



# Measuring the Big Society? Approaches, problems and suggested improvements

FINAL REPORT

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# **Measuring the Big Society: approaches, problems and suggested improvements**

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## Executive Summary

### Introduction

**There have been considerable advances in recent years in understanding the contribution of the voluntary and community sector (VCS) to local and regional policy agendas.** However, there remain gaps in the understanding of the sector at a local level and in the capacity of organisations locally to strengthen the evidence base (Macmillan, 2006).

This report is intended to address some of these issues. The report emanates from a research project funded by the ESRC and involving a partnership between CRESR and the Yorkshire and Humber Forum. The research project was entitled 'Developing the Evidence Base for Future Regional and Local Infrastructure Provision' and was undertaken during 2010.

**This report reviews the main literature setting out how the sector has sought to develop an evidence base, draws on particular studies to illuminate key points, and sets out challenges for the future.**

**With the change in Government in May 2010 the focus of the research changed significantly: from one around the evidence base for Integrated Regional Strategies to the forming policy agenda around the Big Society.**

A companion report has also been produced assessing the 'Big Society' in Yorkshire and the Humber.

### Changing Policy Agendas

**The policy, economic and public expenditure climates in 2010 are very different from 2000.** Senior commentators on the VCS have referred to the last 10 years as a golden decade for the sector.

**Any commentary on the sector must emphasise its diversity:** it ranges from major NGOs such as Oxfam and Shelter through to charities operating at local and regional levels and to often uncrystallised community groups of individuals. Although the NCVO estimate that there are around 170,000 charities in the United Kingdom, wider civil society may include upwards of 900,000 groups in total. This needs to be remembered when generalising about the 'sector' or 'civil society'.

**The role of the VCS in the delivery of public services has dramatically increased over the last 10 years - something which has also increased its vulnerability to public expenditure cuts.** Although there are high profile employment cuts by major charities, there is also some consensus that smaller and medium sized charities with incomes from £50,000 to £1 million) and with relatively small numbers of paid staff will be hardest hit.

At both national and local levels the following issues and agendas have shaped policy discourse. First, **the position of the VCS in the delivery of public services remains high on the agenda.** The Conservative Party emphasis on the 'Big Society' marks something of

a clear break with the Labour Governments: in theory and rhetoric it shifts the locus for action away from the state to 'civil society', including but not exclusively charities and other VCS organisations. Second, and as signified above **the sector will undergo a further period of rationalisation and contraction**. Third, **there will be continued reworking of (public) funding models for the sector**. Funding agendas informed by the principles of social investment will also continue, and notably the use of loan funding and social investment. Fourth, **agendas around localism have become more dominant with central government powers ceded to local authorities but also with greater civil engagement in an array of arenas**. Finally, there will be **increasing scrutiny of value for money** and in particular cost efficiency (more outputs for less) but also cost effectiveness (more outcomes for less) issues. This final point is of central interest to this report.

## Questions of demography, economy, impact and values

This section reviews the considerable array of literature which has sought to capture the shape, scope, contribution and value of the VCS at a local level. **As the work by Chapman et al (2009) highlights this is something of a contested field: whilst headcounts of VCS organisations, income, employees and volunteers are useful, they represent only the starting point for understanding the dynamics of the VCS in any locality**. Each theme in the title above is discussed in turn.

### *Demography: almanacs, below the radar and beyond the flat earth*

The NCVO's series of Almanacs provide a readily accessible picture of the scale of the sector at a national level. Moreover, the Almanac provides a clear distinction between different parts of what it terms civil society. The widest possible definition of the sector is taken. **The most recent NCVO Almanac (Clark et al., 2010) estimates that there are some 171,000 voluntary organisations (formally registered charities); but that civil society is comprised of an estimated 900,000 organisations**. Moving beyond the registered part of civil society and beyond charity account information is the main challenge in understanding the demography of the sector at a local level.

McCabe *et al* (2010) have undertaken a summary review of 'below the radar' *activities and organisations* in the voluntary and community sector: the preceding emphasis is important. These authors also suggest **common challenges in measuring and understanding below the radar organisations, such as over reliance on financial measures and reaching organisations doubly disadvantaged by a lack of financial but also political resources and policy connections**. These may be more likely to include BME, refugee and migrant organisations. Of course any estimate of the number of organisations is only a simple starting point for understanding the complexities of what the VCS actually does in any given locality.

### *Economic Analysis: scale, scope and financial flows*

**There has been considerable interest locally and nationally in measuring the economic scale of the voluntary and community sector**. Foremost amongst such sectoral measurement is the annual series of Almanacs produced by the NCVO. Here the concern is with expressing the activities of the sector in monetary terms (e.g. income and expenditure) as well as converting non-monetary activities into monetary form, primarily estimating the value of volunteer and trustee time. However, these are by no means consistent: we identify five different approaches to valuing the contribution of volunteers. Each is used for different ends and means.

**Economic analysis may also seek to explore the relationship between the sector and the wider economy and society**. This may include the impact of particular events on the sector (for instance, the recession) or the impact of the sector on wider society (for instance,



in employment creation helping to generate increased social capital). Finally, economic analysis is a contested field. The above largely represent conventional approaches to the measurement in the sector. It should be stressed that economic analysis may vary around the methodological approaches used (from primary studies to modelling), from different theoretical standpoints, and in terms of economic conceptualisation (for example, using economic principles to better understand why levels of philanthropy of voluntary activity vary).

Within economic analysis attempts to attribute changes to a particular policy or event are fraught with difficulties. **As Dayson et al (2009, p.1) highlight in their research on the recession: the recession will have differential effects across the voluntary and community sector, as it will across other sectors of the UK economy.** Moreover, the link between economic contraction over a period of 12 months (the main definition of recession) and impacts on the voluntary and community sector maybe indirect, feed through other changes in the economy and may take time to be revealed. Moreover, the experiences of individual organisations will for many vary markedly from the trends and averages revealed in this report.

### *Impact of Local Infrastructure: Beyond Jobs and Income*

Perhaps the most extensive review of the benefits of voluntary and community sector infrastructure was the rapid evidence assessment undertaken by Rob Macmillan for the Infrastructure National Partnership. **Rob Macmillan noted that the benefits of infrastructure tended to be grouped around two broad concepts: change within individual VCS organisations; and change beyond and between organisations (for instance, the role infrastructure plays in providing voice and advocacy to the wider sector).**

An additional issue which both Rob Macmillan and Chris Dayson explore is around **the reach of the sector**. For instance, Dayson has shown by using Charity Account data that it is possible to profile not just who benefits from infrastructure, but whether this is representative of the sector as a whole. In South Yorkshire, Dayson has profiled organisations reached by infrastructure depending on their purpose, their beneficiaries, their method of operation, their income size and their financial performance. For instance, on this last criterion he highlights the financial vulnerability of many of the beneficiaries of infrastructure.

We also explore the use of two particular approaches to valuing impact: through the use of Social Return on Investment (SROI) and impact assessment (e.g. contribution to Gross Value Added). The use of SROI brings particular challenges for infrastructure as:

- **immediate benefits are largely experienced by other organisations** (and not service users)
- **it can be difficult (near impossible) to attribute benefits experienced by end users to the infrastructure body**
- **it is difficult for organisations to value social returns; but more straightforward to estimate economic and financial benefits.**

There may however be some merit in applying SROI to the work infrastructure does in supporting volunteering: either direct support to volunteers or supporting the work of volunteer involving organisations.

Whilst the report demonstrates how GVA can be estimated we note three particular challenges:

- even for business-benefit type evaluations (e.g., impact of support on SMEs), **it fails to assess outcomes which might include skills uplifts or the movement of people close to work** (i.e., it does not measure progress towards employment)
- **the approach does not consider Exchequer savings from interventions which support voluntary and community sector organisations**
- finally, **the approach does not value the wider benefits of voluntary and community sector activities** (for instance, improvements in quality in life, community cohesion or social capital).

**There remain however further challenges to the measurement of impact.** As we highlight, developing a consistent, convincing and useable methodology continues to be 'work in progress'. We also note concerns around reliance solely on 'bottom-up' data from surveys and interviews undertaken retrospectively: they are subject to faltering memory, partial knowledge and a lack of clarity on contribution.

Issues around the measurement of impact are likely to come to the fore in the future, in particular around how infrastructure targets limited resources for greatest impact.

### *Value(s): it's not just what but how*

The issue of value measurement, as exemplified in SROI, goes to the heart of understanding the difference between estimating economic impact and economic scale of the sector, the topic of preceding sections, **but the wider assessment and understanding of the value of the voluntary and community sector.** The recent rise of the sector has focused on its measurable economic value with more fleeting and more oblique references to its wider social value. The debate around SROI has extended this into an assessment of social value. A problem with approaches such as SROI, as Westall (2009, p.5) acknowledges, are issues of incommensurable values.

**What can be understood from the debate on value and values is that this is a highly contested area.** On one side are approaches which primarily build on and extend (welfare) economics approaches to understanding value and the requirement that value must have a monetary equivalent, and on the other, a more nuanced and moral understanding of values which is around the founding principles of society. Approaches such as SROI have tended to pull the sector towards the former conception of value.

## Improving the Local VCS Evidence Base

There are a wide variety of ways in which local infrastructure organisations measure the effectiveness of their activity and the wider sector in a given locality. But this plethora of approaches, in combination with poorly conceived methods, has led to an evidence base which is fragmented and open to criticism that it is insufficiently robust.

In addition we note that weak data undermine coherence and comparability. **For example, surveys with low sample sizes and response rates undermine statistical robustness;** an inconsistent approach to performance indicators and questionnaire design means that findings cannot be compared between studies; and surveys are typically cross-sectional, so issues around distance travelled or change in organisations can only be inferred and not tested.

The report also sets out the following ten points and conceptual issues which need to be thoroughly addressed in establishing an evidence base for the sector:

- i. establishing a framework for measuring value for money?
- ii. who are the beneficiaries of infrastructure?
- iii. understanding that not all outcomes are the result of infrastructure interventions: measuring deadweight, displacement and leakage
- iv. measuring the benefits of advocacy, voice and partnership working
- v. using logic chains to formulate the relationship between the strategic aims of infrastructure, a theory of change and possible outcomes
- vi. recognising that not all benefits can be contained in a geographical area: there will be spillovers to adjacent areas
- vii. additionality: what would have happened without the intervention
- viii. measuring the impact on different groups in society - who benefits from infrastructure?
- ix. the duration, durability and time of any impacts
- x. real resource benefits or Exchequer (public sector) cost savings

At the end of this section we highlight two ways in which the evidence base can be improved, **notably in terms of the potential of national data sets, the use of charity account data (for instance, to understand reach) and through better constructed and robust surveys** of a panel of organisations which may be conducted to allow change over time to be explored.

## Conclusion

The conclusion of the report reflects on challenges to measuring the VCS contribution to the 'Big Society'. Amongst five themes discussed, three are of immediate and direct relevance to the sector:

- **give communities more powers** (for instance, through training new community organisers and giving powers to communities in planning decisions)
- **encourage people to take an active role in their communities** (for instance, through measures to increase volunteering and philanthropy/charitable giving)

- **support co-ops, mutuals, charities and social enterprises** (notably through giving public sector employees opportunities to run services through various not for profit organisational forms).

Each appears to present different sets of challenges to the sector, and in particular to infrastructure organisations. The measurement of **shifting power relations through giving communities more control** is arguably the most difficult to measure, especially in terms of assessing the contribution of the VCS. Although successive household surveys conducted for Best Value Performance Indicators (BVPIs) through to the Place Survey asked residents about their level of influence on local decisions, responses can be subject to a range of factors, from the timing of surveys to the effectiveness of communications by local authorities. The latter may improve awareness but not necessarily involvement. Nonetheless, this element of the Big Society poses a genuine challenge for the sector: in particular in evidencing the contribution the sector makes to shifting power relations. This is important to local infrastructure organisations' involvement in local decision making, but also in their accountability to people they may seek to represent.

