Forearmed with foresight:
Speculations on the future development of the Third Sector in North East England and Cumbria – Summary

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Introduction

This paper summarises the findings presented in the sixth working paper from the Northern Rock Foundation's *Third Sector Trends Study*. This phase of the research has involved bringing together Foresight Panels made up of key informants well-placed to talk about the challenges facing the third sector and able to speculate about its future development. This paper provides a summary of our findings from the Foresight Panel meetings and identifies implications for the sector in the context of a fast-changing political, economic and social environment.

The findings are reported under four main headings which encapsulate the concerns and issues raised by the Foresight Panel members:

- **Funding and resources** – particularly current uncertainties about funding and observations on changing funding opportunities.
- **Governance** – how organisations in the third sector are seeking to develop their boards in order to enhance their effectiveness.
- **Partnerships** – focusing particularly on pressures to engage in partnerships and relationships in the sector.
- **Measuring performance and impact** – the challenges of assessing and communicating what the sector does and how it works.

People in our three Foresight Panels are keenly observing the changing environment in which the third sector operates. We find that they are very aware of the many opportunities and threats that may face the sector in the coming months and are looking at how the third sector might respond.

Research methodology

The Northern Rock Foundation's *Third Sector Trends Study* is concerned with developing a better understanding of how the third sector operates in North East England and Cumbria. It is exploring how the sector responds to change and, ultimately, aims to show how the sector can become stronger, more resilient and more effective in meeting the needs of the communities it serves.

The qualitative strand of the study, undertaken by researchers from Teesside and Durham Universities, started out by undertaking a series of interviews with the sector's infrastructure organisations. Building on that, the researchers then studied a sample of 50 third sector organisations (TSOs – the 'TSO50'), looking at four key dimensions of their operations: Foresight, Enterprise, Capability and Impact. The subsequent phase of the work, reported here, has assembled Foresight Panels, groups of people who are able to identify and discuss the big issues and trends across the sector in the study region. The final component of this strand of the study, recently completed, is a large-scale quantitative questionnaire survey of TSOs across North East England and Cumbria (the 'TSO1000'). Findings from that survey are being published at the same time as this working paper.

Three Foresight Panels have been established, comprising people who are involved in the third sector in various capacities. Many of them work in the sector, others are from public and private sector organisations. They are well-placed and knowledgeable people, recruited by personal invitation. One panel had individuals from Tees Valley and County Durham; a second covered Tyne and Wear and Northumberland; the third covered Cumbria.

Each panel met for a half-day session; altogether 58 people took part across the three panels. Before each meeting, panellists were sent a questionnaire to help identify the main challenges facing the sector and also key strengths the sector can draw on. That exercise was used not only to elicit the views of participants but also to establish the agenda for the sessions.

The panels' discussions were recorded and subsequently transcribed, then considered, analysed and interpreted by the researchers. Four main themes emerged from the data: Funding and Resources; Governance; Partnerships; and the Measurement of Performance and Impact. A working paper has been produced discussing these in detail; the main findings are summarised in this briefing paper.

The three panels met a few weeks before the General Election of May 2010. The discussions were undoubtedly affected by thoughts about the changing political context. In many ways, their discussions now have added significance, given the cuts in public spending and the coalition government's commitment to a 'Big Society' centred on the third sector.

The intention is to reconvene the panels in the future, using them to reflect on recent change, highlight trends and anticipate future developments.

Summary of key findings

Funding and resources

Widespread uncertainty

TSOs worry about their future funding. This is perhaps an endemic feature of the sector, not least because of the reliance on short-term funding. Panellists shared the perception that many TSOs are in danger of 'falling off a cliff' at the end of March 2011 when several funding streams come to an end. Accompanying this is a belief that demand for the services of the third sector will increase significantly due to the impacts of recession and public sector funding cuts.

Vulnerability

Panellists were very mindful of the imminent cuts in public expenditure, whatever the outcome of the election. They felt that the sector is now very vulnerable, having become increasingly dependent on public funding as a result of taking on the delivery of public services. It was said that the sector 'has been encouraged, indeed pressurised' to take on work previously undertaken by statutory organisations.

