



Third Sector Trends in Yorkshire and the Humber

Tony Chapman
St Chad's College
Durham University
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St Chad's College
Durham University
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Executive summary

The aim of this study was to produce reliable and robust evidence on the Third Sector using tried and tested research techniques which have been developed for the Northern Rock Foundation Third Sector Trends Study (NRFTST) in North East England and Cumbria from 2008.

A total of 1007 TSOs responded to the survey. This represents an equivalent response rate of 9.8% compared with the number of TSOs in the Yorkshire and the Humber region (NCVO estimates that there are 10,278 TSOs in the region). Comparative analysis on a number of dimensions with a larger study in North East and Cumbria (N=1720) shows that these data provide a large and representative sample which will produce statistically reliable results.

Beneficiaries of Third Sector activity

The top four priority areas are: children and young people, older people, people with health or mental health difficulties, and people with physical disabilities.

- 38% of TSOs' main role is to deliver front-line services to beneficiaries (including, for example, training, accommodation or social care).
- 33% of TSOs' principal role is to deliver support services (such as advocacy or advice and guidance).
- 16% of TSOs mainly provide indirect support services including: research, policy or campaigning (5%); infrastructure organisations such as councils for voluntary services (10%) or as grant giving foundations or trusts (only 1%).

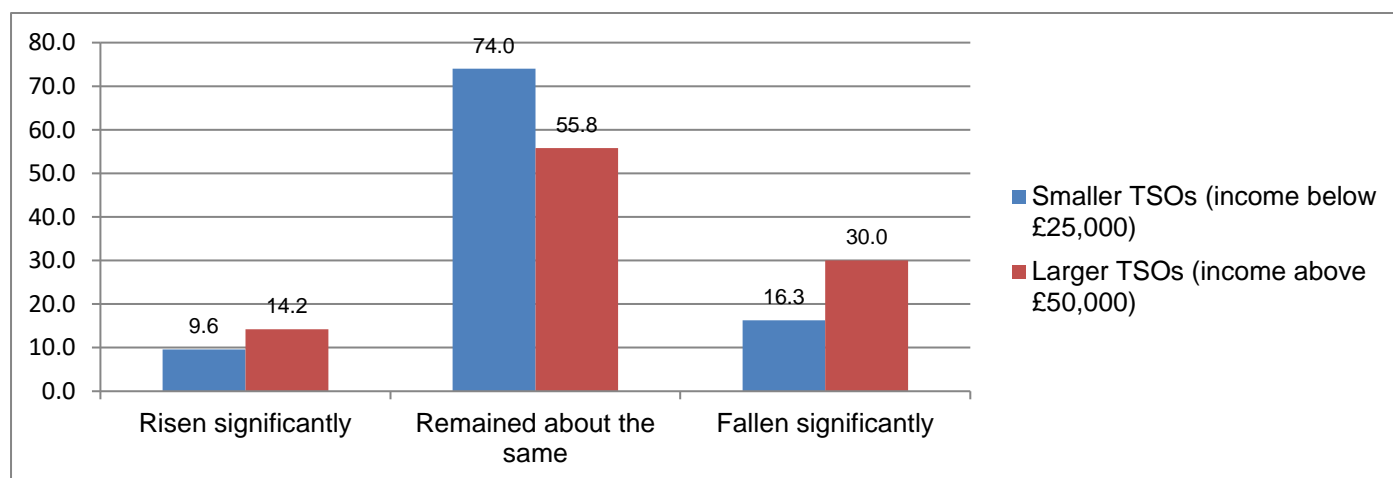
Sources and levels of income

Using NCVO Almanac data it is apparent that the sector has experienced some significant changes in its composition, funding, expenditure and assets.

