Acknowledgements

Thank you to Nottingham’s voluntary and community sector for understanding the importance of this research, and for their contributions and honest responses.

To Roz Kelly (former Policy and Communications Officer) and other members of the NCVS staff team of 2015-2016 who contacted, supported and interviewed groups and organisations.

To David Kelly who analysed responses and provided the commentary for the majority of this report.
Thank you to all the voluntary groups and organisations who participated in the 2016 survey behind this fourth State of the Sector report. We value the significant commitment from everyone who makes a contribution to this work. Demands and pressures on our sector are higher than ever, and NCVS itself is not immune to the ‘squeeze’. In fact the impact of austerity is partly to blame for the delayed appearance of this report as our organisation continues to react to funding challenges and workforce changes.

The space between the first analysis of survey responses in summer 2016, to now in April 2017, has allowed for a period of reflection. It has also seen many of the issues highlighted by our respondents rise higher on the agenda of general public awareness. There are times when the voluntary and community sector hardly receives a mention in mainstream media. Unfortunately, the second half of 2016 appeared filled with reports about a decline in public trust in charities alongside growing reforms and an ever-tightening regulatory framework in which to operate.

Not all of this is negative for future development. Efforts to promote greater transparency and accountability are welcome. There is a need for the sector to take a look at itself and to pull together via partnerships and consortia to increase our influence.

Infrastructure support would seem to be in a precarious and confusing position in Nottingham city according to voices in this survey. There is evidence, however, that a need for the assistance of organisations such as NCVS may be growing. Caroline Schwaller, Chair of NAVCA has stated that, in this climate, “local infrastructure organisations are more important than ever, to stimulate, strengthen and advocate for civil society.”

The message comes through that we need to shout about our contribution to the resilience of local communities and strengthen our influence. There is increasing focus on small charities in national policy. The first Local Charities Day was organised by government in December 2016, supported by Rob Wilson, Minister for Civil Society. This is important because small charities are often an afterthought in policy design in a sector where income size is confused with success.

Cuts in public spending have left many smaller voluntary organisations with less money, meeting higher social demand. Many of our respondents had reduced their hours of operation in order to survive, with the majority remaining optimistic that complete closure was not yet on the horizon. However, Nottingham has experienced the sad disappearance of some highly influential organisations in the last few months alone. For smaller and medium-sized charities (usually defined as having an income under £1 million—although just a dream for many of the groups we work with), at its worst, a single funding decision can make the difference between survival or shutdown of the whole project.

Small local charities are vital, but how can they be put at the heart of public services in a fair and just way?

The effects of public sector commissioning processes on smaller, local groups were heavily criticised in the Lloyds Bank Foundation Commissioning in Crisis report (published December 2016). Organisations are forced to bid for under-resourced commissioner-led funding rather than needs-led tenders. These contracts are less likely to cover core costs and sometimes operate on a payment by results basis, which can see a small voluntary organisation with an almost non-existent cash-flow subsidising public sector services. This can’t be sustainable.

Our previous state of the sector report produced in 2014 was entitled ‘Picking up the Pieces’. We find ourselves in this position still, although the constant bending and over-reaching of our capacity is now playing havoc with core delivery, and essential services are beginning to crumble.

Are we being squeezed or are we being stretched to breaking point? I would suggest we are being buffeted and exploited, and this is not about to change. Sustainability is the buzzword of the year. Creating a sustainable future for our organisations is likely to be the biggest challenge in 2017.

Nicki Hastie
NCVS Policy and Communications Officer
April 2017

Nottingham CVS's fourth ‘State of the Sector’ survey asked voluntary and community organisations in the city of Nottingham a series of questions examining their experiences across a two year period – 2015 and 2016 – and their expectations for the year ahead.

The survey was conducted online between May and July 2016 and was anonymous and optional in order that groups were able to be honest without fear of identification. We sought to make the survey as representative of the sector as possible and we contacted groups directly where we identified under-representation among respondents.

We invited groups across the city to participate in the survey. Responses received from groups outside of the city were disregarded. We promoted the survey through a number of channels:

- Directly with groups whose details we hold on our database
- Information on our website
- Regular promotion via our weekly e-bulletin
- Via our network
- Directly with groups we are currently supporting as part of our group development caseload
- Via social media

The survey asked 67 questions. The questions were a mix of yes/no, multiple choice, interval scale and open ended text questions.
- [ 1. About the respondents ] -

The voluntary and community sector (VCS) in Nottingham is composed of a rich and diverse range of organisations providing high quality services designed to meet the needs of the many different citizens and communities across the city.

Our survey attracted in excess of 100 responses from a broad range of VCS organisations. Respondents ranged from small community organisations that are completely volunteer-led, to organisations with more than one hundred members of staff.

Of the organisations participating in the survey:

- Almost 40% had an annual income of less than £100,000
- Almost one-fifth had an income of less than £20,000
- More than 50% employ less than nine members of staff
- Over 90% were incorporated organisations; over half of them have a business form with almost 60% also being registered charities
- Organisations demonstrated a good geographic spread across the city and included groups delivering services into specific neighbourhoods alongside organisations providing city-wide services
- The organisations provide services to a wide range of client groups, with a significant number providing services to the person, particularly in health and social care and learning and skills.

Although the study cannot be said to be wholly representative of the more than 2,000 community and voluntary groups that operate in Nottingham, we would suggest that it provides a valid perspective of what life is like for them at the moment.
This is a difficult time for many voluntary organisations, whose commitment to values and independence is being increasingly tested. The combination of public sector cuts, rising costs and increasing demand for their services has put many in a difficult financial and organisational position. We wanted to find out how the sector is faring against this background and how it may be impacting on their service delivery and the maintenance of their focus and mission.

While the government speaks of economic recovery and improving conditions for people experiencing social and economic disadvantage, this is still not being experienced by many citizens and communities who rely on the voluntary sector or by the sector itself. This is the third consecutive state of the sector report where the city’s VCS is reporting an increased demand for its services.

