Impact of Section 114 notices on local Voluntry, Community, Faith and Social Enterprise (VCFSE) sector

A research proposal

Project Duration: March 2024 – December 2024

**Summary**

This research will examine a) which organisations are funded by local authorities that have issued or at risk of issuing section 114 notices, and b) long-run trends in the composition and size of local VCSE sectors and c) the real-time impact of section 114 notices for actors working across the VCFSE in two case study areas based on a series of qualitative interviews.

As section 114 notices become more common, it is vital to understand how and to what extent local VCSE sectors are exposed to funding cuts and challenging local operating conditions more generally. The insights generated by this research will inform projections and assessments of how any funding cuts will impact local VCSE organisations individually as well as by area of work (e.g., culture and recreation, children’s services).

**Project team**

The quantitative element of the research will be lead by Dr Diarmuid McDonnell at the University of the West of Scotland, supported by Professor John Mohan of TSRC, University of Birmingham. Both individuals are highly experienced in collating and analysing administrative data on third sector organisations (e.g., <https://gtr.ukri.org/projects?ref=ES%2FX000524%2F1>). Jill Hopkinson of NAVCA will act as an advisor, while Sophie Wilson of BVSC and Mark Davies of MVDA will provide advice on the local VCSE sectors in Birmingham and Middlesborough respectively.

The qualitative element of the research will be co-led by Sophie Wilson, Director of Research at BVSC and Dr. James Rees, Deputy Director of the Institute of Community Research and Development (ICRD) at the University of Wolverhampton.

**Study design**

The research will be guided by three research questions:

* **RQ1** To what extent are VCSE organisations in receipt of and dependent on funding (grants and contracts) from their local councils;
* **RQ2** What are the long-run trends in the composition of local VCSE sectors.
* **RQ3** What are the ‘real-time’ experiences of local VCFSE organisations impacted by Section 114 funding cuts in two case-study areas.

The research will select two local authorities to study: Birmingham City Council and Middlesborough Council. The former issued a section 114 notice in September 2023 while the latter is at risk of doing so in 2024.

Quantitative Data for this project will be drawn from two major sources:

* Local authority grants to and contracts with local VCSE organisations. These will be sourced from the open datasets provided by each council (e.g., <https://www.cityobservatory.birmingham.gov.uk/search>).
* Third Sector Database, a comprehensive public list of voluntary and civil society organisations developed by McDonnell, Mohan and colleagues (<https://github.com/uk-third-sector-database>).

These datasets will be linked using organisation number (usually charity number) and name. The linked dataset will be analysed as follows:

* Calculate the proportion of local VCSE organisations in receipt of funding from their council; this will be differentiated by organisation type where possible e.g., social care, homelessness.
* For funded organisations, what proportion of their annual income is derived from their council.
* For each council, the number of VCSE organisations active, founded and dissolved will be calculated and tracked over time; this will inform considerations of whether challenging local finance conditions are impacting the wider VCSE sector in that council.

Alongside with these quantitative activities, the qualitative research team will collect evidence on how each council is managing the section 114 process and its potential / actual impact on local VCSE organisations (e.g., council meeting minutes where cuts are discussed) and semi-structured interviews with Local Authority leaders (n=4 per area) and a series of semi-structured interviews (n=12 per area) with VCFSE leaders whose organisations are currently in receipt of local authority funding,

**Outputs**

* A research briefing aimed at councils that frames the main findings in terms of the impact of potential council funding cuts on local VCSE organisations and subsectors.
* Report on the main findings and implications of the quantitative and qualitative elements of the research.
* A dissemination event for VCFSE leaders to share research findings and support responses to future cuts.

**Budget**

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| **Budget line** | **Cost (£)** | **Justification** |
| Quantitative Research assistance | 7000 | 35 days of research assistance @ £200 per day. The research assistant will support data collection, linkage and analysis, as well as contribute to production of outputs. |
| Qualitative Research Assistant | 1600 | 8 days of research assistance £200 per day to support scheduling of interviews, as well as contribution of qualitative reports |
| Qualitative Research Interviews | 13,400 | Completion of 32 interviews across 2 sites; data analysis and report writing 12 days @ £420 per day |
| Indirect costs | 5500 | These costs cover McDonnell’s time as project investigator and contribution host institution’s indirect costs of hosting project. |
| VCSE consultant | 2500 | 5 days of consultancy by Mohan @ £500 per day. Mohan will provide guidance on defining and measuring local VCSE sectors, and support production of outputs. |
| **Total (Quantitative)** | **15000** |
| **Total (Qualitative)** | **15000** |
| **Total Project Cost** | **30,000** |

**Our ask**

An application for funding of the quantitative element of the work has been submitted to the Lloyds Bank Foundation.

This proposal seeks £15,000 to fund the qualitative element of the research.