- In 2010-11 there were 10,278 organisations operating in the region compared with 10,662 in 2006-7: a fall of nearly 4%
- Sector income rose from £1.56bn in 2006-7 to £1.62bn in 2010-11: a rise of 3.5%.
- Sector expenditure increased from £1.40bn in 2006-7 to £1.51bn in 2010-11.
- Sector assets increased from £2.32bn in 2006-7 to £3.22bn in 2010-11.
- The number of TSOs per members of the population has remained about the same at the ratio of 2:1000.

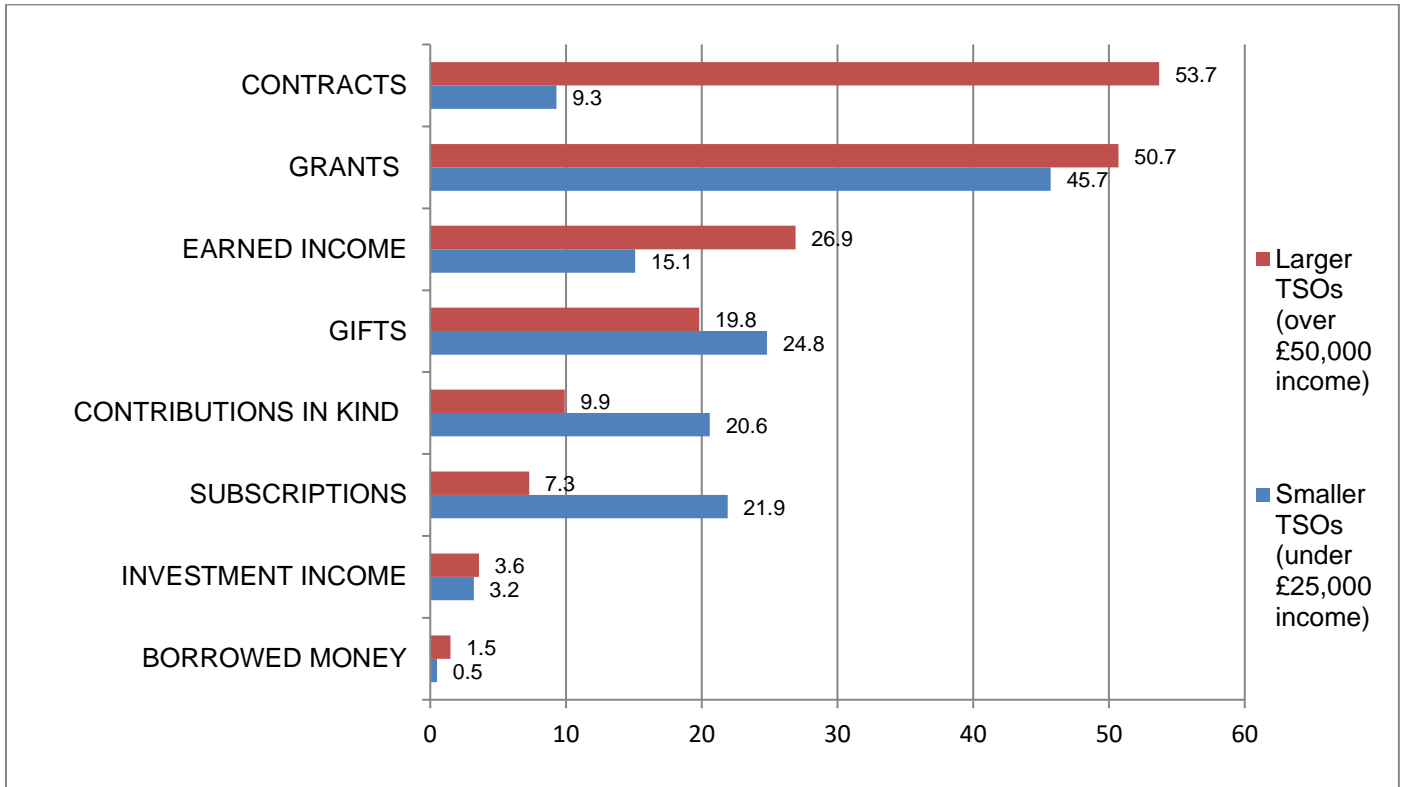
Smaller TSOs (which have income lower than £25,000 a year) tend to be less formal organisations as they rarely employ full or part time staff. Larger TSOs are more formal in their structures as they employ staff. Figure 1 shows the extent to which income has changed over the last two years. The extent to which TSOs rely heavily on different sources of income varies by organisational size as is illustrated in Figure 2.