Over the past year 71% of respondents have experienced an increase in demand for their services. Indications from our survey and from our engagement with groups in the city indicate that continued austerity and reforms to public services are pushing more citizens to seek the support of the voluntary sector.

The increased demand for services occurred against a backdrop of a changing operating environment for the voluntary sector. Reductions in the level of, and changes to the focus of, grant funding alongside a move to a more competitive environment of contracts for services has resulted in a number of groups changing the services that they deliver.

Over half of respondents (56%) told us that they have had to change the nature or mode of delivery of their services due to the funding that is available to them.

The increase in demand has placed some pressure on groups in the city, with less than half of groups reporting that they have been able to increase the level of services they provide in response to heightened demand. Less than half have been able to increase their level of delivery while more than one-fifth of groups have seen a reduction in the volume of services they are able to provide.

A significant number of groups (60%) reported that they have grown over the past 12 months, but this is more an increase in capacity, particularly through the engagement of an increased number of volunteers, rather than an increase in overall levels of income. This is more marked among smaller groups. It is evident that larger groups have been able to grow largely as a result of securing more significant levels of grant income and contracts.

The financial vulnerability that some groups have reported continues to threaten the sustainability of services. In our 2014 report, 36% of groups were confident that they would
not have to close any of their services in the coming 12 months. The 2016 survey has seen a slight increase in this figure to 39%. Indications are that this is often the result of grant funding ending and uncertainty about where continuation funding can be sourced as well as uncertainty over the commissioning priorities of the public sector.

We have seen, in previous surveys, a clear indication from the sector that some services may have to close. This is especially concerning as the continued rise in demand for services may not be able to be met within the sector as citizens will inevitably be seeking support from a reduced number of services. This will inevitably place increased pressure on those voluntary sector services with a consequent impact on their responsiveness. It may also result in pushing citizens back to an already stretched statutory sector.

In the event that an organisation has to close a service or has to close altogether, groups reported that it would be difficult for their work to be picked up by other agencies as they were already a last resort for many of their clients. The loss of their specialist knowledge and practice would place already vulnerable clients in a worse situation.

Groups who felt that their work could be replicated contended that it would be done so without the trust and technical knowledge that they have built up over many years, and would probably result in more demands being placed on statutory services, particularly in health and social care.

An encouraging finding is that the majority of groups are confident about their continued existence with most believing that it is unlikely or very unlikely that they will have to close altogether in the next 12 months, with only 6% reporting that it is likely or very likely.

- [ Merger and consolidation ] -

There is still much talk of merger and consolidation within the voluntary sector, though more so from funders, commissioners and policy makers rather than from voluntary organisations. The survey indicates that there is no real appetite for such new relationships, with 80% of respondents stating that they have neither merged nor considered merging over the previous year. The appetite that is demonstrated is more one for progressing effective partnership working with two-thirds of groups reporting that they have found themselves working in partnership with other groups more than in the past.

Groups in the city have demonstrated a continued ability to adapt to the changing operating environment, modifying their structures and functions as well as their services to enable them to continue to deliver services to those citizens most in need. Almost half of groups have reported that they have either downsized or restructured in order to meet the challenge of continuing to deliver their services or to take advantage of new opportunities.

However, partnership working is not always easy, and finding the right partners and agreeing a collaboration can be a long process. Only 40% of groups reported that it is easy to find partners.
The idea has been floated of an intermediary organisation brokering partnership relationships. This could serve to remove some of the pressure from organisations and also serve to provide a mechanism for private and public sector bodies to identify potential partners and build collaborations. However only 22% of groups indicated that they believed it would be easier to find partners through such a service.

- [ 3. Work and input ] -

- [ Consultation with the VCS ] -

Consultation is a vital part of modern policy making, a tool for public authorities to learn from the expertise and perspectives of citizens, business, voluntary sector organisations and other stakeholders. Through consultation, the voluntary sector brings a wealth of experience and insights into decision and policy making, helping public bodies better understand the needs of citizens and society, which in turn helps create more realistic and better targeted policies and services.

Comment from the public sector consistently confirms that they are keen to hear the views of the voluntary and community sector. However there is a history of the VCS believing that the public sector is just ‘going through the motions’ when consulting with them and that its views don’t hold much weight. We wanted to test whether this is still the case and whether groups felt able to participate in exercises that shaped public policy and service design.

There does not seem to be an issue with regard to groups’ abilities to participate in public sector consultation and decision making processes. The voluntary sector is represented on many of the key strategic bodies, fora and committees in the city and participates in consultation exercises on a range of issues. The voluntary sector view is actively sought as part of these exercises. Almost two-thirds of groups told us that they feel able to participate in public sector consultations and decision making processes. However, a quarter told us they felt restricted in their ability to participate. The majority of these respondents were smaller groups who have limited capacity.
This is of some concern as often such groups are working with the most vulnerable citizens and communities in the city and bring a valuable perspective and intelligence to discussions. It is important that their voice is able to be heard within consultations. However their restricted ability to participate is not unexpected.

What is of more concern is the fact that responses confirmed the view that the voluntary sector, while able to participate in consultations, doesn’t feel that their input actually shapes the outcome of consultations. Often they feel that they are part of an exercise that has to be gone through.

The view was expressed that often documents, programmes or strategies that are produced at the end of a consultation exercise do not articulate the views of, and often fail to reference, the contribution of the voluntary sector. This is particularly true with regard to the sector’s role as a key economic player in the locality rather than just as a mechanism for engaging with and reaching disadvantaged people.

- [Partnership and collaboration] -

We were also interested in the degree and the nature of collaborative working by voluntary organisations. Cross sector collaboration is becoming more important with increased opportunities to engage with partners from the public and private sectors, particularly in the realm of public service delivery.