The measurement of **community and citizen participation** has a reasonably well established body of secondary data against which to assess involvement and measure change over time, for instance through the Place and Citizenship surveys. A key challenge for VCS organisations and infrastructure organisations will be to assess their contribution to volunteering. Volunteer Centres are increasingly involved in agendas around welfare with volunteering seen as a pathway to employment. Their contributions to these agendas may not be well captured in place-based surveys on participation - as additional volunteers may be quite small in number. Nonetheless this is a field in which volunteer involving organisations and especially volunteer centres are required to demonstrate effectiveness. As we discuss in the report, however, what counts as participation is contested and can vary considerably from place to place and between groups. Some caution needs to be exercised in reading headline survey results.

The final Big Society theme considered is around the role of the sector in **public service delivery**, and more broadly, filling gaps left by the state. Equally, such processes may also involve new organisations being established in the private sector. Against this trend, cuts in public expenditure are likely to put at risk many existing VCS organisations. As the work by Dayson *et al* (2009) shows, whilst attention will be drawn to headline and high profile changes in the demography and economy of the VCS, this may mask a more dynamic process of organisational formation, growth, collapse, merger and closure.

At the end of the report we outline three ways in which the effectiveness of local infrastructure may be improved, but that such change does not rest solely with the sector. We highlight three issues in particular: **building an evidence base for local effectiveness**; **changing the culture of funders**; and **bringing about a culture change in infrastructure organisations**.

# 1. Introduction

## 1.1. Introduction

**There have been considerable advances in recent years in understanding the contribution of the voluntary and community sector (VCS) to local and regional policy agendas.** However there is variation between localities in approaches taken as well as the quality and nature of the evidence base against which decisions affecting the VCS are made. New datasets, notably the National Survey of Third Sector Organisations (NSTSO) (OTS, 2009) and the Place Survey (2009) have sought to develop some standard measures of the contribution of the sector.

**However, there remain gaps in the understanding of the sector at a local level and in the capacity of organisations locally to strengthen the evidence base (Macmillan, 2006).** Severe public expenditure cuts will have a considerable impact on the sector (Dayson *et al.*, 2009). Indeed resources to develop and sustain evidence at a local and regional level on the contribution of the VCS may become more difficult to sustain, with a resultant detrimental effect on policies, programmes and funding.

This report is intended to address some of these issues. The report emanates from a research project funded by the ESRC and involving a partnership between CRESR and the Yorkshire and Humber Forum. The research project was entitled 'Developing the Evidence Base for Future Regional and Local Infrastructure Provision' and was undertaken during 2010.

## 1.2. Audience

The audience for this report is expected to be wide ranging and to include:

- local and regional VCS infrastructure organisations
- national umbrella organisations, such as NAVCA and NCVO
- Local Authorities and their partners, including the new Local Enterprise Partnerships
- organisations assessing the scale, needs and scope of the VCS at a local and regional level.

This report has a strong focus on Yorkshire and Humber but is also intended to be of relevance to organisations working in other regions and nations of the United Kingdom.

### 1.3. About the Project: from regional evidence bases to Big Society impacts?

The project on which this report is based was funded under the Economic and Social Research Council's Third Sector Fellow programme (Research Award No ESRC RES-173-27-0195). The project involved the secondment of Mark Crowe (Head of Development, Yorkshire and Humber Forum) to CRESR for a period of three months.

**The project was designed in November 2009 and was concerned with two key policy priorities for the sector at this time: the development of the Integrated Regional Strategy (IRS, led by regional development agencies) and the development of Local Economic Assessments (led by local authorities).** As section 2 of this report discusses, the 2010 General Election has brought and will bring considerable policy changes, not least in the abolition of RDAs and therefore the removal of the requirement to produce Integrated Regional Strategies. In its original guise the project sought to develop a framework for local and regional third sector infrastructure organisations to contribute to local and regional economic policy. **We have responded to this policy change by placing greater emphasis on local economic policy, but retaining regional level analysis for the purposes of comparison between localities within the Yorkshire and Humber region - set out in a companion report.**

The original **objectives of the project** were as follows:

1. to develop a framework and methodology to assist local and regional third sector infrastructure organisations to contribute to local and regional economic policy
2. to review available secondary datasets and bespoke third sector surveys
3. to make recommendations to local and regional partners as to research designs and questions to better inform policy making in the future
4. to build university-third sector relationships and understanding
5. to build the capacity of the third sector to contribute to policy making.

As such the Fellowship had the following tasks:

1. a review of local, regional and national third sector secondary data and surveys. This focused primarily on: NSTSO and CLG Place Survey; IMD and CAA results; and the use of local survey evidence
2. discussions with regional public agencies
3. the development of a methodology and framework for understanding the contribution of the third sector
4. the piloting of the methodology in local authority areas
5. dissemination of the findings of the project at local, regional and national levels.

The report presented here outlines the main findings from the research. The conclusions the report draws are set in the context of the policy agenda of the Coalition Government and in particular the 'Big Society'. Throughout this report a key focus for our understanding the VCS and wider civil society is the role of 'infrastructure organisations' discussed below.

## 1.4. What does Local Infrastructure do?

Local infrastructure organisations (LIOs) take many shapes and forms but they generally exist to serve a common purpose - to ensure that local third sector organisations get the advice, support and representation they need to improve the circumstances of the people and communities they work with. LIOs do this in a number of ways:

- they **identify and fill the gaps in existing provision** by monitoring the services provided by the third sector in its local area, and working with new and existing groups to address unmet needs in their communities
- they **raise standards** by providing access to information, advice and support to local groups and organisations in order that they have the knowledge, skills and resources they need to support the local community
- they **enable communication and collaboration** by encouraging local groups and organisations to share resources and to work collaboratively, and establish forums for networking where they can share good practice and form partnerships through which new activity can be developed
- they **provide a voice** through which the diverse views of local groups and organisations can be represented to local public sector bodies. They also enable two-way communication and consultation so that the local sector can be consulted on and contribute to policy developments and decision-making
- they **promote strategic involvement** in local policy making and planning, ensuring that the sector is represented and involved in local decision making bodies, and actively work with representatives to ensure they keep on top of key local issues.

(adapted from [www.navca.org.uk](http://www.navca.org.uk))

Despite these purported benefits the measurement of the impact and effectiveness of local infrastructure remains a contested area. Section three of the report aims to provide an overview of existing evidence and approaches to measuring the effectiveness of local infrastructure, followed by a discussion of why this has not produced a coherent evidence base and recommendations about how this could be improved in the future.

## 1.5. A Note on Terminology: whither the 'Third Sector'

**Throughout this report we use the term voluntary and community sector to cover all aspects of voluntary and community organisations and activities.** This appears appropriate given the contested nature voluntary and community sector policy from government and the use of different labels for the sector: ranging from Third Sector to Big Society. Whilst remaining very much aware of the differences between these labels, our focus is on the role of voluntary and community sector organisations and the support they receive from local infrastructure organisations.

## 1.6. Structure of Report

This report is structured around the following sections:

- **section 2 reviews the policy environment** for the voluntary and community sector



- **section 3 outlines the main research and policy questions which local research on the sector most often seeks to address:** namely around demography, economy, impact and values
- **section 4 reviews the main methods used in this research,** and makes recommendations for how research may be conducted in the future, given new policy agendas but in the context of public funding cuts
- **section 5 concludes the report and sets it in the context of the Coalition Government's Big Society agenda.**



## 2. Changing Voluntary and Community Policy Agendas

### 2.1. Setting the Scene

**The policy, economic and public expenditure climates in 2010 are very different from 2000.** Senior commentators on the VCS have referred to the last 10 years as a golden decade for the sector. The annual Almanac on the state of the voluntary and community sector published by the National Council for Voluntary Organisations (Clark et al, 2010) has charted the growth of the sector through the last decade which has only reversed in the last couple of years. Much of this growth has been driven by state funding of the sector, to some extent through grants but largely through its growing role in the delivery of public services.<sup>1</sup>

**Any commentary on the sector must emphasise its diversity:** it ranges from major NGOs such as Oxfam and Shelter through to charities operating at local and regional levels and to often uncrystallised community groups of individuals. Although the NCVO estimate that there are around 170,000 charities in the United Kingdom, wider civil society may include upwards of 900,000 groups in total (See Clark et al 2010).

**There is also no singular legal form of voluntary and community sector organisation:** it includes registered charities but also not-for-profit companies, industrial societies, housing associations, mutual organisations (such as some building societies) and newly created legal forms such as companies limited by guarantee; as well of course groups of individuals coming together for a common purpose and requiring no registered legal status to do so. Although there has been considerable interest in social enterprise, largely as a means for delivering public services, it is not a distinct legal form and may take many of the forms discussed above: to this end it is as much a verb as a noun.

**The role of the VCS in the delivery of public services has dramatically increased over the last 10 years** - something which has also increased its vulnerability to public expenditure cuts. How these effects play out will be uneven and effects will be transmitted through myriad mechanisms. It is also notable that there is considerable variation in income sources across charities, for instance with many major charities able to raise substantial income through donations. Although there are high profile employment cuts by major charities, there is also some consensus that smaller and medium sized charities with incomes from £50,000 to £1 million) and with relatively small numbers of paid staff will be hardest hit. Conversely, small organisations which operate on a purely voluntary basis are far less vulnerable; there may also be some contraction back into the use of volunteers by some small charities.

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<sup>1</sup> This section draws significantly from a previously published paper :Crowe, M., Dayson, C. and Wells, P. (2010) *Prospects for the Third Sector*, ppp-online v 4 n. 1 pp 29-32., which considered the election manifestos for the 2010 General Election of the Labour and Conservative Parties. See PPP Online, for more information: [http://extra.shu.ac.uk/ppp-online/issue\\_1\\_260410/documents/prospects\\_third\\_sector.pdf](http://extra.shu.ac.uk/ppp-online/issue_1_260410/documents/prospects_third_sector.pdf)

## 2.2. The VCS Policy Terrain after the Election

At both national and local levels the following issues and agendas have shaped policy discourse. **First, the position of the VCS in the delivery of public services remains high on the agenda.** How this is achieved is reflected on below, but it seems likely that services in areas such as health and social care, education and learning, and crime will place considerable emphasis on the role of the VCS. The Conservative Party emphasis on the 'Big Society' marks something of a clear break with the Labour Government: in theory and rhetoric it shifts the locus for action away from the state to 'civil society', including but not exclusively charities and other VCS organisations.

**Second, and as signified above the sector will undergo a further period of rationalisation and contraction.** Effects due to the recession and public expenditure cuts are anticipated to fall most heavily on smaller and medium sized charities. It can also be anticipated that there may also be geographic variations, with the sector in northern regions of England, Scotland and Wales facing particular pressures with dramatic reductions in funding from domestic and European Union regeneration programmes. These effects may be most acute for organisations working in disadvantaged neighbourhoods.

**Third, there will be continued reworking of (public) funding models for the sector.** These are in terms of direct funding (primarily through grants) but also indirectly with a continuation of larger scale public service contracts. This will include requirements for the voluntary and community sector to enter into sub-contracting agreements with public, private and large voluntary and charity sector contractors as well as engagement with agendas such as personalisation (or co-production) of services. Both bring challenges to the sector, albeit with a top-down commissioning model likely to remain a key aspect. Funding agendas informed by the principles of social investment will also continue, and notably the use of combined loan funding.

**Fourth, agendas around localism have become more dominant with central government powers ceded to local authorities but also with greater civil engagement in an array of arenas.** These may present new opportunities to the VCS and especially to locally based and connected organisations. However, requirements for local authorities to cut expenditure may mean some withdrawal from what are seen as riskier and more experimental forms of co-production of services with the preference for large scale commissioning. Similarly, the *raison d'être* of the sector around preventative work may be marginalised as local funders have to focus on core (e.g., care and curative) provision.

**Finally, there will be increasing scrutiny of value for money and in particular cost efficiency (more outputs for less) but also cost effectiveness (more outcomes for less) issues.** On the one hand embedding outcome measurement within organisations is seen as a necessary part of the modern voluntary and community sector organisation, but on the other, the terrain voluntary and community sector organisations often work with (e.g. individuals with complex needs) can make outcome measurement far from straightforward.

Each of these issues or agendas will have differential effects across the sector. This will bring opportunities for many individuals and organisations but also increasing and untenable pressures for others. There will be considerable pressure on individuals and organisations in the sector to navigate these new agendas in what is likely to be a highly charged and competitive environment for resources.