Figure 1 Changes in level of income in the last 2 years in Yorkshire & Humber 2013



“Very small organisations and groups tend to have stable income: 74% say that their income has remained about the same over the last two years. Larger organisations are less likely to enjoy this level of stability: about 30% had significantly falling income over the last two years compared with only 14% with significantly rising income”

Figure 2 Dependence on sources of income in Yorkshire & Humber 2013

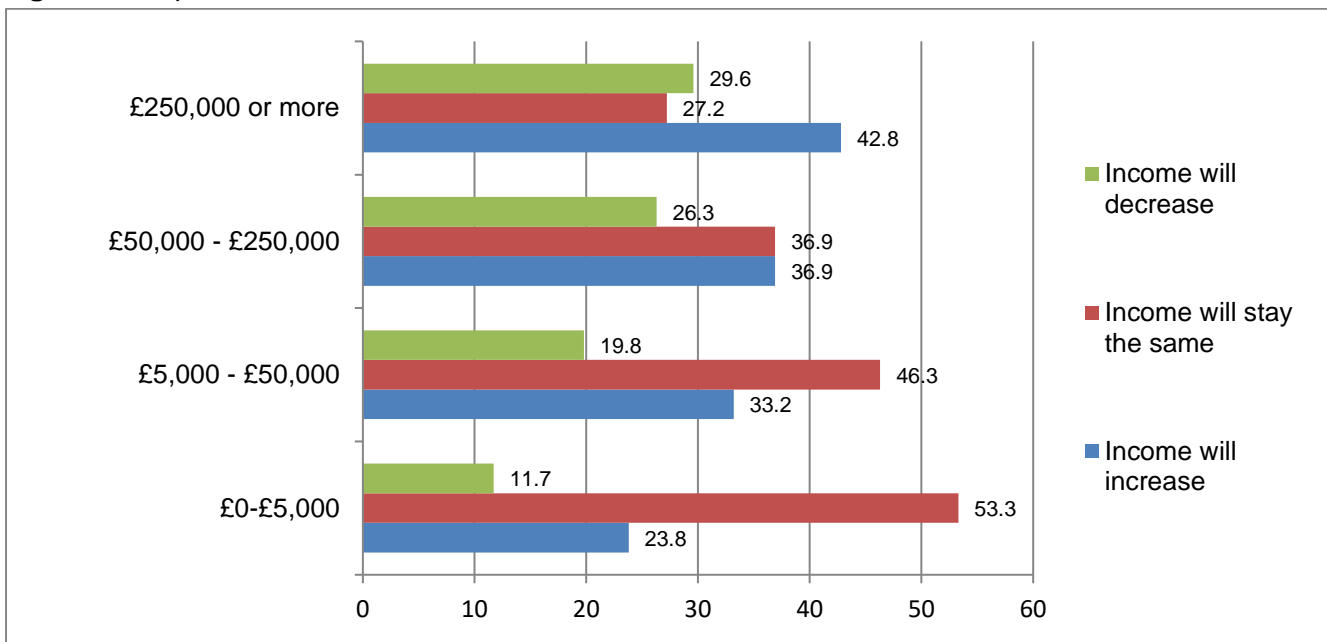


“Very small organisations and groups rely predominantly on grant income but they also draw upon income from subscriptions, gifts and earned income and benefit from contributions in kind. Larger organisations have a similar level of reliance on grants and contracts. Very few organisations are likely to rely wholly on contracts. Other sources of earned income are an important element of resource for over a quarter of larger organisations. Only 4% of larger organisations have a strong reliance on investment income and fewer than 2% say that loans are an important source of finance.”