As the state continues to shrink, and commissioners across a range of public service delivery areas are faced with meeting rising demand with diminishing resources, new ways of working and meeting community needs are becoming increasingly necessary. The voluntary sector needs to be a part of co-designing and delivering these new systems and solutions. Collaborations across agencies, disciplines and sectors, will become more common.

However, cross sector collaborations are not always easy relationships to establish and manage, particularly given the difference in culture and values between different sectors and the roles that groups from different sectors play due to the power and resources that they may control. There is a concern that sometimes voluntary organisations are used as ‘bid fodder’, particularly by large private sector providers, when contracts are being pitched for.

We found that that there is a high level of collaboration by voluntary organisations. Only 11% of groups reported that they were not currently working in collaboration with organisations from either the voluntary, public or private sectors. Unsurprisingly, though, most
collaboration was with other voluntary sector organisations, with 84% of groups reporting engagement with sector peers.

While it is to be expected that the majority of collaboration would be with other voluntary organisations due to the sharing of values, focus and delivery of similar or complementary services, there is a risk that some groups may exclude themselves from opportunities for cross sector collaboration which could yield rewards.

The survey demonstrates that voluntary organisations feel more comfortable working with their sector peers. Again this is not surprising as it is generally easier to work with people who are like you.

However, this may serve to close down opportunities for contracting as an increasing volume of public services are contracted out by the public sector and cross sector collaborations are encouraged.

- [ Working with the private sector ] -

In the VCS, we are used to talking about the private sector as something quite different from the voluntary sector, but from a commissioning point of view in many ways we are two sides of the same coin. Policy generally refers to small and medium-sized enterprises (SMEs) and doesn’t differentiate between sectors. There is value in cross sector collaborations as voluntary organisations could benefit from learning more about, and from, the private sector just as business could benefit from closer relationships with the VCS.

However as only 4% of respondents reported that they found the private sector the easiest sector to collaborate with, against 51% for the voluntary sector, there is still significant work to be done.

- [ 4. Getting support ] -

Voluntary organisations and community groups want, need or are thought to require external expertise to support their operations. This could be because groups, their funders and other stakeholders want to improve their work, develop their services, improve performance, grow their organisation, address organisational weaknesses or survive through crisis.

Typically this is simply described in general terms as ‘support’, but this catch-all term often refers to organisational development, business support, and capacity building. At its heart capacity building tends to focus on developing skills, knowledge and confidence across a range of organisational and individual dimensions.

Access to high quality support is key to the success of voluntary organisations in the city, building their sustainability and consolidating their ability to deliver high quality services responsive to the needs of the city’s citizens.

Support for voluntary organisations in the city comes from a number of sources and takes a variety of forms. All are equally important as they contribute to the success of the sector. An illustration of some of the sources of support accessed by groups is shown in figure 4.1 opposite.
The landscape of infrastructure support for the voluntary sector has shifted markedly over the past 12 months with changes to the funding arrangements and a reduction in the capacity of traditional infrastructure bodies to provide it. The provider market has also become more fragmented with differing interpretations of what infrastructure support is and a decline in city-wide provision. We wanted to learn about the sector's experiences of receiving support in this changed environment and the impact it was having on them.

Figure 4.1 Examples of sources of support

From NCVS and from our board members.
Receive HR advice, volunteer support, training and sense of belonging in the sector from NCVS.

The Office of the Police and Crime Commissioner and the UoN Institute of Mental Health. We get some funding, networking and technical support. Also work with the Engagement Officer at NCC and the Cohesion unit which provides information, training, access to initiatives and goodwill. We also get support from CVS facilitator of the CYPPN.

Local museum networks such as East Midlands Museums Service ... training, governance support, volunteer development, grants and more.

CAPlus and NCVS though it is unclear what services are available now. We buy in from Peninsula Business services, have partnership with Woodfield Industries.

- [ Infrastructure services ] -

Local infrastructure services for the voluntary sector have traditionally been provided through generic and specialist infrastructure bodies such as Councils for Voluntary Service, Rural Community Councils and Volunteer Centres.

Local infrastructure organisations exist to give support to local voluntary and community groups, foster contacts between them and provide them with a strategic voice. Research has evidenced that accessing infrastructure support was associated with positive outcomes, including a substantially higher likelihood of success in grant applications and winning contracts. Given the challenges that the sector currently faces, access to high quality, relevant and effective infrastructure support is important.

We asked the sector what they understand as being infrastructure support, where and how they access it and their recent experiences of accessing it. This is important given the recent changes to the funding of support services for groups in the city and the new models and locations of delivery that are emerging.

Respondents were invited to select from a list of services which they consider to be infrastructure support. The highest level of recognition and agreement were training, network facilitation, support with funding applications, and volunteer development. Other services that were referenced in the open question included HR, finance, marketing and communication, and signposting.
There has been a significant shift in the way infrastructure support is provided in the city over the previous 12 months. A single city-wide service is no longer funded by Nottingham City Council, with a move to more locally based delivery through Area Lead Organisations (ALO) funded through Area Based Grants. Introduced in 2013, Area Based Grants is funding allocated to ALOs for the eight areas of the city. The funding is allocated for three years. The ALO heads a partnership or consortium of locally based VCS organisations, through which they deliver services to their local communities. These include supporting young people, employment and skills training, support for community associations managing City Council owned Community Centres and support for local VCS organisations.

Each ALO was tasked to undertake a needs analysis of their area and to develop a local response to deliver what was required. This has resulted in a number of different support models being introduced. One consequence is a lack of consistency between areas and a lack of clarity as to where organisations that operate and deliver services city-wide can access their support.

This poses a challenge for city-wide infrastructure bodies and ALOs to develop a coherent system of support within the new funding regime that is responsive to the needs of the sector.

