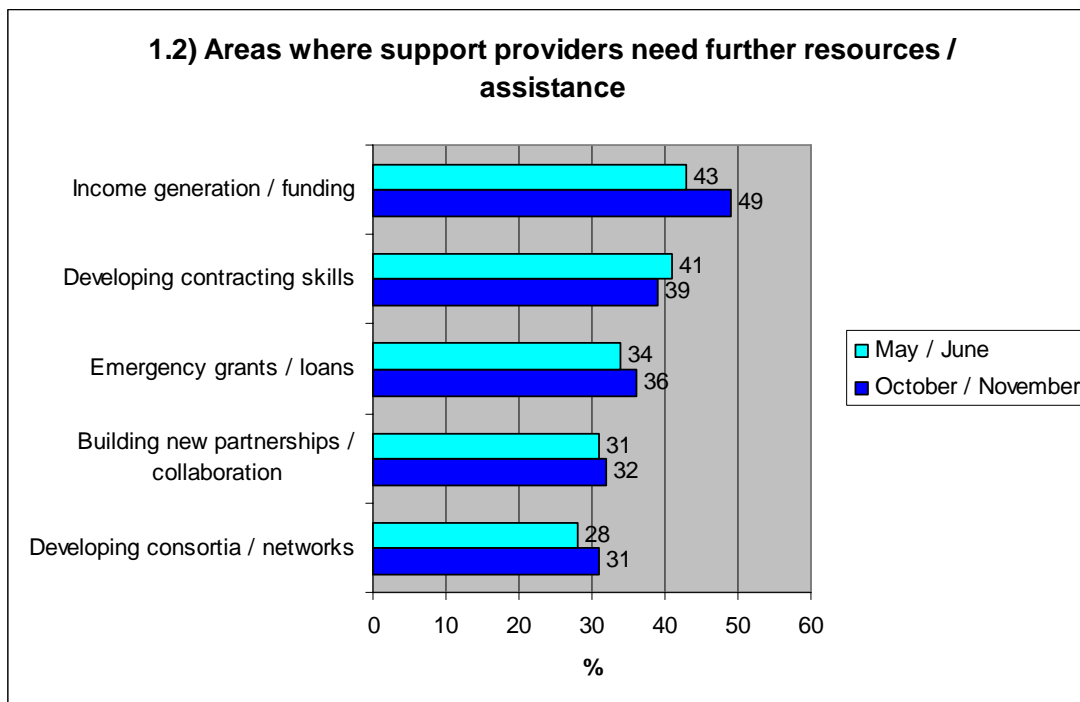
The vast majority of support providers (May/June – 78%; October/November – 79%) continue to experience an increased demand for their services from frontline groups (see Chart 1.1). Both surveys clearly demonstrate continued heightened demand from frontline groups around three particular themes: funding and income generation; partnership working; and volunteering.



While levels of demand largely remained stable between surveys, the October/November survey did register a small increase in demand from frontline groups for support around understanding / implementing merger or collaboration. This may reflect pressure on frontline organisations to merge or collaborate to increase resilience and decrease costs, as well as increased merger and collaboration activity arising from the recent Real Help for Communities: Modernisation Fund programme.

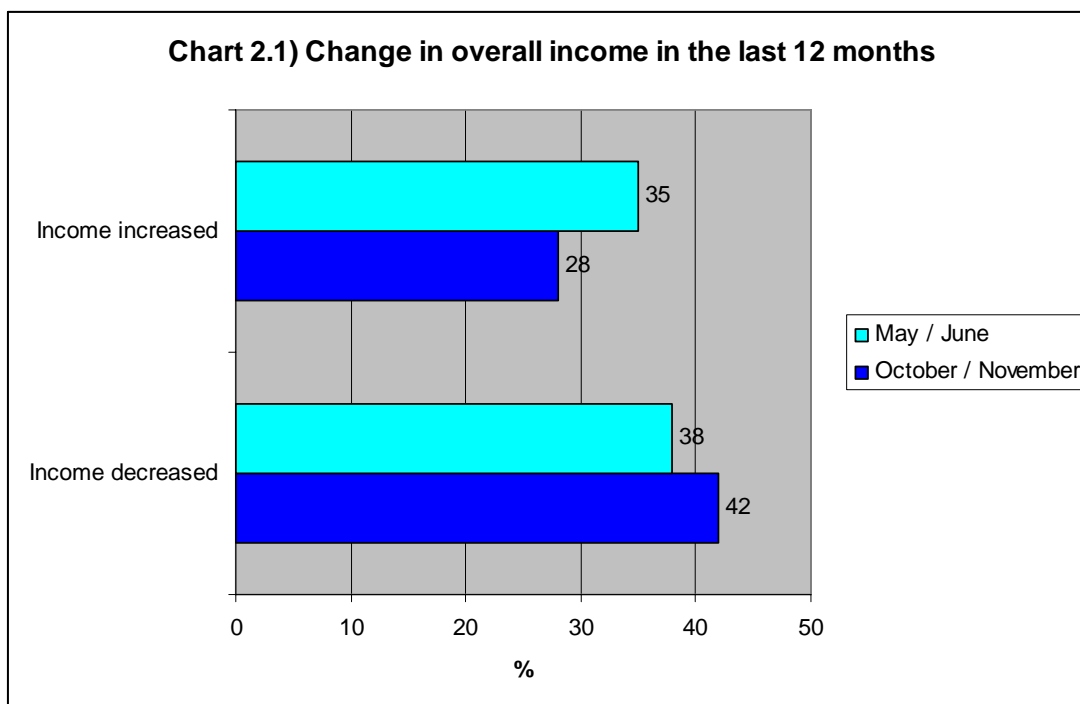
Despite the continuing increased demand for services, more than half of support providers continue to feel that they are either coping ‘fairly’ or ‘very’ well with levels of demand (May/June – 53%; October/November – 52%). The proportion of organisations indicating they were coping ‘not very well’ or not at all well’ also remained stable (14% both surveys).