### 2.3. General Election as Disjuncture and Continuum: introducing the Big Society

**Both major political parties have placed emphasis on civil society, although it is notable that there are differences in language here.** Labour actively used the term third sector in all policy announcements, reflecting its policy commitments and the establishment of an Office of the Third Sector. However, notions of a sector have diminished in Conservative Party announcements, with the term “Big Society” used as an expression of civil society and with the third sector only referred to when discussing the Labour Government’s policies. The OTS has been reformed as the Office for Civil Society and remains within the Cabinet Office. Emphasis on community and neighbourhood action has remained since the election, as well as a commitment to social investment; the latter primarily in discussions around the “Big Society Bank”.

**The areas of difference come from three substantive areas: the relationship between state and society, resources and scale, and equity and disadvantage.** The Labour Government placed considerable emphasis on the role of the third sector in the delivery of the public services; and this is reflected in its positions in the lead up to the election. Reforms and changes to public service delivery, and delivery of programmes such as Sure Start and New Deal for Communities, have placed a strong emphasis on the voluntary and community sector. By contrast the Conservative Party, and Coalition Government, focuses much more on facilitating voluntary and community organisations to play roles in arenas which should be vacated by state intervention. These include proposals around the support of social enterprise, the stimulation of neighbourhood groups and the creation of a national (societal) commitment to social action, reflected in David Cameron’s demands for mass engagement through a “broad culture [of] ... responsibility, mutuality and obligation.”<sup>2</sup>

In terms of resources and scale, as discussed, the New Labour government had been instrumental in the growth of the sector and it is anticipated that in a climate of public expenditure cuts, this growth will reverse. Indeed, future public expenditure commitments are now greatly diminished and the July 2010 Budget and October 2010 Spending Review will have far reaching implications. Proposals to support social enterprises and neighbourhood groups from the Coalition Government do not appear to include considerable redirection of resources, rather the role of the state would be to enable and steer such social action. Again, this is a strong theme of the “Big Society” agenda which reduces, and reforms, the role of the state.

Finally there are agendas around equity and disadvantage. Although the New Labour Government shifted its emphasis towards equality of opportunity and personal responsibility (especially in terms of employment policy), this was combined with large social programmes and addressed spatial and individual inequalities. The Conservative Party critique of New Labour on these issues is that it has fostered these as state-led solutions, and that the scale of the state should be not only smaller but also act to enable social action.

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<sup>2</sup> See David Cameron’s Big Society speech ([www.number10.gov.uk/news/speeches-and-transcripts/2010/07/big-society-speech-53572](http://www.number10.gov.uk/news/speeches-and-transcripts/2010/07/big-society-speech-53572))

## 2.4. Local and Regional Implications

**Our discussion highlights key platforms of the Coalition Government agenda, notably around localism but more generally the context of significant cuts to public expenditure.** This is likely to shape policy agendas (discussed below) at a local level. The Coalition Government has indicated plans to abolish the Regional Development Agencies and regional Government Offices. Except for locally led voluntary arrangements for partnerships and the administration of some programmes, in particular European Structural Funds programmes until 2013, the regional governance tier will effectively be removed from the English regions.

The Labour Government enacted a series of legislation to strengthen the role of local authorities in local economic policy making, to develop wide ranging Sustainable Community Strategies for their local areas, and to form partnerships across authorities to deliver shared priorities (through Multi Area Agreements). This included a duty on unitary authorities and top tier local authorities to prepare a Local Economic Assessment. The focus for the Local Democracy, Economic Development and Construction Bill placed a new duty on county councils and unitary authorities to assess the economic conditions of their area. Local Economic Assessments, due to be completed by September 2010, were required to:

- identify the economic linkages, including the links between the urban and rural economies, within the area of the assessment and between it and the wider economy
- identify the comparative strengths, weaknesses, opportunities and threats facing the local economy
- review the key ways in which local authorities and their partners influence local economic development and their impact
- review the regeneration challenges of the area
- analyse causes of worklessness
- consider the impact of local economic development on the environment, and how the local economy will be affected by the transition to a low-carbon economy.

Assessments should form a significant element of the evidence base underpinning local strategies, notably the Sustainable Community Strategy. (See reports and guidance by CLG (2008), CLES (2009), and Rocket Science (2009) for a further discussion around Local Economic Assessments).

In terms of engagement, the Local Government and Public Involvement in Health Act 2007 which came into force in April 2009 placed a duty on local authorities to take those steps they consider appropriate to involve representatives of local persons in the exercise of their functions. Within the context of this duty, “local persons” includes local citizens, local third sector groups and businesses. Local authorities will need to take account of this duty in determining who they should consult on any economic assessment.

It is unclear how local economic assessments and sustainable community strategies will fit into the Coalition Government's framework for local policy making. It is likely that they may inform and become part of policies for Local Enterprise Partnerships. On 29 June 2010, the government departments BIS and CLG wrote to upper tier

authorities and asked them to consider how they might like their Regional Development Agencies to evolve into Local Enterprise Partnerships (LEPs),<sup>3</sup> with outline proposals requested by 6 September 2010. LEPs will have a stronger emphasis on private sector leadership and it is unclear how this may manifest itself, indeed there is potential, under the localism agenda, for considerable variation between localities. The first 24 LEPs have been announced by the government.

BIS and CLG anticipate that local enterprise partnerships (LEPs) will wish to provide the strategic leadership in their areas to set local economic priorities and create the right conditions for business growth. Whilst CLG and BIS would expect there to be strong private sector support for a local enterprise partnership, it is up to local authorities and local businesses to decide on the exact governance structures. CLG and BIS would expect though that the arrangements will be sufficiently robust and deliver clear accountability.

However, there are concerns for the VCS, and NAVCA in particular highlight that<sup>4</sup>:

No mention is made of involving the local voluntary and community sector (VCS) in these partnerships, although the VCS has a hugely significant economic impact on local areas ... VCS representatives on local public partnerships (such as LSPs, PCTs and Children's Trusts), and local VCS organisations who have effective relationships with public sector partners, are well-placed to promote the case for the sector's involvement.

A White Paper has been published setting out the Government's economic development plans in more detail (HM Government 2010).

## 2.5. Conclusion

**This section highlights some of the contextual issues around evidence based policy making for the VCS at a local and regional level.** On balance the combination of severe public expenditure cuts and the recasting of local and regional policy institutions (the abolition of RDAs and GOs and the establishment of LEPS) suggest a period of policy disjuncture. The Coalition Government's political strategy of localism is also likely, contra the previous Labour Government, to bring sharper differences between localities in the way in which local economic policies are formed. Whilst there remain certain legal requirements around Local Economic Assessments, and the duty to involve, there remains to be a common requirement for engagement with the VCS. **The LEPs agenda, it is presumed, will have a key role in shaping local economic strategies in the future, and these have implications for other policy areas, for instance around engagement, volunteering and the economy of the wider VCS (for instance, social enterprise).** However, as the title of this section signals, these are uncertain predictions.

It is noticeable that there is considerable variation in the way in which the VCS currently frames research and practice at local levels, something which highlights the challenge of engaging in the LEA agenda, but also the forthcoming LEPS. A report by Chapman *et al* (2009: p.6) provides some useful characteristics of this:

- as a **mosaic**: suggesting that the sector as a whole can be described as having characteristics of its own, made up of the sum of its distinctive parts

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<sup>3</sup> [www.communities.gov.uk/documents/localgovernment/pdf/1626854.pdf](http://www.communities.gov.uk/documents/localgovernment/pdf/1626854.pdf)

<sup>4</sup> [www.navca.org.uk/localvs/infobank/ilpunews/sectorinvolvementinleps.htm](http://www.navca.org.uk/localvs/infobank/ilpunews/sectorinvolvementinleps.htm)

- as a **jigsaw**: assuming that the component parts of the sector fit together, and that there are useful connections between individual organisations which may be studied by researchers
- as an **abstract**: here meaning depends on the point of view of the observer. The sector is seen in many different ways by people applying a different set of values and expectations. To those seeking clarity and order, it may be seen as chaotic.

Similar observations can be made on the role of the VCS in regional and sub-regional policy making processes (see Johnson and Schmuecker, 2009). These issues set the context for understanding how the VCS and in particular infrastructure organisations develop an evidence base for the sector in their respective localities. This is the topic of the next section.



### 3. Questions of demography, economy, impact and value(s): towards an evidence base for the local sector?

#### 3.1. Introduction

**This section reviews the considerable array of literature which has sought to capture the shape, scope, contribution and value of the VCS at a local level.** As the work by Chapman *et al* (2009) highlights this is something of a contested field: whilst headcounts of VCS organisations, income, employees and volunteers are useful, they represent only the starting point for understanding the dynamics of the VCS in any locality.

This section explores four themes around the local VCS evidence base:

- **demography:** primarily the scale of the sector in any given area
- **economic analysis:** the economic contribution of the sector in an area, for instance in terms of turnover or employment
- **impact:** what the activities of the VCS in a given area change
- **value(s):** the more qualitative judgement around what the sector brings to any given locality.

As Chapman *et al* (2009) allude each of these is contested. Nonetheless, they provide four useful starting points for building a local evidence base. **There is already a burgeoning literature on these issues and where appropriate relevant signposting is given.** Examples here include two research projects which NAVCA helped coordinate: the first, with the Audit Commission, concluded with the publication of the report *Getting to know your local voluntary and community sector* (2006) which focused on developing a toolkit to profile the VCS at a local level; and the second with the Charities Evaluation Service (CES) which sought to provide local infrastructure organisations with a framework for *Measuring Effectiveness* (2002). Whilst approaches to measurement, available data and policy agendas have changed since then, these provide very useful reference points.

#### 3.2. Demography: Almanacs, Below the Radar and Beyond the Flat Earth

The NCVO's series of Almanacs (see for example Clark *et al.*, 2010) provide a readily accessible picture of the scale of the sector at a national level. Moreover, the Almanac provides a clear distinction between different parts of what it terms civil society. As is indicated in the NAVCA/Audit Commission work on the local sector, **definitional issues** are important with both the Almanacs and NAVCA recommending that the broadest possible approach be taken:

*if organisations are manifestly not private sector organisations and if they are manifestly not government organisations and if they think that they are voluntary and community organisations (broadly defined), then they are 'in' ... It is*

*particularly important to ensure that you include informal, small, community-based, user-led, volunteer-run sparsely staffed organisations with little or no income ('community based organisations'). Organisations such as these ... are the majority of the sector (NAVCA, 2006: p.6).*

Why is this wide definition important? **The most recent NCVO Almanac (Clark et al., 2010) estimates that there are some 171,000 voluntary organisations (formally registered charities); but that civil society is comprised of an estimated 900,000 organisations.** Whilst this latter figure includes formally registered bodies, such as 4,600 co-operatives, 127,010 sports clubs and 1,820 housing associations, it also contains many more informal unregistered groups which meet informally for some common purpose. It is also notable that estimates for local and regional numbers of civil society organisations are far less consistent. The starting point for measuring the demography of registered organisations is relatively straightforward: it starts with the data held on registered organisations (e.g., charities) by their relevant registrar (e.g., the Charity Commission). This data is largely in the form of annually audited accounts, data which can be extracted, processed and aggregated against common criteria (e.g., income, expenditure, assets and staff numbers). Moving beyond the registered part of civil society and beyond charity account information is the main challenge in understanding the demography of the sector at a local level.

McCabe *et al* (2010) have undertaken a summary review of '**below the radar**' activities and organisations in the voluntary and community sector: the preceding emphasis is important. Whilst below the radar is sometimes seen as meaning 'micro charities' with turnovers of less than £10,000 (for the NCVO or other figures in other research) and therefore not required to provide regular accounts to the Charity Commission or to other registrars this is a somewhat limiting definition, and suggests that micro charities are simply very small charities. A further issue raised by Morgan (2008, cited by McCabe *et al*) is around the issue of leadership and governance: does this need to be on a collective basis for an organisation to be voluntary?