Engagement with groups over the past 12 months has revealed that some have experienced difficulty in accessing the support that they require. Capacity within traditional infrastructure bodies has been reduced and the new system has been slow in being established and communicated to the sector. Responses to the survey have reinforced this intelligence with more than a quarter of groups telling us that it is not easy or it is very difficult to access infrastructure services, with more than one-fifth telling us that they have found it to have become more difficult over the last 12 months.
Nottingham City Council also created a Communities of Identity Grant which supports organisations who provide services to new and emerging communities, refugees and asylum seekers and to groups focusing on gender and sexual orientation. Again this funding is managed by a community based Lead Organisation.

One consequence of the introduction of this new approach to funding some of the activities of the voluntary sector has been a reduction in grant income received by some organisations with a consequent impact on the services which they provide.

The survey shows that there is a good level of awareness of Area Based Grants, though a lower level of awareness of Communities of Identity grants. A number of the respondents have benefited from the grants: 18 organisations reported that they had received funding through Area Based Grants in the preceding 12 months alongside 15 who had received support through the Communities of Identity Grant. Both grant programmes have been recommissioned for 2016 to 2019.

**[Support from the private sector]**

The private sector has long been a source of support for the voluntary sector, traditionally through donations, sponsorship, help with fundraising and the organisation of volunteer days.

Over recent years we have seen an increase in Corporate Social Responsibility (CSR) activities and the development of new forms of relationships with the VCS. This has been informed by a recognition that working with a voluntary organisation as part of a supply chain, or developing a long term relationship supporting the delivery of their programmes or transferring knowledge and skills into the voluntary group, can yield a more sustainable benefit to a group. Such support can be as valuable as making a donation or fielding a team of staff volunteers to paint a community centre.

We asked about the experience of support received from the private sector, and 34% of respondents reported that they receive support from the business community. It came in a variety of forms such as sponsorship, financial and legal advice, mentoring, access to venues and the provision of volunteers. It is clear that the support was wide ranging and was of significant value to the organisation receiving it. In a number of cases respondents told us that their services would not have happened without the input of private sector supporters.

There were only a few examples of groups who have supply chain relationships with the private sector. These are mainly as suppliers to primes within national welfare to work programmes rather than as a supplier of goods or services.
The survey shows that the major challenge facing the voluntary sector in the city continues to be funding. This has been reported to us across a number of surveys and through our daily interaction with voluntary organisations.

This survey is reporting on a period marked by continued austerity and slow economic recovery alongside significant reforms to the size and shape of central and local government spending, both for the VCS and public services more widely. Voluntary organisations have had to come to terms with a new operating environment, characterised by reduced funding from government, a dip in levels of personal giving and increased demand for the sector’s services.

Voluntary organisations have demonstrated great resilience in the face of a tough financial environment, but attempts to adapt have often been self-sacrificial, especially for small organisations. In trying to do more with what they already have or with less, many organisations have eaten into reserves, cut investment in their own capacity and placed increased demands on already stretched staff and volunteer resources. All to avoid reducing the support they provide day-to-day to citizens of the city.

The survey has revealed a mixed picture regarding experiences of funding for the sector.

The majority of respondents (41%) have experienced an increase in income while 34% have experienced a reduction. However if we look at the profile of groups who have experienced a decline in income we see, as might be expected, a reduction in income for smaller groups, particularly those micro organisations who have traditionally operated on a small amount of resources.

Interesting, though, is the fact that 50% of organisations with incomes of between £100,000 and £500,000 have seen a reduction in their overall income. This reinforces some of the national findings from organisations such as NCVO that point to a ‘squeezed middle’ in the sector, with middle-income voluntary organisations feeling the uncertainty of a changing outlook in voluntary sector funding and services.²

In addition to the findings from the survey we are aware that micro organisations have experienced a major negative impact from changes in funding regimes. For these largely volunteer led groups delivering services in poorer neighbourhoods or communities, the loss of many small grant funds has hit them hard. Allied to an inability to raise sponsorship or donations from struggling businesses in their neighbourhoods they report using volunteers to do more, with less resource, which is restricting their ability to respond to the level of demand for their services.
- [ Employment ] -

The picture with regard to staff numbers in the sector shows an increase of employee numbers in a third of groups, while a quarter report a fall. We can see stability of staffing levels within smaller organisations with a minimal increase or decrease of employee numbers.

Employment growth seems to be spread fairly evenly across medium and larger organisations, though most report no change to the numbers that they employ.

- [ The funding mix ] -

The sector has demonstrated that it is still heavily reliant on grant funding. We wanted to ascertain whether groups had mirrored the shift reported nationally away from grants toward contracts or sold services.

The survey shows that non-grant income provides an important component of the funding mix for groups. While grants are still important, groups recognise that a sustainable income base requires a mix of sources of income.

The results presented generally echo the findings of our 2014 State of the Sector report. The nature of the funding sources secured is comparable, though there has been an increase in the level of grants awarded. With the continued shift in the arrangements for funding of the VCS we continue to see a heavy reliance on grants, both local and national in origin.

We have seen an increase in the number of organisations who are engaged in contracting with the public sector and/or engaged in trading activity. Selling services to individual consumers and business to business trading is a growing part of the income mix that groups reported.

Social finance continues to experience a low level of take up. We would suggest that this is due to a combination of lack of awareness of the products

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3 Picking Up The Pieces: Nottingham CVS’s State of the Sector Report (NCVS, 2014)
available and their potential to assist organisations, a perceived lack of relevance of this form of finance and a risk aversion on the part of some managers and trustees. However, it is an expanding market that has serious potential to assist the trading/contracting end of the VCS spectrum.

It is clear from the survey that voluntary and community organisations are successful in attracting funding from a wide variety of sources. An important and valued role served by infrastructure bodies is promoting funding and contracting opportunities to the voluntary sector, connecting groups with funders through training events and funding advice surgeries, advising on constructing funding applications and tender responses and casting a critical eye over submissions for funding. The value of this to the sector is evidenced by what respondents have told us.