Support providers were also asked whether there were any specific support areas for which they required additional advice or resources to help them support frontline groups more effectively. Responses to this question remained broadly stable over the last six months and reflected those areas that had seen the biggest increase in demand for support. The one area showing a significant increase in need for further resources/assistance relates to support around income generation and funding, perhaps highlighting expectations of an increasingly tight funding environment for third sector groups over the short to medium term.

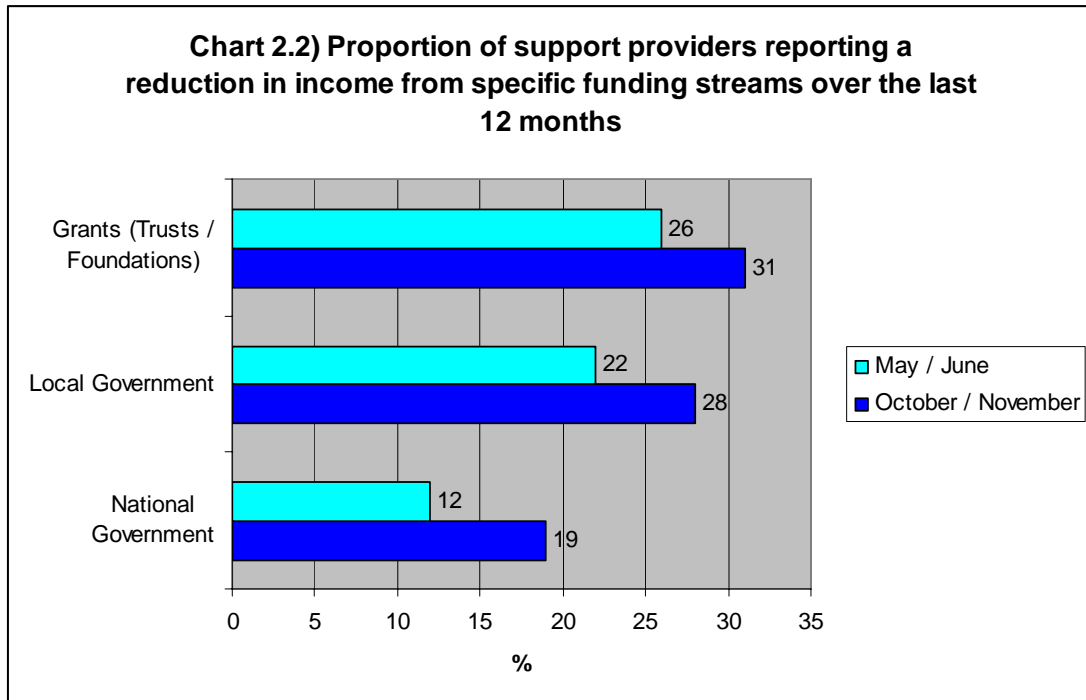


2) Income and costs

The tightening financial climate for third sector groups, including support providers, is highlighted in data on income and costs. In May/June, there was a fairly even split between those support providers that reported a reduction in income over the previous 12 months (38%), and those that saw their income grow during the same period (35%). The October/November survey, however, indicates that there is now a substantial gap between the proportion of support providers that have seen their income rise (28%) and those that have seen their income fall (42%) in the last 12 months.



Reductions in income were not limited to particular sources. Lowering grant income was reported from trusts and foundations; Local Government; and National Government (see Table 2.2).