Nonetheless, **civil society and community, terms espoused by policy makers have become synonymous with community-based organisations.** Citing a CLG submission to a taskforce, McCabe *et al* highlight:

*A healthy community sector is critical for the sustainability of local communities. It is not an end in itself. It helps to deliver social capital, social cohesion and democratic participation. Better public investment in the sector will result in a better quality of life for local people and communities, partly through their own activities and partly through their interaction with public services (CLG, 2007: p.1)*

The quote from CLG alludes to not just the significance of the sector as an aggregate of organisations, but significantly to the role of the sector in democracy, governance, participation and cohesion.

**Measuring below the radar activities is not straightforward (Soteri-Proctor and Smith, 2003): approaches range from cross-referencing regulator held information with that held on local datasets** (see, for example, the work by Mohan *et al.*, 2010 as part of the Northern Rock Third Sector Trends Study) to more 'bottom-up' qualitative approaches which involve greater engagement through surveying and interviewing with participants of organisational sub-sets. Whilst the latter is appropriate to work at a micro scale (for instance, a neighbourhood) or with particular categories of local groups (e.g., migrant groups), it would be too costly and complex to scale up to an entire locality.



McCabe *et al* (2010) suggest the following common challenges in measuring understanding below the radar organisations:

- focusing on **finance** tends to privilege organisations with a history of funding receipts and a track record of accounts
- **policy and governance** where, as Craig and Taylor (2002) highlight, there are institutional and partnership insiders (on radar) and those outsider organisations which are under or off radar. Such differences may be for a host of reasons including organisation size, registration, previous funding, access to and part of professional and political networks, as well as organisational agency (the decision to self-exclude)
- **challenges for BME, refugee and migrant organisations** which are often but not exclusively seen as a distinct group where the disadvantages of lack of finance and limited policy connections doubly disadvantage organisations which are more likely to lack self-generated resources
- **other disadvantaged groups** may include arts and cultural groups (which lack performance venues), faith based below the radar organisations (for reasons ranging from a policy preference towards secularism to self exclusion), and rural organisations where issues of peripherality can come to the fore.

Methodological challenges around Below the Radar organisations or to use Smith's (2007) term flat earth maps have been addressed in both the US (Smith, 1997) and the UK (see for example Mohan *et al.*, 2010). The approach adopted by Mohan is based on the compilation of databases held by registrars, public sector organisations and the VCS at national, regional and local levels. This data can then be cleaned to provide a single database of known organisations and where this contains geographic identifiers (postcodes) can be used to estimate numbers at different geographic scales. However, **a common problem with using databases such as those in the Northern Rock study is that moribund and dead organisations may be included in sampling frames, overestimating the population of organisations.** Conversely, newer organisations and some below the radar organisations (as described by McCabe *et al.*, 2010) may be missed.

Recent research by Dayson (2010) draws on three studies to estimate the number of VCS organisations in South Yorkshire: the Part of the Picture mapping study (Macmillan, 2006); the Northern Rock Third Sector Trends study on Yorkshire and Humber; and the National Survey of Third Sector Organisations. The following is an abstract from Dayson (2010) in answering the question, 'how many third sector organisations are there?'

*Part of the Picture estimated that there may be at least 6,264 voluntary organisations and community groups operating in South Yorkshire. Just over half were based in Sheffield, 21 per cent in Rotherham, 14 per cent in Barnsley and 12 per cent in Doncaster. Nearly three fifths were registered charities (59 per cent). Just over two fifths of organisations (42 per cent) worked at neighbourhood or community level. Just over a fifth of organisations (22 per cent) operated across a single district.*

*The NSTSO reported that there were 2,974 registered third sector organisations based in South Yorkshire. Just under half (49 per cent) were based in Sheffield, 19 per cent were based in Doncaster and 16 per cent were base in Rotherham and Barnsley. Sheffield also had the highest proportion of third sector organisations per 1,000 population (2.79), followed by Barnsley (2.09), Doncaster (1.96) and Rotherham (1.92).*

*The Northern Rock Study estimates that there are 3.25 'below the radar' third sector organisations for every 1,000 people in the North of England (including Yorkshire and the Humber). If this estimate is extrapolated for South Yorkshire (population 1.29 million) it suggests there are about 4,192 below the radar groups. This figure, combined with the NSTO figure of 2,974 registered organisations, suggests that the actual number of third sector organisations in South Yorkshire may be 7,158. However, third sector activity is fluid with groups forming and folding on a regular basis, so a **working figure of at least 7,000 organisations** at any given time is probably a better guide.*

Of course this estimate of the number of organisations is only a simple starting point for understanding the complexities of what the VCS actually does in any given locality.

### 3.3. Economic Analysis: scale, scope and financial flows

#### *Different Approaches*

**There has been considerable interest locally and nationally in measuring the economic scale of the voluntary and community sector.** Foremost amongst such sectoral measurement is the annual series of Almanacs produced by the NCVO. These provide an accessible guide to the scale of the sector in terms of income, expenditure, numbers of employees and volunteers and other issues such as sources of funding, scale of assets and liabilities. The Almanacs draw heavily from the financial accounts of the VCS, and especially registered charities, with data provided by Guidestar. The concern of the Almanacs and with similar local studies is with measuring the economic scale of the sector, primarily using information which is expressed in monetary terms (e.g. income and expenditure) but also in expressing non monetary activities in monetary form, primarily estimating the value of volunteer and trustee time.

Of course where valuation approaches are used, much rests on the monetary values placed on units of time: these include the use of minimum **wage equivalents** (so, £5.80 per hour for volunteers aged 22 and over), local average (median) wage rates, through to economic valuation techniques which seek either to value volunteer time in terms of **opportunities foregone** (i.e., what would the volunteer have been doing instead during this time) or what an organisation would have needed to pay to employ someone (the **replacement wage**) to carry out these activities. Additional approaches focus on the wider benefits of volunteering, for instance the **social benefits** which may accrue to volunteering (from increased job opportunities through to greater social capital); and the **value of volunteering**, where the focus is on calculating and then valuing the additional benefits of volunteer activity (for example, around whether greater voluntary activity contributes to educational attainment). Most studies which seek to measure the aggregate scale of the sector tend to use wage-based methods. However, caution is needed to avoid double-counting: the approaches outlined are often measuring the same issue but in different ways.

**Economic analysis may also seek to explore the relationship between the sector and the wider economy and society.** This may include the impact of particular events on the sector (for instance, the recession) or the impact of the sector on wider society (for instance, in employment creation helping to generate increased social capital). This latter issue is explored more fully in the following section on impact.

Finally, **economic analysis is a contested field.** The above largely represent conventional approaches to the measurement in the sector. It should be stressed

that economic analysis may vary around the methodological approaches used (from primary studies to modelling), from different theoretical standpoints, and in terms of economic conceptualisation (for example, using economic principles to better understand why levels of philanthropy of voluntary activity vary).

### *Examples*

Following the lead of the NCVO Almanacs there has been considerable local interest in the measurement of the **economic scale** of the VCS. Such approaches can also be seen to have evolved over time. An early example of this work by Lewis (2001) sought to 'map the contribution of the VCS in Yorkshire and the Humber'. This study focused on extrapolation using relative population weights to form estimates of the sector. It drew on national studies (the NCVO Almanacs) but also from studies in other localities which involved primary research. Similar approaches continue with a recent example in the North West (Hoshin, 2007).

Two more recent examples in Yorkshire and the Humber include work for Voluntary Action Rotherham (VAR) (Coule *et al.*, 2008) and the South Yorkshire Change Up Consortium (Macmillan, 2006). The VAR study involved a survey of organisations in the Rotherham area using a representative sample of known organisations in the district. **The study was able to form estimates of the size of the sector as well as its sub-sectors, its employment (3,887 staff, 78 percent residing locally), to make estimates on the value of volunteering (£15.5 million using a median wage approach) and its annual income (£99.4 million).** The study also included a cohort element where organisations surveyed in 2002 were resurveyed. The cohort elements revealed notable trends in the sector, for instance around income growth but also that this income growth was highly concentrated. The Part of the Picture report (Macmillan, 2006) used a similar approach to the work by Coule *et al* (2008): it was primarily survey based and sought to take steps to survey 'below the radar' organisations.

The recent **recession** has also given rise to interest in understanding its impact on the sector. The following approaches have been used to do this, including extrapolating from the impact of previous recessions (see, for example, Mohan and Wilding, 2009), the use of attitudinal surveys of individuals within the sector such as finance directors (see, for example, work by Capacitybuilders) but also estimates using quantitative indicators of where the likely impact of the recession may be (Wells *et al.*, 2009). As Dayson *et al* (2009: p.1) highlight:

*The recession will have differential effects across the voluntary and community sector, as it will across other sectors of the UK economy. Moreover, the link between economic contraction over a period of 12 months (the main definition of recession) and impacts on the voluntary and community sector maybe indirect, feed through other changes in the economy and may take time to be revealed ... Moreover the experiences of individual organisations will for many vary markedly from the trends and averages revealed here.*

**What this suite of studies show is that the full effects of particular events will take time to be revealed, that individual attitudes and opinions of the future may vary dependent on the circumstances of particular moments in time and in particular places, but that more formal modelling techniques may have a role in anticipating trends and areas of sector vulnerability.** However, what such modelling approaches rely upon is a sufficient time series of data (ideally including previous recessionary periods), the careful modelling of the impact of different types of external change or 'shock' (from stock market downturns to reductions in public expenditure), and the understanding of geographical variation and local context.

A rejoinder to estimates of the size of the sector is offered by Kane and Clark (2009) who seek to improve the understanding of the **regional distribution of charity expenditure**. Kane and Clark, both at the NCVO, are concerned with weaknesses in the NCVO's Almanac around the understanding of geographical differences due to the use of charity account data. Charity account data systematically overstate the significance of those regions with a high proportion of charity headquarters, principally London and the South East of England. The authors therefore use other datasets to derive 'more accurate estimates'. In particular they use information from the Interdepartmental Business Register (IDBR) which collects information by individual business units (for instance, the local office of a national charity) and includes within its sample charities. They also use data from the Labour Force Survey which again includes data on charities. They are also able to use the IDBR data to understand the flow of resources between regions. As the authors acknowledge, these alternatives are an improvement on the Almanac; however, they also acknowledge that such approaches are more relevant to national studies seeking to understand regional variation, rather than to stand alone regional studies, and especially to locality studies (at which LFS and IDBR have insufficient sample sizes for statistically robust estimates).

### 3.4. Impact of Local Infrastructure: Beyond Jobs and Income

#### *Existing evidence regarding the effectiveness of local infrastructure*

Perhaps the most extensive review of the benefits of voluntary and community sector infrastructure was the rapid evidence assessment undertaken by Rob Macmillan for the Infrastructure National Partnership.<sup>5</sup> The study found the evidence base somewhat fragmented and disparate, typically derived from single project or programme evaluations rather than a more comprehensive study of infrastructure as a whole. **This limited the potential to bring evidence together in a cumulative sense to make an assessment of the overall or aggregate impact of infrastructure.** Nevertheless, the study was able to draw out some coherent evidence regarding the benefits of infrastructure interventions. These were clustered around two broad concepts:

1. ***change within individual voluntary and community sector organisations:*** this included examples where infrastructure provided a source of expert advice; built capacity to access further financial resources (i.e., through funding advice and support); offered space for reflection and thinking; increased confidence in key areas of organisational development; and enabled learning to be cascaded through the organisation. It also included examples of unintended and less tangible effects, in areas such as external credibility through improvements in perceptions regarding professionalism
2. ***change beyond and between individual voluntary and community sector organisations:*** this included examples of infrastructure supporting community involvement and participation and providing the sector with a voice and representation at various administrative levels (i.e., local, sub-regional and regional). Of particular importance here was the role played by co-ordinating networks and consortia of voluntary and community sector organisations in relation to particular structures (such as Local Strategic Partnerships).

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<sup>5</sup> Macmillan, Rob (2006) **A Rapid Evidence Assessment of the Benefits of Voluntary and Community Sector Infrastructure** (London: NCVO) is available from [www.changeup.org.uk/nationalprojects/INP.asp](http://www.changeup.org.uk/nationalprojects/INP.asp)

### **Macmillan's study concluded by identifying three sets of implications:**

- **for the sector:** in terms of doing more to demonstrate the effectiveness of infrastructure interventions
- **for policy makers:** in terms of doing more to understand its basis for investing in infrastructure, and its requirements in terms of evidence
- **for research:** to consider how the evidence base for infrastructure can be developed to provide a more coherent and cohesive picture of the benefits.