An associated role is working with commissioners to shape commissioning priorities and inform tender opportunities. Activities serving this function have been carried out through the Vulnerable Adult Providers and the Children and Young Peoples Providers Networks and through working directly with commissioners and commissioning authorities and strategic bodies.

The table below (figure 5.4.) shows some of the organisations that groups have been successful in attracting funding from. There does seem to be a reliance more on local sources of funding than on national providers.

As has been stated, many groups have demonstrated a diverse range of sources of income, although this in itself poses challenges for groups. The majority of groups have stated that they are finding it more difficult than they previously had to secure funding through a range of sources. Additionally, they face challenges managing and reporting mixed income streams.

- [ Changes to funding ] -

When asked whether the type of funding received had changed over the past two years, there was a less resounding ‘no’ than we received in the 2014 survey.

We have seen more groups develop a more diverse funding base, introducing a mix of funding rather than maintaining a reliance on a single form or source. This has resulted in less grant funding being received within organisations rather than a total replacement of it by another form. Such a marked transition away from grants is unlikely to happen over a short period of time, if at all, and will need to be a well-managed process. Still, some groups have demonstrated that it can be done.

The direction of travel in changes to a group’s funding base is usually expected to be from grant funding to contracts or traded income. Some groups, though, have reported travelling in the opposite direction, moving to grant funding from contracts as a result of not being recommissioned to deliver services. This is concerning, as services built on the back of contracted delivery could be under greater risk if contracts are lost and an alternative source of funding cannot be secured.
As we reported in 2014, the VCS continues to do more with less. Some comments regarding the changes in the type of funding received by local groups are presented in figure 5.5 below.

Of concern are the groups who have reported downsizing while trying to support an increased number of beneficiaries. More organisations are doing more with less, but can only do so much before services become watered-down, staff and volunteers become over-stretched, and their ability to work with clients becomes compromised.

We are pleased to see more organisations embracing trading as a means of generating income. However, a concern is the ability of groups to access specialist business support to enable them to develop their social ventures and business models. With the completion of the 2007-2014 ERDF programme and changes to the contracting of business support services under the new ESIF programme there is no longer any funded specialist business support available for the voluntary sector in the city. There is a risk that this will blunt the growth of new trading activity within the voluntary sector.

We now rely a lot more on sourcing grant funding to enable us to do some of the work that we used to get commissioned to do.

We have in particular begun to focus on corporates, sales and individuals.

The service grew due to a contract - now seeking a mixed portfolio of funding to try and ensure that the charity can keep going.

Figure 5.5. Examples of changes to funding received

- [ Commissioning and procurement ] -

We asked groups to detail their experiences of grant funding and the commissioning process.

We received a large number of comments which highlight differing and largely negative experiences of commissioning processes. One issue that is repeated is the variance between the processes adopted by different public sector bodies when commissioning services and differences in their approach to engaging with potential suppliers. These inconsistencies between public bodies in their level of engagement with external stakeholders, including the voluntary sector, needs to be addressed as more and more public services are delivered by non-public bodies.
Figure 5.6. What is your experience of the commissioning process?

As an organisation we have many years’ experience of the commissioning process. Our fears relate to the experience and opportunities for smaller VCS groups. Increasingly there appears to be some evidence of a trend towards a small number of big VCS players being successful with tenders, with smaller groups being pushed to the side lines.

<table>
<thead>
<tr>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nottingham CCG process very good. Nottingham City Council not good.</td>
</tr>
<tr>
<td>Lengthy &amp; prohibitive. The PQQs are often very extensive &amp; you have to jump through a lot of hoops. I often find that when notified about a tender the deadline is extremely tight.</td>
</tr>
<tr>
<td>Not an easy process. Nottingham City Council appear to go for value over quality</td>
</tr>
<tr>
<td>Have had positive experiences with a previous employer and work commissioned by Notts. County Council. Less positive with Nottingham City, who seemed to be going for cheapness rather than quality.</td>
</tr>
<tr>
<td>Negative. We were included early in an experiment in co-design which was not actualised. It appears to be complex and closed. i.e. accessible to the bigger players and exclusive of the grass roots which are often better at meeting the needs of service providers.</td>
</tr>
<tr>
<td>It's very difficult to navigate/engage with the commissioners.</td>
</tr>
<tr>
<td>EU - horrendous. Local authorities - getting tougher with corporate commissioning processes. Easier to deal with private sector.</td>
</tr>
<tr>
<td>Ours has been good but it was one process and it was non-competitive so not really reflective of other people’s experiences. Interestingly, I’ve found local VCS commissioning processes more stressful and certainly less compact-compliant (i.e. where bidding in to be a subcontractor for a lead VCS provider).</td>
</tr>
<tr>
<td>Negative - Commissioners do not understand small organisations. Commissioning cycles and criteria are heavily geared towards larger organisations.</td>
</tr>
</tbody>
</table>
As referenced earlier, local voluntary organisations exist within an ecology of funding, with finance coming from different sources and grants continuing to be the predominant form of income. However, grant funding regimes are changing and the experiences of local groups demonstrate this.

Funders are moving towards applying more conditions on the use of grants and requiring greater accountability. Small grant funds are being reduced and the grant funding arena is becoming more competitive. Smaller organisations with less, if any, resources report that they are finding it more difficult to secure levels of grant that contribute to their development and their sustainability. There was a view expressed that some public funders, in particular, are not developing strategies for the developmental needs, as well as the immediate project-based needs, of local voluntary organisations.

These smaller community organisations play a crucial role in local areas through their contribution to building social capital, community cohesion, empowerment and a range of economic benefits. But they have generally found it hard to secure resources and believe that they have lost out relative to larger voluntary organisations, both in terms of grants and public contracts.