Competition

Panel members said that bidding for funding was becoming more competitive and more complex. Some organisations are adept at preparing 'professional' bids; others, especially the smaller organisations, have less capacity and may be less able to compete for funding. Larger and national TSOs were seen as posing a threat to local TSOs, both because they had the staff capacity to produce convincing proposals and also because of the shift towards much larger contracts.

Adapting to change

There is much concern about the future; nevertheless, some argued that the sector should remain optimistic. Above all, they said, it is important to respond and, if necessary, adapt to change. Some will consider consolidation, 'battening down the hatches'. Others could be more proactive, demonstrating their strengths and capabilities and seizing new opportunities. Currently, TSOs are facing considerable pressures; they must think about their options and decide upon their strategic response.

Governance

Board membership and functions

Panel members recognised the importance of good and effective governance in the third sector – and they certainly believe that there is scope for improvement. Getting the right people on the board, to serve as trustees or directors, is a crucial requirement, and it represents a real challenge for many TSOs. Good governance depends on having board members who understand an organisation's aims and objectives and are able to offer their skills, knowledge, experience and links to relevant networks. Board members need to focus on strategic rather than operational issues, and make sure that their organisations are accountable and act responsibly.

Recruitment and retention

Whilst there may be general agreement on what an 'ideal' board should look like, panellists acknowledged the dilemmas and practical difficulties which can be encountered in developing a board. For example, it was said that TSOs can struggle to strike a balance between the continuity provided by long-serving board members and the change and diversity provided by 'new blood'. There are also contrasting views about the practicalities of recruitment. Some say it is very difficult to find new board members and think that there are relatively few people who are willing and able to take on the role. Others are more sanguine, and believe that people can be actively recruited, even 'headhunted'; moreover, board membership can be presented positively as an opportunity for service and personal development.

'Professionalisation'

Panellists said that the boards of many TSOs are having to become 'professionalised' in response to changes in the sector. Organisations have had to adapt in order to deliver public service contracts and that has meant becoming more 'businesslike'. Panel members said that this shift is creating real tensions. There are anxieties about alienating committed board members and weakening connections with the community as boards recruit more people with 'professional' skills.

Leadership

Panellists talked about the benefits of leadership – but worried about the vulnerability of 'personality driven' organisations. It was recognised that much is expected of 'leaders' in the third sector. As one panellist put it, the best leaders are those who are able to 'combine a passionate heart with a business head'.

Partnerships

Nature of partnership

Partnership working may be commonplace in the third sector – but it takes various forms, with differing outcomes. Panellists focused on the difference between informal and formal partnerships. It was felt that, on the whole, TSOs are comfortable with informal collaborations. But formal partnerships, particularly those involving the delivery of contracts, can threaten organisational identity and independence. There are real worries about sharing contractual responsibility and having to rely on other organisations to deliver.

Panel members talked about the importance of building trusting relationships with individuals, and how these relationships facilitated the development of partnerships with other organisations, including those in other sectors. It was recognised that building trusting relationships through networking takes time and effort.

Pressures

Much concern was expressed about the pressure to engage in partnership working, and the possible perils and pitfalls. Panellists said that TSOs can find themselves under pressure from funders to submit joint bids. For example, one said that 'a lot of funders are driving me to work in partnership but they don't really understand the implications'. Sometimes partnerships are hurriedly put together for tendering, without the time to undertake due diligence or build relationships. Panellists also said that TSOs can find themselves in unequal and uneasy partnerships with public or private sector organisations, especially when the inclusion of the third sector is tokenistic, amounting to 'ticking a box'.

Mergers

Given the anxieties about formal partnerships, it is not surprising that panellists were nervous about mergers. They generally felt that TSOs should preserve their identity and independence – thus mergers may be felt to be neither realistic nor acceptable. However, some recognised that mergers might have to be seriously considered in the future.

Measuring performance and impact

Perceptions

Panellists were concerned that the third sector's role and contribution is often misunderstood. There was a feeling that the sector itself does not do enough to demonstrate its worth; it undersells itself. There was a perception amongst panellists that the sector needs to promote itself more clearly, and do that on the basis of solid evidence about impact and distinctive contribution.