The evaluation of Yorkshire Forward's South Yorkshire Social Infrastructure Programme (SYSIP)<sup>6</sup> made a more recent contribution to the evidence base regarding the benefits of infrastructure. The programme had a strong focus on the role of infrastructure organisations (both at local authority district and neighbourhood levels) in supporting and stimulating the wider sector. The evaluation included thirteen case study organisations interviewed in-depth about their experience of SYSIP infrastructure interventions - all were overwhelmingly positive in their assessment of the support they had accessed. This was perhaps not a surprising conclusion. Those organisations 'touched by' or able to access support from infrastructure agencies tend to be relatively positive, whilst those outside the loop tend to be more critical.

The evaluation could not provide a conclusive and authoritative judgement about whether the case study organisations were *actually* stronger, more sustainable and resilient, and if so by how much. This would have required a longer term assessment than was possible. It is also noteworthy that interventions by infrastructure are relatively light-touch (for example, advice on governance) or provide a necessary service which would cost considerably more to provide in house or under contract to the private sector (for example, community accountancy, payroll and HR functions).

However, the respondents to the SYSIP evaluation clearly thought they were stronger and more sustainable so these perspectives might form a provisional proxy for the impact of support services funded through SYSIP.

SYSIP beneficiaries' confidence about the future prospects for their organisations and the work they do appeared to have been enhanced by the interventions they received. This occurred through a variety of different means, but primarily across three inter-related dimensions. It involved organisations:

- **developing more appropriate and better structures, systems, policies and procedures** to support their work
- **adopting a more strategic, planned, professional, forward-looking and networked outlook**
- **becoming more aware, knowledgeable and skilled about their 'operating environment'**, that is, the changing funding and policy context in which they work.

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<sup>6</sup> Between 2006 and 2009 Yorkshire Forward invested £35 million in the South Yorkshire Social Infrastructure Programme (SYSIP). A significant proportion of SYSIP expenditure provided funding for core infrastructure services in each of the four South Yorkshire districts. The evaluation is to be published in Summer 2010.



**In combination these impacts provided good reasons to expect the case study organisations to be more sustainable.** Together the SYSIP interventions were thought by case study interviewees to have placed their organisations on a stronger footing, with an improved profile and reputation, and able to access and secure resources to continue and enhance their activities.

### *Understanding reach*

**The reach of infrastructure services is also an important consideration.** For example, are certain types of voluntary and community sector organisation more likely to access infrastructure support, and are there organisations in need of support that are currently unable to access it? The evaluation of SYSIP provided some interesting insights into the reach of infrastructure interventions.

The SYSIP evaluation used charity account data to compare the organisational characteristics of a sample of voluntary and community sector organisations that benefited from SYSIP interventions and a sample of voluntary and community sector organisation based in South Yorkshire, drawn from the wider population of charities that did not receive support through SYSIP.

**The analysis identified a number of statistically significant differences between SYSIP beneficiaries and the wider population of charities in South Yorkshire.** This provided an indication of the types of organisation, according to their charitable purpose, beneficiaries, method of operation, income size and financial health that were most likely to have benefited from a SYSIP infrastructure intervention:

- **purpose** - organisations working in *economic/community development/employment* were most likely to have benefited, followed by those working to *relieve poverty* and those working in *education/training*
- **beneficiaries** - organisations working with *people with a disability/special needs* and *people of a particular ethnic group or racial origin* were most likely to have benefited from a SYSIP intervention
- **method of operation** - organisations that provided *advocacy/advice/information* were most likely to have benefited from a SYSIP intervention, followed by those providing *services (e.g., care/ counselling)* and those acting as an *umbrella or resource body*
- **income size** - SYSIP beneficiary organisations were most likely to have *medium incomes* i.e., between £100k and £1 million
- **financial performance** - SYSIP beneficiaries were most likely to have experienced a *small decrease* in income between 2003/04 and 2005/06 and have only a *small operating surplus*.

### *Impact tools and methods*

**Most of what has been discussed so far has focused on the effectiveness of infrastructure for the voluntary and community sector organisations in direct receipt of support interventions.** This is of central importance but for a wider understanding of the impact of these interventions a broader approach is required. Impact tools and methods offer considerable potential in this regard but their use in voluntary and community sector research and evaluation is in its infancy. Here we highlight two methods used in recent studies and discuss their utility in improving the understanding of infrastructure impacts.

## **Social Return on Investment (SROI)**

There has been considerable debate around the potential for social return on investment in providing a consistent approach to impact measurement, which is of use to funders, commissioning bodies and organisations. As developed in the United Kingdom by the New Economics Foundation and then the SROI-Network for the Office of the Third Sector, its focus has been on providing a *monetarised* figure for the *value of benefits* received by each of the *substantive stakeholders* in an organisation. Stakeholders include amongst others funders, employees, trustees, service users and volunteers.

To date SROI has largely been applied to a limited number of case study front line service user organisations, that is, not to infrastructure. In common with the impact framework outlined below for measuring Gross Value Added, SROI works through a consistent series of stages:

- **identifying and providing an output measure for each benefit**
- **making adjustments for deadweight, displacement and persistence, and**
- **making an adjustment for double counting.**

What it does in addition to impact measurement tools is to place a monetary value on the aggregate of the net benefits received by stakeholders. This is not a measure of actual financial worth of benefits; but typically what monetary value any stakeholder would place on a benefit. For example, what is the equivalent monetary *value* of receiving support from a team of volunteers working in a hospice to its patients? This may be in terms of improved quality of life or additional life expectancy. Of all the stages of SROI the methodology for valuing a benefit is the one which needs to be treated with most caution.

**In terms of infrastructure organisations, applying SROI is far from straightforward:**

- **immediate benefits are largely experienced by other organisations (and not service users)**
- **it can be difficult (near impossible) to attribute benefits experienced by end users to the infrastructure body**
- **it is difficult for organisations to value social returns; but more straightforward to estimate economic and financial benefits.**

**There may however be some merit in applying SROI to the work infrastructure does in supporting volunteering:** either direct support to volunteers or supporting the work of volunteer involving organisations. In this case there appear at least three substantive benefits: to the volunteers themselves, to communities, areas or individuals benefiting from the time of volunteers, and as appropriate to volunteer involving organisations.

## **Impacts of Infrastructure on GVA and Jobs**

The above mentioned SYSIP evaluation was required to evidence the economic contribution of infrastructure and to comply with the requirements of the Department for Business, Innovation and Skills - the lead government department for RDAs - and its Impact Evaluation Framework. This required working from a narrow series of output targets to derive measures of impact expressed in terms of Gross Value Added (a regional measure of Gross Domestic Product). The outputs included:

- numbers of jobs created and safeguarded
- numbers of people assisted to find employment
- number of organisations improving performance
- number of new organisations created
- number of people assisted in their skills development
- number of volunteers supported.

For each of these it was not possible to provide benchmark estimates of GVA. This included making assessments for deadweight (the extent to which benefit would have occurred anyway), displacement (the extent to which the support leads to a lost benefit elsewhere), and the persistence of the benefit (for example, how long a volunteer opportunity lasts). For improvements in organisational performance, an estimate was made of additional income to the organisations supported, but an adjustment made for the source of this income (local or non-local). It was assumed that local income would have been spent in the area regardless of the intervention. In terms of additional benefits from volunteers, a proxy measure was applied to value volunteer time (using the local median wage).

**Overall the SYSIP evaluation could provide an order of magnitude of the additional Gross Value Added from the interventions, and that this ranged from £21.4 million to £33.7 million against Yorkshire Forward expenditure of £21.4 million.**

However, the evaluation highlighted that whilst GVA provides a useful starting point for the valuation of economic benefits from infrastructure it is a partial assessment in at least three respects:

- i. **even for business-benefit type evaluations (e.g., impact of support on SMEs), it fails to assess outcomes which might include skills uplifts or the movement of people close to work** (i.e., it does not measure progress towards employment). This is of critical importance given the focus of voluntary and community sector organisations which work with those furthest from the labour market
- ii. **the approach does not consider Exchequer savings from interventions which support voluntary and community sector organisations.** The focus on GVA again leads to a partial view
- iii. **finally, the approach does not value the wider benefits of voluntary and community sector activities (for instance, improvements in quality in life, community cohesion or social capital),** although it offers the potential to quantify these where they impact on the economy. However, it would largely be a tenuous activity to attribute change quantitatively in any of these indicators to programmes such as SYSIP or other infrastructure funding.

## *Conclusion*

### *Further Challenges to Demonstrating and Measuring Impact*

**Nationally the debate about demonstrating the impact of capacity building and infrastructure continues.** Many infrastructure organisations face pressure, from funders, members and users, to identify and quantify the difference their support and



services make in relation to the resources invested. Developing a consistent, convincing and useable methodology continues to be a 'work in progress'<sup>7</sup>.

**Many infrastructure organisations would not be able to support a full evaluation of their services.** Even here a number of case study organisations were interviewed at length about the impact of the support services they had accessed, and finding convincing evidence of it was not always straightforward.

In the SYSIP evaluation, **we have well-founded perceptions of the difference made by support interventions from those closest to it, but we have noted that a more rounded consideration requires a test of time.** In addition, support interventions, the organisational settings in which they occur, and the changes that may result are hugely complex. A wide range of factors, decisions, behaviours and actions come together in the notion of 'impact'. Isolating the contribution made by a specific intervention is unlikely to be easy.

But also within the interviews for the SYSIP evaluation study **it is worth reflecting on three further 'leakages' from a rounded demonstration of impact**, which put some limits around how knowledgeable interviewees were. We came across examples of all three in the interviews. These are:

1. ***faltering memory*** – because support interventions by infrastructure agencies may have been some time ago, it was not always clear to our interviewees what support had been accessed, how it was received and regarded at the time, and whether and what changes it led to
2. ***partial knowledge*** – because support interventions typically occur at an organisational level, some people within supported organisations may only have partial knowledge of the context in which support needs were identified, support sought and accessed, and the difference it made. This could be because people move on within voluntary and community organisations and new people will not know all of the background, or because people have only been partially involved in the support, particularly in respect of larger and more complex organisations
3. ***unclear contribution*** – because the contribution of a particular support provider or person is unclear, unpublicised, or obscure<sup>8</sup>, a full attributable picture of the difference made is not always available to interviewees.

For infrastructure support organisations, funders of infrastructure and evaluators, these leakages beg a range of questions about when to ask about impact, who to ask, and what to ask them.

### ***Targeting infrastructure investment***

Of course, not all support and capacity building interventions are the same. The SYSIP evaluation noted that funded support has been focused on different issues, organised and provided in different ways and involved different methods. Some are more intense and long term (e.g., support provided on a 'one-to-one' basis), whilst others might be more extensive and fleeting (e.g., support provided on a 'one to many' basis).

**It is arguable that more intense forms of support are likely to yield more transformational effects, compared to less intense support.** However, the link

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<sup>7</sup> See, for example, Cupitt with Mihailidou (2009) and the current work of NCVO's Big Lottery Funded 'Value of Infrastructure' Programme <http://www.strategy-impact.org.uk/page.asp?id=1548>

<sup>8</sup> Support was suggested by one provider to be '*like wallpaper*' in the sense of being part of the background and therefore taken for granted.

may not be a conclusive one. But insofar as it is true, it suggests a familiar 'trade off' for infrastructure organisations, and opens a policy debate about whether investment in core infrastructure support should prioritise depth (increasing the prospects for transformation, but amongst fewer organisations) or breadth and reach (increasing access to support for a wider set of organisations, but limiting transformative potential). **A debate about appropriate targeting of capacity building support is likely to intensify in the next few years given the prospect of public expenditure constraint.**

### 3.5. Value(s): it's not just what but how

**In the previous section there was a discussion of the use of social return on investment (SROI).** At the heart of SROI is the concept of stakeholder value: not necessarily the monetary transaction and outcome from an activity; but their equivalent monetary value for stakeholders. This issue goes to the heart of understanding the difference between estimating economic impact and economic scale of the sector, the topic of preceding sections, but also the wider assessment and understanding of the value of the voluntary and community sector. The recent rise of the sector has focused on its measurable economic value with more fleeting and more oblique references to its wider social value. The debate around SROI has extended this into an assessment of social value. However, the focus on SROI in both the UK and US has tended to see social value as an outcome of activities; and ignore the intrinsic or inherent value of processes and the values of organisations.