### Figure 5.7. What is your experience of the grant process?

As an organisation we have many years of experience of grant funding. For the wider sector, whilst there is still relatively easy access to some funding streams for smaller amounts of funding (e.g. Big Lottery Awards for All), grant funding generally is more competitive and the application processes may deter a range of groups who don’t have the level of skills and experience that’s required to make a successful application as processes become more complex.

Can be lengthy, especially if a large scale bid. Takes up a lot of my time. Often deadlines are short turnaround. However, I think it’s a bit more straightforward than commissioning. Grant funding often enables you to achieve your organisation’s mission.

BLF are good to work with.

Harder to get grant funding now. It tends to be more specific and much harder to access if you are a new organisation. Funders seem to be much more risk-averse but deadlines often seem to be extended recently.

Good, however it tends to lead to a short term focus and building legacy into projects can be more difficult.

It’s actually a lottery, very hit and miss. You write a very good application and it’s not accepted, write a rushed one and it gets accepted. It’s just luck, like a lottery, without a bonus ball.

It can seem harder to get funding if you just submit applications without talking to anyone, but many grant givers are now trying to get to know your organisation beforehand and help you with your submission so there is more chance of success.

Harder to get grant funding now. It tends to be more specific and much harder to access if you are a new organisation. Funders seem to be much more risk-averse but deadlines often seem to be extended recently.
- [Access to funding advice] -

Funding advice for voluntary organisations was referenced as being of value, particularly to smaller groups who need help to navigate the current funding environment. Such advice, however, is thin on the ground as a result of cuts and the restructuring of funding for infrastructure services.

This is having an impact on smaller groups who have traditionally been able to access a holistic service from a number of organisations providing a package of support throughout the application process and including both individual and organisational support. This is what smaller groups have indicated they need but are finding increasingly difficult to access. The reduction in the availability and depth of funding advice will inevitably have an impact on the ability of some groups to capture grants and to develop and deliver their services.

- [Financial health of the sector] -

As referenced above, there was also a concern expressed by some groups that grants are increasingly being won by larger organisations who have the staff and organisational resources to submit bids.

This was articulated alongside a view that larger, longer term grants, which could make more of a contribution to building the resilience and sustainability of a group, are less accessible to smaller organisations. A theme emerged that grant funders seem to be increasingly risk averse to investing in new, small groups.

Given this ecology of funding we wanted to determine what the overall financial health of the sector was. We posed a number of questions which revealed that while a reasonable proportion of groups have experienced some increase in income their overall financial health has not improved since we last reported on the sector.

Key findings are:

- The majority of organisations who had received funding from Nottingham City Council or other public sector bodies reported a reduction in the level received.
- Almost half of organisations reported they will operate on a reduced level of income in the financial year 2016/17.
- Slightly more than a quarter of organisations reported that the funding they have covers all of their costs.
- Of most concern, only one-third (34%) reported that they would describe their funding situation as stable. This is a reduction from 43% reported in the previous survey.
- Over half reported that they have reserves to sustain their operation for between three and 12 months.

![Figure 5.8. In the past two years, has your income from Nottingham City Council or other public sector bodies increased or decreased?](image)

![Figure 5.9. Are you operating under a reduced income this financial year?](image)
Instability in funding makes it harder to develop long term plans for tackling problems, retaining staff to deal with organisational and social issues, and to see what else an organisation could potentially support or address. This is why an increase in the number of respondents reporting financial instability is bad news.

The problems that the voluntary sector addresses are not short term. Longer term funding arrangements, closer relationships with those setting strategic objectives for the city and aligning this with commissioning intentions for the city would make a better co-ordinated, better resourced and more effective voluntary sector. Without this, staff will continue to leave, expertise will be lost, and gaps in services will create more problems for the statutory sector to address.

Figure 5.10. Does the funding you now cover all of your costs?

Figure 5.11. Would you describe your organisation’s funding situation as stable?

Figure 5.12. Has the number of volunteers your organisation involves increased, decreased or stayed the same?

- [ Contribution of volunteers ] -

The contribution of volunteers to the voluntary and community sector, public services and to society as a whole is invaluable. By providing their time and resources to organisations, volunteers help deliver services, products and opportunities to citizens and communities across the city.

The contribution that volunteers make to the economic and social wellbeing of the city has previously been measured in the millions of pounds, providing services that would have to be covered by hundreds of full time posts were the services provided by paid employees. 4

We know from running the Volunteer Centre in Nottingham that the demand for volunteers is as great as ever with a steadily increasing number of people coming forward to volunteer. Allied to this is a significant level of volunteer recruitment at neighbourhood level by micro organisations and community fora and associations.

We asked the sector what their recent experience of working with volunteers had been. Almost half of respondents reported that they had increased the number of volunteers working for them, with 41% stating that levels had remained similar to the year before. Only 14% reported a reduction in the number of volunteers they engaged.

4 227 Million Reasons to Celebrate the Third Sector in Nottingham (NCSV, 2010)
- [ 6. Other challenges and issues ] -

Less than a decade ago the voluntary sector was cash rich, regulation was improving, and the doors to public services were opening. There were also challenges to tackle, in particular changes to the grant funding environment, managing the transition from grants to contracts, and dealing with a changing relationship with government.

These challenges have not eased. Indeed they have in many cases deepened, posing a real threat to the continued existence of some groups and resulting in a decline in the services available to support those most at risk in our communities.

Given the difficult climate that the voluntary sector faces today, it can be helpful to gain a view from the sector of the challenges that they feel they are facing. This will enable both the voluntary sector and partners in the public sector to better understand the situation of groups and develop an appropriate response that mitigates the impact of some of these issues.

Unsurprisingly, the major challenges that groups told us about were generating income and developing a sustainable funding base. The majority of respondents reported that they have not significantly changed their funding base over the preceding 12 months. A consequence of this is that we know that a number of groups have been unable to, or have been unsuccessful in, filling the shortfall in funding arising from the loss of elements of their grant income with other types of income. As a consequence some have had to reduce their services.