Rather unsurprisingly, support providers remain cautious over their financial prospects for the next 12 months – with only 15% expecting their income to grow, while almost 3 times as many (44%) expect their income to reduce. These results are broadly consistent with results in May/June where 13% expected their income to increase and 46% expected it to fall.

There is slightly more optimism over income generation in the medium term. A fifth (20%) of support providers are expecting their income to grow over the next 3 years, up from 12% in May/June. However, this optimism is not shared by all – 42% still expect their income to reduce during this time.

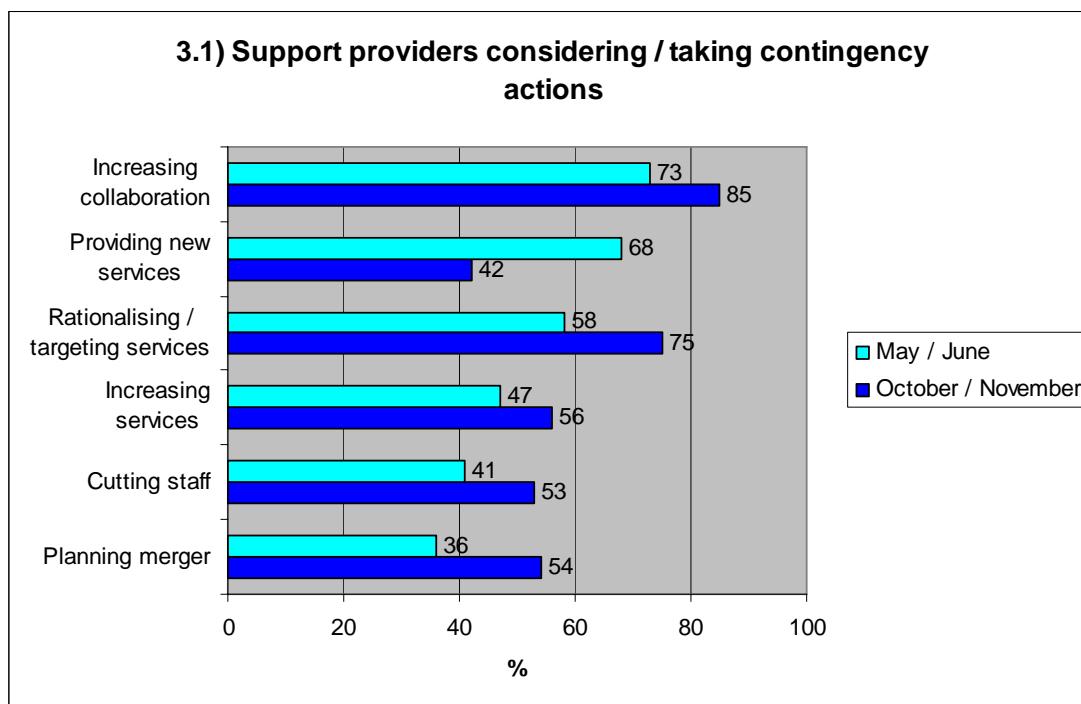
While income is expected to decrease over the next twelve months, there is an expectation that costs will increase over the same period - almost two thirds (63%) of support providers expect their costs – staffing, training, utilities, legal / professional costs – to increase over the next year. This is slightly up on the findings from May/June (60%).

3) Contingency actions

Over the course of the last 6 months there have been some fundamental shifts in the actions planned by support providers in order to respond to the increased demand for services and continuing pressure on costs.

In both spring and autumn surveys, support providers identified the development of greater collaborative working with other support providers as the most common action that they had either taken or were considering taking (85%).