**A problem with approaches such as SROI, as Westall (2009: p.5) acknowledges, relates to issues of incommensurable values.** The argument here is that the values are inherently moral and are not reducible to singular measurement or to trade within a market. Whilst SROI would seek to understand value in terms of the experience of different stakeholders, scholars such as Sen (2009) would focus instead on individual capabilities, and thus avoid having to reconcile incommensurable values.

**What can be understood from the debate on value and values is that this is a highly contested area.** On one side are approaches which primarily build on and extend (welfare) economics approaches to understanding value and the requirement that value must have a monetary equivalent, and on the other, a more nuanced and moral understanding of values which is around the founding principles of society. Approaches such as SROI have tended to pull the sector towards the former conception of value.

Research by Jochum and Pratten (p. 3) highlight that recurring debates around the values of the sector focus on:

- **social justice and making a positive difference to people's lives**
- **taking a holistic approach to people's needs**
- **empowering people and making voices heard, and**
- **generating public wealth, building social capital and reinvesting financial surpluses for community need.**

**However, as the authors go on to acknowledge, whilst values lead to the potential added value by the sector (vis-à-vis other sectors), this is not guaranteed.** A challenge the sector faces is therefore around remaining true to their core principles, whilst at the same time acting as an agent to deliver activities on

behalf of others (the public service delivery model) and in advocating change (the lobbying and advocacy role of the sector).

**Developing a local or regional evidence base around values and the value contributed by the sector is not straightforward.** Whilst SROI and related approaches provide a framework for understanding value, they offer little in terms of the values of organisations and the values they bring to their activities.

A useful example of this conundrum is contained in the report by Cox *et al* (2009) for the Yorkshire and Humber Regional Forum. This 'think piece' set out a series of principles which allowed the YHRF to advocate a particular policy position in relation to the Integrated Regional Strategy. It advocated a focus on sustainable development and wellbeing (as outcomes), but also emphasised the value of challenging over consumption and climate catastrophe with alternatives focused on local shaped welfare ("well fair") systems, co-production whereby citizens are given more control, and alternatives to measuring wellbeing (away from monetary income measures).

### 3.6. Conclusion

This section has reviewed the principal approaches used in forming an evidence base for local policy around the voluntary and community sector. **It has highlighted that this is a contested field: although there are some common approaches, many locally commissioned studies have used different approaches, nearly always for perfectly understandable reasons.** A particular issue was found to be around the value placed on volunteer time - whether a wage proxy is used for this and whether this is seen as a replacement value (i.e., for wages) or as an output in terms of civil participation. The following section takes these issues forward and considers the particular challenges faced by infrastructure in marshalling an evidence base for the sector.

## 4. Improving the Local VCS Evidence Base

### 4.1. Introduction

**There are a wide variety of ways in which local infrastructure organisations measure the effectiveness of their activity and the wider sector in a given locality.** But this plethora of approaches, in combination with poorly conceived methods, has led to an evidence base which is fragmented and insufficiently robust. In this section we briefly consider some of the main approaches currently being used before discussing some of the key weaknesses in the evidence base.

### 4.2. Understanding the Work of Infrastructure

**Local infrastructure organisations (LIOs) take many shapes and forms but they generally exist to serve a common purpose** - to ensure that local voluntary and community sector organisations get the advice, support and representation they need to improve the circumstances of the people and communities they work with. LIOs do this in a number of ways:

- they **identify and fill the gaps in existing provision** by monitoring the services provided by the third sector in their local area, and working with new and existing groups to address unmet needs in their communities
- they **raise standards** by providing access to information, advice and support to local groups and organisations in order that they have the knowledge, skills and resources they need to support the local community
- they **enable communication and collaboration** by encouraging local groups and organisations to share resources and to work collaboratively, and establish forums for networking where they can share good practice and form partnerships through which new activity can be developed
- they **provide a voice** through which the diverse views of local groups and organisations can be represented to local public sector bodies. They also enable two-way communication and consultation so that the local sector can be consulted on and contribute to policy developments and decision-making
- they **promote strategic involvement** in local policy making and planning, ensuring that the sector is represented and involved in local decision making bodies, and actively work with representatives to ensure they keep on top of key local issues.

(adapted from [www.navca.org.uk](http://www.navca.org.uk))

Despite these purported benefits the measurement of the impact and effectiveness of local infrastructure remains a contested area.

An alternative description of the work of infrastructure is set out in NCVO's Value of Infrastructure Programme.<sup>9</sup> This programme defines infrastructure's activities as

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<sup>9</sup> [www.ncvo-vol.org.uk/vip](http://www.ncvo-vol.org.uk/vip)

being around three sets of activities: its development work to support organisations; its networking support to assist the voluntary and community sector organisations to link and work together with other organisations in the sector as well as the public and private sector; and its work around leadership and advocacy. The problems around drawing an evidence base for these latter two roles are discussed below.

### *Approaches to measuring effectiveness*

**Most local infrastructure organisations monitor their outputs: this might include the number of organisations supported through a particular project or the number people attending training sessions.** These data usually form the basis of reports to funders and is sometimes included in the Annual Report to the Charity Commission. It provides an indication of what the organisation has done but does not enable an assessment about whether this has made a difference.

**More recently there has been a move towards the measurement of outcomes. Generic tools such as the CES Planning Triangle** (see [www.ces-vol.org.uk/index.cfm?pg=124](http://www.ces-vol.org.uk/index.cfm?pg=124)) **and infrastructure specific tools such as PERFORM** (see [http://coqs.uk.net/index.php?page=Strategic\\_Planning](http://coqs.uk.net/index.php?page=Strategic_Planning)) **and the NAVCA Quality Award** (see [www.navca.org.uk/services/quality/](http://www.navca.org.uk/services/quality/)) have enabled a number of infrastructure organisations to develop performance frameworks through which outcomes can be measured and monitored. In addition, the introduction of the NAVCA Quality Award has provided a form of endorsement for infrastructure bodies that can demonstrate progress towards outcomes for their beneficiaries.

### *Weak data undermine coherence and comparability*

**A large proportion of local infrastructure organisations carry out surveys of their beneficiaries.** These are often linked to outcomes and performance indicators designed to provide evidence of impact or effectiveness of infrastructure interventions. These surveys ought to provide a basis for comparison and aggregation but much of the data collected about the effectiveness of local infrastructure interventions is inherently weak, particularly for the purposes of benchmarking or aggregating data across or between areas. This is primarily for three reasons:

- **small sample sizes and low response rates mean that findings lack statistical robustness, particularly when comparing change over time**
- **an inconsistent approach to performance indicators and questionnaire design means that findings cannot be compared between studies**
- **they are usually cross-sectional (i.e., a snapshot of a particular point in time), so change over time or distance travelled cannot be measured.**

Work for the South Yorkshire ChangeUp Consortium (Dayson, 2010) provides a good example of the challenges associated with collecting data regarding infrastructure interventions from a range of organisations. Dayson was commissioned to develop a simple generic data collection framework through which the reach of infrastructure interventions across the Consortium could be mapped and understood. However, many organisations did not hold sufficient data on their interventions to be included in the framework and where data was collected it was often unsystematic or confused (i.e., multiple and conflicting entries for the same organisation), creating numerous problems for data collation and analysis.

### 4.3. Conceptual Issues in Assessing the Impact of Infrastructure

**This section sets out ten features which need to be thoroughly addressed in establishing a strong evidence base for the sector.** It places considerable emphasis on issues of impact and in assessing value for money, which appear especially timely given the financial pressures which will be wrought by public funding cuts.

#### *What is Value for Money?*

**Value for money can only be assessed where there is a clear framework in place which provides robust data on inputs, activities, outputs and outcomes.** This is clearly embedded in the tender specification (see Annex 1 of the specification) in common VCS outcomes frameworks (see, for example, work by the Charities Evaluation Services) but most importantly in government guidance on appraisal and evaluation (see CLG/ODPM, 2002 and HM Treasury, 2003 and DTI/BIS, 2006).<sup>10</sup> Whilst these guidance documents may not appear immediately to be of relevance to the VCS and to infrastructure, they lie at the very heart of central government thinking on economic evaluation and value for money.

Working from the first principles of the Green Book, value for money assessments should consider three sets of issues:

- **economy:** what inputs have been secured for a given level of resources?
- **efficiency:** what outputs have been secured for a given level of resources?
- **effectiveness:** what outcomes have been secured for a given level of resources?

The assessment of value for money must also be a **relative assessment:** whether in terms of what has been achieved in the past, what is achieved elsewhere, or what has been achieved by other delivery organisations (or a combination of these).

#### *Who are the Beneficiaries of Infrastructure?*

**A number of conceptual issues arise in seeking to value the benefits of voluntary and community sector infrastructure, and local infrastructure organisations (LIOs) in particular.** It is important to capture the diversity of infrastructure benefits and that a number of different social, economic and policy changes may occur, through a range of processes. Traditional approaches to value for money and valuation focus on end users and seek to estimate the extent of economic, environmental and societal change to them.

**Whilst LIOs can make such changes, for instance through work with volunteers, they are often acting to effect intermediate outcomes and processes.** To a large extent these are reflected in NAVCA's definition of infrastructure (see above) as well as in the NCVO's Valuing Infrastructure Programme (VIP) which includes three areas around the broad areas of development (i.e., direct benefits to organisations and individuals), networking (within the sector and with opportunities in the public and private sectors), and influence

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<sup>10</sup> ODPM (2002) Assessing the Impacts of Spatial Interventions: Regeneration, Renewal and Regional Development; HM Treasury (2003) The Green Book: Appraisal and Evaluation in Central Government; DTI (2006) Occasional Paper No 2: Evaluating the impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework.



(which includes the whole raft of advocacy and leadership activities LIOs perform). Each benefit area needs to be captured in assessing value for money.

### *Deadweight, Displacement and Leakage*

**At the heart of any approach to value for money must be a clear framework which allows LIOs to avoid double counting.** As we discuss below it is important to use a logic or evaluation framework which allows the plausibility of any given activity to bring about a particular social or economic change. The key issues here relate to the account of deadweight (to what extent a change would have occurred anyway), displacement (to what extent the benefit by one individual or organisation is at the detriment of another) and leakage (the extent to which activities lead to benefits elsewhere).

### *Processes and Outcomes*

**The benefits of infrastructure can arise as part of the delivery process, as we have indicated above.** For example, a core objective of infrastructure may be to enhance partnership working or 'bend' mainstream expenditure towards the VCS. Such strategic added value (SAV<sup>11</sup>) is an essential part of the work of infrastructure. The following stand out as being some of the main mechanisms by which such benefits might arise:

- the **ability of the partnership approach to enhance the overall resources available for the sector** by drawing in a proportion of funding from some or all of the partners, including the private sector
- the **opportunity to achieve economies of scale** in clustering VCS projects/ programmes within a local area and thereby securing economies in project management, financial planning and control, recruitment, purchasing, etc.
- **synergy effects** whereby partners modify their own activities to bring them more into line with objectives of the partnership as a whole and provide supporting activities to enhance partnership achievements
- **co-ordination effects** that may enable the avoidance of duplication of activity, permit large scale indivisible projects to go ahead and allow partners to specialise in areas of expertise/projects in which they have comparative advantage
- **externality effects** whereby the integrated partnership approach leads to a clustering of regeneration activities that achieve a critical mass, improve the image of the area and attract new activity both to itself and surrounding areas.

**Much research has been undertaken to assess the importance of these factors (see, for example, the final evaluation of the NDC Programme).**<sup>12</sup> In terms of assessing the value for money of processes (such as networking and advocacy work) the focus should be on economy and efficiency measures: realistic measures of effectiveness are better assessed through measuring changes to final beneficiary groups, whether frontline VCS organisations or wider society and economy.