The challenge of developing a diverse and sustainable funding base, particularly for smaller groups, is the impact that it has on them as a result of having to divert often limited staff and trustee resources to sourcing and pursuing funding opportunities rather than developing and delivering services to citizens.

- [ Measuring impact ] -

Groups told us that measuring and reporting their impact is a significant challenge.

Increasingly they are being required to articulate their impact to funders, both at application stage and as part of evaluation. However, impact measurement goes beyond being a process groups undertake solely to communicate their results to funders. It helps staff, volunteers and trustees understand the group’s impact and how to improve it, illustrates to beneficiaries and communities the difference the group is making and enables them to tell their story to wider stakeholders.

The ability to do this effectively and in a way that is easy to understand is going to become increasingly important, particularly as we see a move to outcomes based commissioning.
We recognise that a good level of skills among staff, volunteers and trustees makes a critical contribution to the success of an organisation and the quality of the services that they provide. We asked groups what they have identified as the biggest skill shortages among their staff and volunteers.

As the markets that voluntary organisations deliver services into change, then the need for better marketing skills has presented itself as a challenge, with more than a quarter of respondents citing this as an issue facing them. This is a skill that needs to be developed within organisations, either individually or collectively, in order to support them in an increasingly competitive environment.

The challenges that respondents highlighted to us do have an impact on their organisations and their clients.

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**Figure 6.2. What are the biggest skills shortages amongst your staff and volunteers?**

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<thead>
<tr>
<th>Category</th>
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<th>10%</th>
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**Figure 6.3. How do these challenges impact on your clients?**

- Potential service users from the wider community are missing out on good activities and services.
- Less availability of services.
- Apart from the income side of things we also need people to be involved on a weekly or daily basis with our projects. For example, if we have only a small pool of host families willing to offer Nightstop accommodation then we cannot always offer a placement to a homeless young person.
- We can’t meet their needs regularly, what we can offer is sporadic.
- It has meant a lot of change and upheaval for the organisation and the staff, including a change of locations. Disruption to service users is kept to a minimum but there is some level of knock-on effect.
- Reduced effectiveness in service provision. Delays in providing effective monitoring of our service provision. Depends on goodwill to get space for meetings for female genital mutilation survivors. Lack of privacy in support processes.
- If no money for services, they close which means service users do not get the support they need.
- We are growing but at present do not have the qualified staff/volunteers to run all the services we are asked for.
- It impacts on staff time at the moment, which limits some learner contact for staff involved. We would like to build more outside activities and trips into the curriculum but the cost is prohibitive.
Voluntary sector organisations are valued for their connection and commitment to the people and communities they serve. This allows them to meet needs, to speak up for their communities and beneficiaries and to deliver services in innovative and effective ways. Independence is what makes the voluntary sector special and enables it to serve the interests of those who might otherwise be left without support or a voice due to not having power or influence.

However, the independence of the sector has recently come under threat. A report produced by Civil Exchange \(^5\) warns that the independence of the charity sector is at a five year low, leaving an unhealthy imbalance between community, private sector and state power and the sector in a critical position.

We wanted to determine the level of awareness of recent changes in the approach of government to lobbying and advocacy by the voluntary sector and also how free the sector feels to critique in an environment of reduced and more competitive funding from the public sector.

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There is a view that the voluntary sector’s engagement with the delivery of public services and the move away from grants toward contracts does impact on groups’ independence. There is a concern that this shift draws some organisations away from community development and community responsiveness towards the delivery of services designed externally by third parties rather than at a community level in direct response to local need.

A central role of the voluntary sector is to provide a voice for citizens and communities who may not have one. This at times may require them to criticise the structures and agencies which impact on the lives of their beneficiaries.

National research has shown that voluntary organisations are increasingly fearful of speaking out on behalf of vulnerable people because of the increasing use of gagging clauses in contracts and attacks on their freedom of expression. There is a feeling that although government wants to see a bigger role for the VCS in providing public services, it has become less tolerant of those organisations which also speak out against injustice and inequality.

Research has reported that groups felt increasingly unable to challenge policy or speak out on minority issues at national or local level because they feared losing contracts or influence. Many were self-censoring because they feared comeback from funders.

Elements of this view have been borne out by our research. Locally, groups have overwhelmingly reported that they do feel confident to speak out about the issues that are of concern to them. They believe that it is possible to represent issues of concern to themselves and their beneficiaries by engaging with agencies.

However, there is a marked reluctance to criticise their funders. The view that government is intolerant of charities was echoed locally with only 1% of respondents disagreeing with the statement.

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Finally, we wanted to give the sector the space to tell us about the main issues currently affecting their service users. A selection of responses are presented below.

- **Issues affecting service users** -

  - **Current Benefit Changes.**
  - **Debt and Finance issues.**
  - **Lack of support for Mental Health.**
  - **Living in Food Poverty, having to rely on food banks and soup kitchens to feed themselves and family members.**
  - **Lack of support available to help people who are in work.**

- **Lack of services that meet their needs. Short term service provision.**
  - People with complex needs disengaging and then having to go through a complex system again.
  - Funding cuts and reductions in where to refer / signpost.

- **Homelessness, poor mental health, drug and alcohol misuse, offending behaviour, learning disability, domestic violence, long term unemployment, care leavers,**

- **Work with approx. 75 - 80 % Czech and Polish Roma young people.**
  - Still feel there is a lot of racism, especially within the education system. Often excluded from school they struggle to integrate into the English school system. Many Czech families don’t value & encourage education. A lot of disengagement with most services, including health.

- **Many families are struggling financially; lots of local children are malnourished / have poor diets.**
  - Don’t have money to treat their children to things some of us take for granted e.g. books, educational activities, holidays.