Measurement

Measuring the activities and impacts of TSOs may not be particularly easy or straightforward. Some panel members were concerned that TSOs may not have the systems, the skills or the time to measure what they do and, in any case, they struggle to measure 'soft' outcomes and longer-term impacts, such as improvements in wellbeing. On the other hand, other panellists argued that measurement and evidence gathering does not have to be onerous or, necessarily, complex. In their view, it has to become an integral part of the work of TSOs and they need to be committed to doing it.

Why measure performance and impact?

Panellists reflected differing views about demonstrating performance. Some felt strongly that measurement is a bureaucratic imposition; it gets in the way of creativity and innovation and it takes up too much time and energy. It may not even provide a useful assessment of what an organisation is achieving or 'what works'. Others disagreed. They felt that it is vital that organisations measure what they do, both for internal and external audiences. One panellist said that measuring things and setting targets has 'really galvanised staff, and volunteers, to be able to see quite clearly where the organisation wants to go'. It was also recognised that people outside the organisation, especially funders, need to know what is being achieved. Perhaps the most productive approach is for organisations to get to a situation where they are measuring things which are meaningful and relevant to both themselves and their external audiences, including their funders.

Themes and tensions

The Foresight Panels seem to have captured the mood of a sector struggling with change and concerned about the future. People are responding, as best they can, to uncertainty. But even now, several months after the election, opportunities and prospects for the third sector within the 'Big Society' agenda still remain unclear.

Competition for resources appears to be growing and is likely to intensify as resources reduce and new TSOs, hived off from the public sector, enter the same market. Individual TSOs may need to give more thought to how they want to position themselves, where they fit, and when, and how, they should compete.

A diverse sector inevitably has difficulty in representing itself and its interests. There are core beliefs and common values – notably concerning the paramount importance of delivering good quality services to beneficiaries. But there are differences and disagreements, too, and, in some cases, it may be more realistic to think in terms of representing the views of particular parts of the sector, rather than the sector as a whole.

According to our panellists, many TSOs struggle with the tension between dependence and independence. Many are dependent on public funding. They can, and do, work in partnership with the public sector – but often such partnerships are, by their very nature, unequal. Some TSOs may choose independence above partnership; others are more prepared to compromise. Perhaps on the horizon, but still little discussed by panellists, is another, rather different challenge: the third sector working with the private sector.

In relation to governance, there can be tensions between professionalising the board and maintaining links with the grass-roots through inclusivity. Perhaps often the best outcome is to strike a balance, somehow accommodating competing views of what constitutes 'good' governance.

The sector is struggling with performance measurement and, here again, there are tensions. Some TSOs may choose to rely solely on their own judgement about the quality and efficacy of what they do. Others recognise the value of measurement – and the potential benefits and opportunities that may result.

The Foresight Panels will be reconvened in the second stage of the study, when panellists will have the opportunity to talk about how the sector has fared in the current economic climate, how it has handled funding pressures and how it has responded to the new political context. The second stage of the study will also repeat the TSO50 and TSO1000 surveys, providing substantial data on how the sector is performing – and also seeking to identify the ingredients of success.

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Third Sector Trends Study

Background note

The Northern Rock Foundation's TSTS in North East England and Cumbria began in November 2008, and has two main aims:

1) to produce robust data and independent analysis on the scale and scope of the Third Sector in North East England and Cumbria;

2) to provide an analysis of the dynamics of the Third Sector through longitudinal study of stakeholder perceptions, organisational practice and local impact.

Teesside University's Third Sector Development Unit (TSDU) has undertaken the qualitative study of the Third Sector, led by Tony Chapman (Teesside University) and Fred Robinson (Durham University).

Alongside this, colleagues at the University of Southampton, the National Council for Voluntary Organisations and Guidestar UK have undertaken a comprehensive quantitative mapping exercise of TSOs in the study region. The two sides of the work come together in a longitudinal panel survey of a representative sample of local organisations.

Research findings are being disseminated on a regular basis throughout the life of the project.

More information

■ **Northern Rock Foundation Third Sector Trends Study:** www.nr-foundation.org.uk/thirdsectortrends

■ **Full report**
The full report on this study is available to download free of charge from the website above.

This report is published as part of the Foundation's Third Sector Trends Study. The views expressed, however, are those of the researchers and not necessarily those of the Foundation.