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<sup>11</sup> *England's Regional Development Agencies RDA Corporate Plans Tasking Framework for 2005-2008*. 2005, Department for Business, Innovation and Skills. <http://www.bis.gov.uk/files/file26126.pdf>

<sup>12</sup> See: [www.communities.gov.uk/publications/communities/afinalassessment](http://www.communities.gov.uk/publications/communities/afinalassessment)

## *Logic Chains and Defining the Pathways*

**A key factor that should be understood from the outset in the assessment of value for money is the relationship between activities, outputs, outcomes and impacts** together with the value associated with each type of infrastructure activity as described by NAVCA (in its objectives for Infrastructure, see above) and in the Value of Infrastructure Programme.<sup>13</sup> For each infrastructure activity it is desirable to consider the ‘theory of change’, i.e., the specific ways in which infrastructure investment brings about change for the organisations, people or places concerned.

The conventional approach adopted has been to develop a ‘logic chain’ that considers inputs, activities, outputs, outcomes and impacts. More specifically:

- **inputs:** the financial and other resources spent on regeneration activities
- **activities:** measures of what infrastructure projects or programmes ‘buy’ using their inputs, for example training places, organisations assisted, partnerships formed, etc.
- **outputs:** measures of the benefits that specific projects or programmes deliver for target beneficiaries (individuals and organisations) and areas. Examples include qualifications achieved by individuals, changes in the performance of targeted organisations, changes in the number of volunteers
- **outcomes:** measures of social, economic and environmental characteristics of organisations, areas or groups of people. Infrastructure activity seeks to change these outcomes for the better. The extent to which outcomes can be valued is a key concern of this study
- the **Impact:** is the outcome change which can be attributed to the intervention (that is, allowing for deadweight, displacement and leakage effects).

**It should also be recognised that the logic chain described above enables the direct benefits that arise from infrastructure to be assessed.** It is possible that these direct effects may also have indirect effects elsewhere in society. The pathways and extent to which these indirect effects arise are often not well-understood and may be difficult to quantify. Thus, by way of example, the provision of better work opportunities and associated higher incomes may improve health and reduce crime. It is important to value these indirect effects if the evidence is available. If precise quantification is not possible it is still desirable to qualitatively identify the indirect benefits and the ways in which these are expected to be generated.

Figure 4.1 below shows how these concepts fit within the conceptual framework for understanding the value created by infrastructure. The approach has been to consider two main links within this framework – activities to outputs and outputs to outcomes. Ideally one would wish to establish a causal relationship between infrastructure and its impacts on the wider society and economy. This however is often very difficult.

## *Who benefits: the boundaries of economic jurisdiction*

**A central element of all approaches to valuing the costs and benefits associated with policy measures is to identify who are the relevant parties affected.** This is not necessarily a straightforward task. VCS support activities can be designed to improve measures such as social capital, trust, public service

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<sup>13</sup> See: [www.ncvo-vol.org.uk/vip](http://www.ncvo-vol.org.uk/vip)



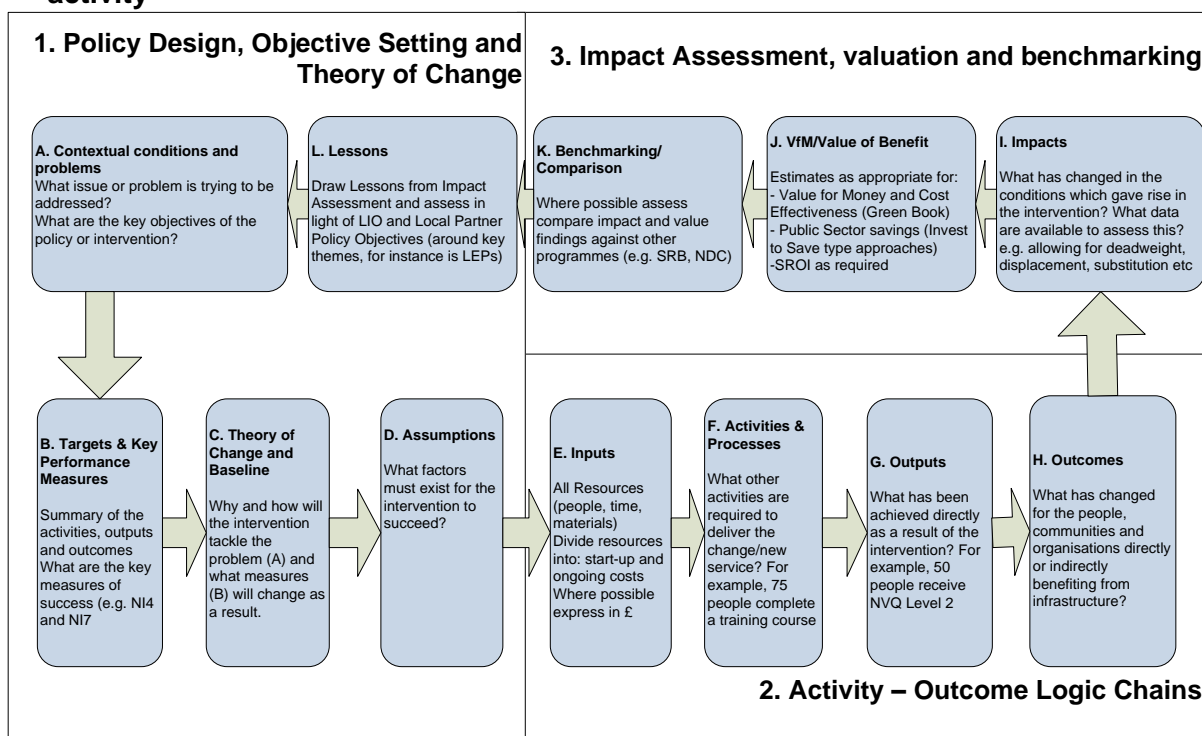
outcomes in an area and in some cases the beneficiaries involved may be fairly readily identified because the people live in the same place and there is a strong and direct relationship between the two.

**In other cases, however, this relationship is weaker and the beneficiary population may only benefit indirectly** - for instance, a neighbourhood community centre which provides support which occasionally attracts participation from outside its neighbourhood.

**It is important to avoid double counting and this requires careful attribution of impact.** Infrastructure initiatives have also been targeted at a variety of different spatial scales spanning the nation, regions, sub-regions and local authority districts and, increasingly, the neighbourhood level. The number of potential beneficiaries varies accordingly.

**A related issue is how the conceptual framework considers the boundaries or gradients associated with the impact of infrastructure.** This has probably received far too little attention, but assumes particular importance when it comes to the valuation of infrastructure benefits. A useful example here is to understand the relative intensity of support: for instance, from accessing web based guidance on a LIO website through to having detailed support around payroll, charity governance and financial accounting.

**Figure 4.1: A framework with which to consider the benefits of infrastructure activity**



### *Additionality*

**A key consideration in any conceptual framework has to be how far the infrastructure activities, outputs and outcomes are ‘additional’,** i.e., the extent to which infrastructure has enabled new, better quality or faster infrastructure activities, outputs and outcomes than would otherwise have been the case.

Central to the evaluation process is the importance of assessing how much the infrastructure initiative has been able to change behaviour so that there are

additional outputs and outcomes that would not otherwise have been generated in the absence of infrastructure. Estimating deadweight, then allowing for leakage, displacement, substitution and multiplier effects (where appropriate) is an essential part of the process whereby gross outputs and outcomes are translated into their net additional equivalents. It is these net benefits that should be valued. Once they have been valued they can then be considered alongside the public and other expenditure that has been incurred to create them and an overall return calculated in a way that has not hitherto been possible in evaluation work, i.e., a Benefit Cost Ratio.

### *Allowing for impacts on different groups in society: distributional impacts and equity*

**Infrastructure activity impacts on a diverse range of individuals across society with considerable variation by income, gender, ethnicity, age, geography and disability.** Green Book guidance emphasises that the distributional effects of policy intervention should be identified explicitly and quantified as far as possible. The Green Book recommends that a “rigorous analysis of how the costs and benefits (-) are spread across different socio-economic groups is recommended.” (HM Treasury, Green Book Annex 5).

**A particular issue of great relevance to policy for the VCS is that well-being varies** according to individual income (as the Green Book puts it – “as income grows, the satisfaction derived from an additional unit of consultation declines” (Green Book, Annex 5, page 91<sup>14</sup>)). The Green Book recommends that valuation of benefit should be weighted to reflect distributional issues, but that the decision to adjust should be based on the scale of the activity being considered, the likely robustness of any estimated distributional impact and the type of project. Our overall view is that the main distributional factor of relevance here is individual income.

**Making judgements around the distributional effects of infrastructure is an important consideration, because a unit of income is worth more to those on lower incomes than those on higher incomes and the benefit ratio can be adjusted to reflect using wage/ income data.** This suggests that the value of infrastructure operating in relatively poor local authority districts ought to be far higher than infrastructure working in relatively prosperous local authority districts.

### *Duration, durability and time*

**The impact of infrastructure initiatives may often unfold over a considerable period of time and this has to be recognised in the valuation process.** A further issue relates to the durability of the impacts. There are fairly well developed approaches to dealing with these factors and in particular how benefit streams should be discounted (i.e., benefits accruing today are valued more highly than those in five years time) and which should thus be incorporated into the overall valuation framework (HM Treasury, 2007).

### *Real resource benefits vs. Exchequer savings*

**Where possible the focus of the valuation work has to be on the real resource costs and benefits to society that arise as a result of the infrastructure initiative.** However, in some cases it is also appropriate to consider the impact of infrastructure on bringing about savings in public expenditure (Exchequer savings). A crude example here is where infrastructure organisations help develop a group of

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<sup>14</sup> [http://www.hm-treasury.gov.uk/d/green\\_book\\_complete.pdf](http://www.hm-treasury.gov.uk/d/green_book_complete.pdf)

organisations so that they are able to deliver public sector contracts for less than public or private sector alternatives.

#### 4.4. Improving the evidence base

So far we have described the main approaches to measuring the effectiveness of local infrastructure and highlighted some of the weaknesses with the existing evidence base. **In this section we discuss how the evidence base might be improved through exploration of nationally available data sets, understanding the reach of local infrastructure, and the utility of economic and social impact tools and methods.**

##### *The potential of national data sets*

Macmillan (2006) highlighted that there has been no systematic study of the role, position and benefits of the range of local infrastructure interventions. He also highlights a series of more challenging evaluative questions and issues including:

- how sustainable are the effects/consequences of infrastructure interventions?
- what is the distance travelled by infrastructure beneficiaries?
- to what extent are/should infrastructure interventions be targeted at specific beneficiary groups?
- what is the impact of infrastructure interventions, including issues of deadweight, displacement and attribution?
- do infrastructure interventions represent value for money, including issues of overall cost, cost efficiency and cost effectiveness?

To understand these questions in detail would require a large well-resourced long term study, but in lieu of this we believe there is potential to exploit existing national data sets to improve understanding considerably.

##### **National Survey of Third Sector Organisations (NSTSO)**

**The NSTSO is the only national voluntary and community sector data set that is representative at a local authority level<sup>15</sup>.** In addition to headline and contextual data for National Performance Indicator 7 (NI7)<sup>16</sup> the survey also provides data about the experiences of voluntary and community sector organisations at a local level. This includes a series of questions regarding *satisfaction with* and *access to* infrastructure support which can be compared according to area to provide an indication of how voluntary and community sector organisations' experiences vary by locality.

Dayson (2010) undertook a descriptive analysis of NSTSO data as part of an ongoing study for South Yorkshire ChangeUp Consortium which yielded some interesting results.

- a) ***access to infrastructure: around a quarter of registered voluntary and community sector organisations in South Yorkshire received support from***

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<sup>15</sup> Of the 104,391 organisations invited to take part in the survey 48,939 responded - a return of 47 percent.

<sup>16</sup> National Indicator 7- 'an environment for a thriving third sector' - is one of the 188 indicators which cover the priority outcomes for which Local Authorities and their strategic partners are responsible for delivering between 2008-11.