- **People are becoming more isolated and struggling to understand many of the different referral systems in place.**
  - People are expected to be able to access the Internet for information, advice and to purchase items but many people do not have a computer or want a computer.
- [ Conclusion ] -

One of Nottingham’s greatest assets is its voluntary and community sector. The sector is generating solutions to many of the city’s most concerning social and economic problems – from the isolation of older people to the scourge of youth unemployment. It is a sector that needs to be supported and unleashed to do its outstanding work.

However, its ability to meet the demands placed on it by citizens is becoming increasingly difficult. Much continues to be said about the importance of voluntary organisations’ contribution to the social and economic wellbeing of our communities. Yet the paradox that our survey has brought into view is that while the voluntary sector has been enthusiastically championed, many in the sector are still facing challenges in a changing operational environment. These continue to be difficult times for the sector.

While presenting a picture that doesn’t demonstrate a marked deterioration in the state of the sector since we last reported in 2014, the survey does highlight some areas for concern.

For the 12 month period prior to the survey:

- 41% of respondents reported increasing their income but only 28% reported that their income covered all of their costs. This means that a significant number of organisations spent more money than they received in the past 12 months.

- 71% of respondents reported an increase in demand for their services but only 48% have been able to provide an increased level of services, while 22% have actually reduced their level of service. A significant portion of the sector is unable to satisfy the level of demand for their services from citizens.

- Only 34% of respondents felt confident to describe their organisation’s financial situation as stable.

- While 57% of organisations held a minimum of three months costs in reserves, almost one-third did not. And we are aware that for a significant number of mid-sized organisations their reserves are being eroded due to having to use them to fund the delivery of services in the absence of grants, contracts or other sources of income.

The impact of austerity that we reported in 2014 is still being felt, and appears to be impacting disproportionately across the sector.

Larger organisations, while experiencing changes in their funding base, have demonstrated success in securing contracts and support from larger national grant programmes. At the opposite end of the spectrum micro-organisations have demonstrated their resilience and continued ability to provide much needed services at a neighbourhood level with minimal resources. Small voluntary groups have felt the loss of some of the smaller grant programmes that used to be available to them but have demonstrated an ability to replace elements of this with other sources of income.

Where the squeeze seems to be felt the most is within specialist mid-sized organisations. They have reported losses in levels of grant income from both local and national sources and often don’t appear to be able to, or want to, scale up to take on public sector contracts. The squeeze comes from not being able to secure alternative grant income to support their services resulting in them refocussing their work or scaling back their provision. The obvious result of this is a reduced ability to address the needs of their beneficiaries, many of whom are amongst the most at-risk in our communities.

While there has been a clear desire to see the voluntary sector more regularly commissioned to deliver public services, it seems that at a local level this is not happening as it should. Contracts from both central and local
governments too often remain untenable for voluntary sector organisations to enter into without taking on enormous financial risks or compromising their identity and the priorities that have made them effective. Ongoing culture change needs to occur regarding commissioning to enable charities and the public sector to work effectively together.

We have also identified a slowdown in the number of new community organisations starting up. One area where this trend is being bucked is among new and emerging communities and among refugees and asylum seekers where groups are being established to support the increasingly diverse communities in the city. The support needs of these organisations are extensive, but the resources to enable this to be provided are often not available to meet the level of demand or need.

We have noticed an increased incidence of downsizing in the sector in the past 12 months, which has been reinforced by the information that groups have shared with us in the survey.

A final area of concern is the provision of infrastructure services to groups. The model for delivery across the city has been overhauled and has yet to bed down. However, groups are still coming forward with often complex support needs which are in danger of going unmet. An effective and coherent support offer is essential to assist groups to develop systems, skills and capabilities to respond to the challenges that they face and to take advantage of new opportunities.

Business and financial skills, quality systems, impact reporting and contract and investment readiness support is in demand but there is minimal specialist provision available geared toward the voluntary sector. The new support model is variable across the city as the level of advice and support available to groups is dependent upon geography and the location of beneficiaries. This risks a system without parity of provision developing in the city.

The picture that our survey reveals is one of a sector that is still grappling with the impact of austerity and an ever shifting policy and operational environment. Groups have been tenacious, innovative and resourceful in maintaining the work they do to support the citizens and communities across Nottingham who are increasingly reliant on them.

It has been a challenging 12 months and the period ahead looks to be equally challenging. The sector would benefit from some stability and space to consolidate, allowing them time to address the operational challenges that are becoming increasingly manifest. However, this doesn’t appear to be about to happen any time soon.
How NCVS can help

Established in 1875, Nottingham Community and Voluntary Service aims to improve the quality of people’s lives in Nottingham through strengthening the voluntary sector.

We support the sector through:

- **Volunteering**: Improving the quality of volunteering and breadth of volunteering opportunities across the city;
- **Voluntary sector development**: Strengthening the voluntary sector’s capacity to help its clients through promoting best practice, funding advice and training;
- **Voices**: Speaking up for the voluntary sector on issues crucial to its future, and increasing the sector’s access to, and influence upon, decision makers;
- **Voluntary Action Centre**: Providing a space for organisations to meet and network, access training and promote their work.

Our vision

Our vision is a thriving voluntary and community sector in Nottingham that improves the quality of people’s lives in the city.

Our Mission

Our mission is to support VCS organisations and groups to grow their capacity and capability, to increase the scale, scope and impact of volunteering and to be a strong, strategic voice for the sector.

At NCVS we support Nottingham’s community and voluntary groups in all sorts of different ways - from helping to set up a new group, to bidding for large grants or contracts. Whether your group is big or small, established or new, we can help strengthen and develop it.

We can provide information and advice concerning:

- Setting up of a group
- Day to day running of a group
- Identifying sources of funding
- Making funding applications
- Helping committees and directors understand their roles and responsibilities
- Developing policies and procedures
- Reviewing your governing documents
- Registering as a charity or company

This list is not exhaustive and we can advise on most things that go on in the community and voluntary sector. Some of our services are free, some we may need to make a small charge for. Where we do have to charge we will make this clear in advance.

Find our full contact details on the back cover.