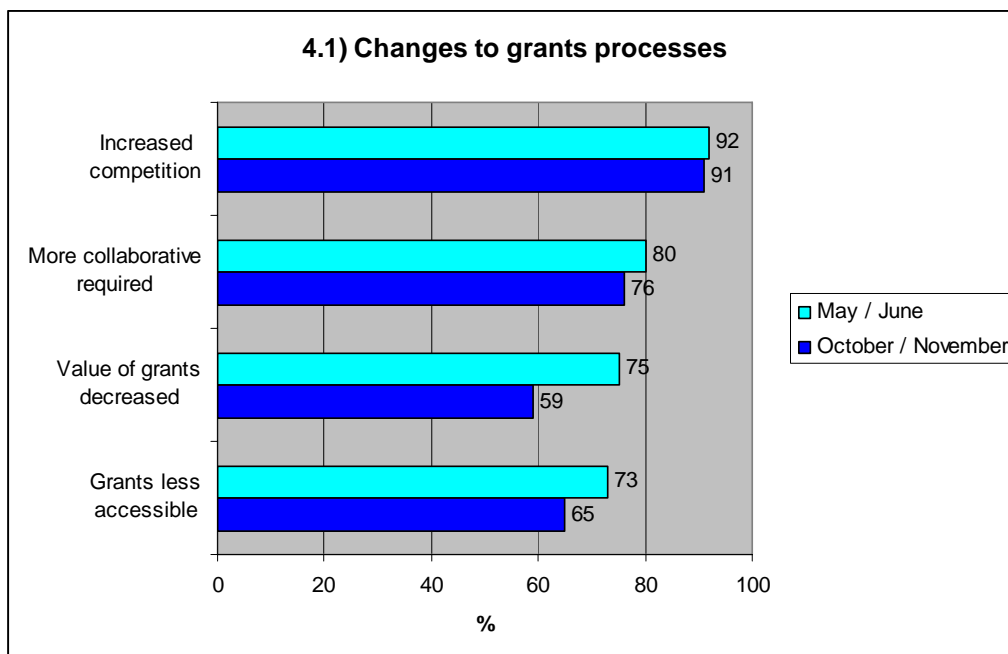
The October/November survey also showed that a higher proportion of providers were exploring merger, rationalising / targeting services and cutting staff. In addition, while a significantly higher percentage of providers were considering increasing levels of services to respond to external demands, a significantly lower number of providers were considering the provision of new services – down from 68% in the spring, to 42% in the most recent survey, perhaps reflecting decreasing expectations around availability of external funding and an unwillingness to take on risk during an uncertain financial environment. See Chart 3.1 for further details.



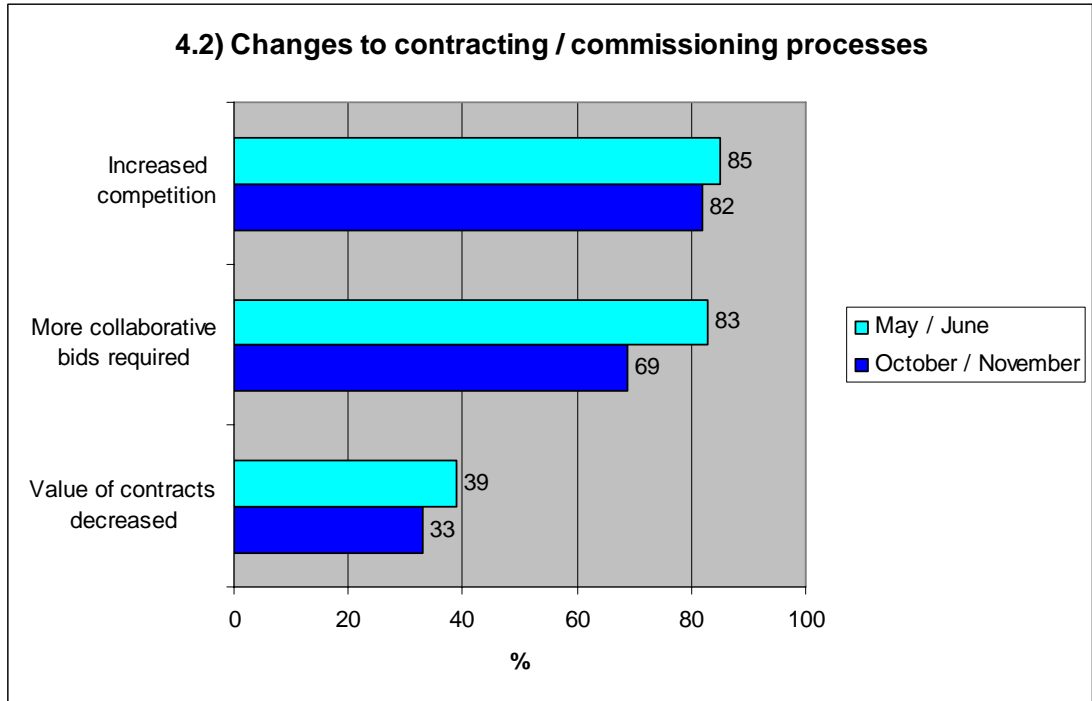
4) Changes to grants and contracting / commissioning processes

Support providers were asked about whether they had noticed any changes to processes around applying for grant funding and / or tendering for public service contracts. More than half of respondents to the October/November survey had been affected by changes to grants (55%) and contracting / commissioning processes (53%).

The perception among the vast majority of support providers was that competition for grant funding had increased significantly (91%) with three quarters (76%) having noticed that funders were increasingly looking for collaborative bids.



Support providers continue to note increased competition when tendering for public services contracts (May/June – 85%; October/November – 82%). In contrast to grant funding, and may be rather surprisingly, a significantly smaller proportion of respondents in October/November (69%) felt that there was greater pressure for collaborative bids compared to the spring (83%).



4. Contacts

If you would like further information on Capacitybuilders' surveys looking at the impact of the economic downturn, please contact:

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