**local infrastructure providers (an estimated 777 organisations).** Although the figure was slightly higher in Sheffield (28 per cent) and Rotherham (27 per cent) than Doncaster (24 per cent) and Barnsley (23 per cent) in all four districts it was higher than the overall national figure (18 per cent)

- b) **satisfaction with infrastructure: overall satisfaction with available infrastructure services fluctuated across South Yorkshire.** In Sheffield (10 pts) and Doncaster (seven pts) net satisfaction was comparably high compared to Rotherham (one pt), Barnsley (neutral) and the national picture (five pts). This indicates that in Sheffield and Doncaster there were many more voluntary and community sector organisations satisfied with the infrastructure support available than were dissatisfied, but in Rotherham and Barnsley the proportion of satisfied and dissatisfied organisations was more or less equivalent.

**In many ways the South Yorkshire NSTSO analysis raised as many questions as it answered.** Why, for example, does access to and satisfaction with infrastructure vary so considerably by locality and are there particular local contextual factors that influence these results? To some extent these issues can be unpicked through a more detailed analysis of the NSTSO dataset, but this would only really provide a starting point for understanding infrastructure effectiveness at a local level. Further in depth research would probably be required.

### Analysing Charity Accounts

**Charity account data provides an alternative source of data on voluntary and community sector organisations.** It is increasingly used as a research dataset: by the NCVO in their Almanac series; to provide a sampling frame and contextual detail for the NSTSO; and as part of the Northern Rock Foundation Third Sector Trends Study. As a data source charity accounts have a number of advantages. In particular they offer a basis to gather data which is:

- **measured using a consistent unit (money)**
- **prepared on a reasonably systematic basis, with limited scope for interpretation**
- **guaranteed by audit or independent examination**
- **available in a form through which a time series can be established.**

In recent years research has sought to pioneer the use of financial ratios which draw on charity account data to provide an estimate of financial vulnerability within voluntary and community sector organisations (see Dayson et al 2009). In terms of the effectiveness of local infrastructure we believe that this approach could be used in two distinct ways:

- a) **understanding the financial characteristics and resilience of local infrastructure organisations:** how financially resilient are local infrastructure organisations? Are they more or less resilient than other types of voluntary and community sector organisations? Does resilience vary according to geographic location and if so, are there any organisational characteristics associated with resilience?
- b) **understanding the financial characteristics and resilience of organisations in receipt of local infrastructure interventions:** how financially resilient are the beneficiaries of local infrastructure interventions? Are they more or less resilient than organisations that did not receive support, and does this resilience change (improve) over time? Does resilience of beneficiaries vary according to

geographic location, or are there any organisational characteristics associated with resilience?

**In theory both datasets described here could be brought together as part of a more wide ranging analysis.** They could, for example, be used to explore whether satisfaction with infrastructure is higher in the areas where local infrastructure is more resilient. They could also be used to consider whether there is a relationship between access to infrastructure by voluntary and community sector organisations and increased financial resilience.

**A note of caution: both datasets are limited in that they do not include the small 'below the radar' organisations that make-up up to 65 per cent of the voluntary and community sector.** Any findings can therefore only provide an accurate reflection of a particular part of the voluntary and community sector and may not be indicative of the sector as a whole.

#### 4.5. Conclusion: next steps for assessing effectiveness

**This section has made some tentative suggestions as to how the evidence base for infrastructure might be improved.** It suggests a return to understanding the core functions of infrastructure organisations and working through a series of 'logic chains', 'activity pathways' or 'theories of change'. For instance, it ought to be possible to establish a logic chain for the work of infrastructure in the following areas:

- development of organisations and individuals
- networking organisations
- advocacy and leadership for the sector.

**The first chain around development activities would appear to lend itself very much to the techniques described in this section and to the use of the datasets suggested, such as NSTSO and Charity Account Data.** In addition there would appear some merit in the use of panel data, whereby a relatively small sample of voluntary and community sector organisations is surveyed each year. This provides an incredibly powerful way of understanding change in the sector; far more than the use of annual surveys with no panel element.

**The greater challenge for infrastructure is the assessment of networking and advocacy activities.** This work does not, a priori, lead to simple and immediate returns which can be understood in a linear way. There are two broad research strategies which appear of relevance. We allude to both in the sub-section above on processes and outcomes. One approach would be to attempt to follow through partnership working activities through to decisions on resource allocation and eventual benefits to the sector and to society.

Whilst attractive to a utilitarian conception of the public sector and the view of the sector as a delivery agent on its behalf, this would appear to mask more fundamental debates around values and the value created by the voluntary and community sector. Therefore we would argue that the specification of logic models may be overly 'utilitarian' and focus on a very narrow set of outputs; missing what is happening in terms of outcomes or ignoring the existence of co-linear feedback processes.

What does this mean for the assessment of the work of infrastructure? **It raises central issues around the 'value' created by infrastructure: primarily through**

**its fostering of networks and in advocacy.** The emergent literature on social return on investment (SROI) together with the long standing literature on community capacity building would place greater emphasis on issues around the benefits all material stakeholders appear to obtain from interactions with the sector. This may be through techniques which solicit the opinions of the public, of policy makers or frontline voluntary and community sector groups. Approaches such as SROI would also seek to reveal values and to ascribe monetary equivalents to them. An example here would be in approaches such as contingent valuation (e.g., resources you would forego for a particular benefit) or stated preference techniques (e.g., the willingness to pay for a particular benefit). These issues would appear to represent future challenges for the sector.

## 5. Conclusion: measuring a contribution to the Big Society?

### 5.1. Introduction

The policy emphasis given to the 'Big Society' and more broadly to the recasting of the relationship between the state (government) and society (people) has been one of the striking features of the Coalition Government since May 2010. On 19 July David Cameron gave a speech on the Big Society. Amongst five themes discussed, three were of immediate and direct relevance to the sector:

- **give communities more powers** (for instance, through training new community organisers and giving powers to communities in planning decisions)
- **encourage people to take an active role in their communities** (for instance, through measures to increase volunteering and philanthropy/charitable giving)
- **support co-ops, mutuals, charities and social enterprises** (notably through giving public sector employees opportunities to run services through various not for profit organisational forms).

To some extent reference to each of these can be found in the policy positions of the Labour Government. The marked difference is that the Big Society needs to be understood in the context of, and alongside, considerable reductions in public expenditure.

In a companion report we review indicators of a Big Society across local authority areas in Yorkshire and the Humber.

**This section discusses the implications for advancing the evidence base and measurement of the VCS at a local level in the context of the Big Society/Public Expenditure Cuts agenda.** It starts by considering each of the three main themes of the Big Society.

### 5.2. Measuring Changes in Power

The first theme of the Big Society is arguably the most difficult to measure in the ways discussed in this report. **Our focus has largely been on the measuring of an economy (the VCS) and the impact of that economy of wider society.** Changes in power-relations are outside such frameworks.

The main ways to measure power at a local level are through the use of datasets such as the Place Survey and, before this, surveys undertaken as part of Best Value Performance Indicators (BVPIs). Typically, such surveys ask a sample of residents within a local authority district about attitudes to and involvement in local decision making: both around perceptions of influence and participation.

However, a considerable body of political science research stresses that issues of power cannot be understood in isolation from contextual, structural and socio-economic factors, many of which are difficult to fully capture in general household surveys.



**Nonetheless, this element of the Big Society poses a genuine challenge for the sector: in evidencing the contribution the sector makes to shifting power relations.** This is important to local infrastructure organisations involvement in local decision making, but also in their accountability to people they may seek to represent. For smaller, sectorally focused and 'single issue' organisations this may be more straightforward as their role will be more about representation of an issue and making an argument rather than attempting to balance views, opinions and evidence across an area.

### 5.3. Measuring Changes in Involvement

**This theme of the Big Society has a reasonably well established body of secondary data against which to assess involvement and measure change over time.** The Citizenship Surveys provide estimates of levels of volunteering, of participation in groups and of charitable giving. These surveys also ask questions around influence on local decision making. Nonetheless, as Gilbertson and Wilson (2009) show general surveys of participation can mask what people see as both formal and informal volunteering, for instance around contribution to the care of relatives. As such, it can establish reliable quantitative measures of broader civil participation at a local level.

**A key area against which the Big Society will be measured will be on changes in the level of participation.** As we have discussed above, a challenge for VCS organisations and infrastructure bodies will be to assess their contribution to volunteering. It is notable that in recent years Volunteer Centres have reported marked increases in volunteer enquiries and sought to increase the number of volunteer opportunities; however, these shifts have not been reflected in changes in volunteering rates as measured by the Citizenship Surveys.

There are of course many reasons behind this, not least because Volunteer Centres may only come into contact with a small fraction of the total number of volunteers in an area. Moreover, in areas of high worklessness, volunteering has also been given a greater emphasis in employment strategies and policies. Entering this area of volunteer support may be more time consuming and ultimately lead to fewer immediate 'outputs', reflecting changes in the supported client group.

### 5.4. Measuring Changes in Organisations and Service Users

**This report has largely focused on approaches to measuring organisations and in particular the impact of infrastructure on such organisations.** The agenda around the Big Society suggests that there may be a considerable impetus to form VCS organisations out of parts of the public sector. However, such a process may also involve new organisations being established in the private sector. Against this trend, cuts in public expenditure are likely to put at risk many existing VCS organisations. As the work by Dayson *et al* (2009) shows whilst attention will be drawn to headline and high profile changes in the demography and economy of the VCS, this may mask a more dynamic process of organisational formation, growth, collapse, merger and closure. Moreover, attributing change during this period is likely to present considerable challenges.

**As was discussed in section 4 there is a growing consensus around the measurement of outcomes and impacts in the sector.** These will also be of considerable relevance to this part of the Big Society agenda. However, as the work

by Rob Macmillan (2006) notes, despite advances at a methodological level, this has not been reflected in application and results.

## 5.5. Challenges for Local Infrastructure Organisations

**Funding of local infrastructure has come under considerable pressure with local funding partners (typically local authorities) seeking greater clarity in what infrastructure delivers.** This has led to some high profile examples of merger, collaboration and 'takeover' (see, for example, cases from County Durham, Cumbria and Leicestershire). These pressures are only likely to continue and infrastructure organisations will need an evidence base from which to make decisions around targeting and rationalisation of services. Moreover, as we discuss above, the Big Society agenda recasts some of the existing measurement approaches, and calls into question the more traditional focus on organisational impacts to one more geared towards wider societal and economic change.

**This report has argued that the following may be appropriate ways to improve the effectiveness of local infrastructure:**

- 1. Building an Evidence Base of Local Effectiveness:** there appear to be considerable opportunities for national and local infrastructure bodies to make better use of existing datasets, notably the NSTSO and Charity Account data: together they could provide infrastructure bodies with a better understanding of reach, the perceptions of infrastructure and financial vulnerability. At a local level there have been considerable advances over the last 10 years in the research undertaken into infrastructure. However, there is merit in standardising approaches to data collection to allow for comparability or even benchmarking, and in increasing the quality of methods used. An example here would be instead of undertaking annual cross-sectional surveys of local organisations (often with low response rates with poor sample frames), to focus resources on surveying a panel of voluntary and community sector organisations each year. Additional work to complement this should be undertaken with non-users of infrastructure and 'below the radar' organisations
- 2. Culture Change by Funders.** Funders persist in making funding 'output driven', and indeed sometimes under the auspices of being an 'outcomes funder'. This is for entirely understandable reasons: outputs are readily measured and can be tied to financial accountability. However, there appears some scope for these approaches to be reappraised by funders being clearer around the outcomes they seek from their funding - indeed public expenditure cuts may well force changes towards looking at measuring effectiveness. We recognise that such an approach is contentious as it may be seen as a constraint on voluntary action. However, such a shift is more straightforward in an environment where there is a higher quality and transparent evidence base
- 3. Culture Change by Infrastructure Organisations.** The sector is now awash with performance management tools, outcomes and impact measurement tools, and quality standards. These have been welcome developments and when used appropriately have aided the development of infrastructure organisations. The challenge is not so much with the choice of effectiveness measurement tool, but rather embedding their use in the everyday work of any organisation - and for the benefits of these approaches to be seen. For instance, effectiveness should be seen within a wider organisational context.

Implementing such approaches in a consistent way remains a key challenge for the sector and funders. Against the context of public expenditure cuts, investment in developing a more common approach is likely to become far harder. As a result measuring the outcomes of the Big Society will be difficult and risks becoming a highly contested area.

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