Expectations about future levels of income

Expectations about future levels of income vary considerably by organisational size. Most smaller TSOs expect that income will remain stable. Larger TSOs are more likely to believe that income will increase – but they are also more likely to think that income will fall. This shows that generalisations about organisational attitudes cannot easily be made.

Figure 3 Expectations about future Income in Yorkshire & Humber 2013



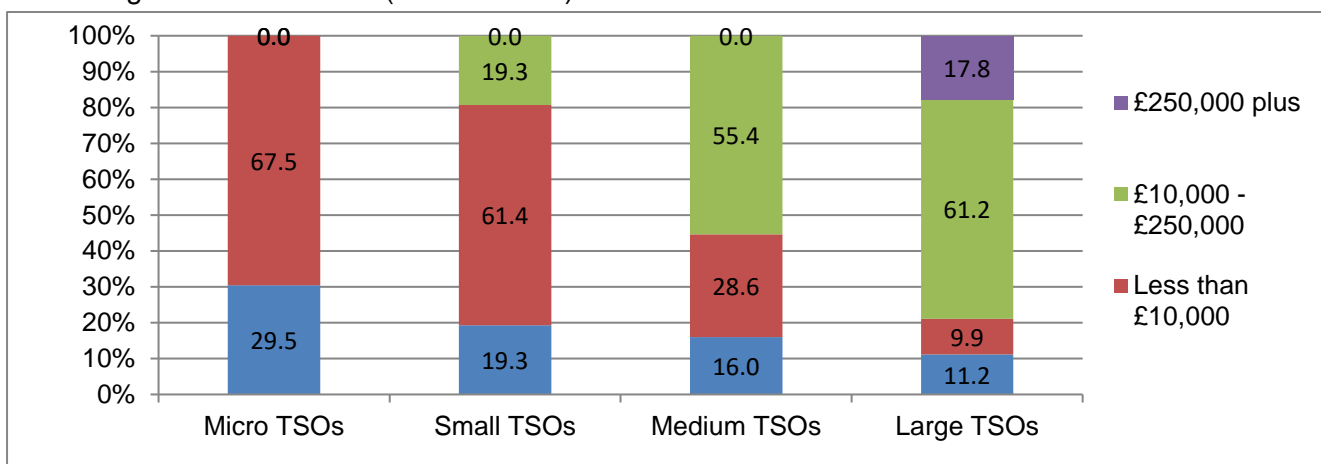
“When looking to the future, a mixed picture emerges. The larger organisations are, the more likely to believe that their income will rise significantly over the next two years (rising from 24% for the smallest to 43% of the largest organisations). But the same pattern also applies to organisations expecting their income to fall significantly (rising from just 12% of the smallest to 30% of the largest expecting income to fall.”

Organisational assets

Organisations in the Third Sector do not generally have a strong asset base.

- Fewer than 32% of organisations own properties outright (and only about 8% of TSOs have a stake in property ownership with a mortgage.)
- Only 14% of the smallest TSOs have long term investments compared with 46% of the largest TSOs.
- Nearly 20% of TSOs have no cash reserves. 29% of smaller TSOs have no cash reserves compared with 11% for the largest TSOs. Few organisations have substantial reserves over £1m (just 3.3% of the largest organisations).

Figure 4 Organisational assets (free reserves)



“As organisations grow in size, they tend to have proportionately larger stocks of free reserves. A large percentage of small to medium sized organisations have reserves below £10,000 or have no reserves at all. While a relatively small proportion of organisations are ‘running on empty’, many are working with limited reserves which may affect their ability or willingness to plan too far ahead in the future.”

Use of assets and loans

TSOs have been drawing upon reserves in the last financial year, but not as heavily as may be expected. Of those TSOs which have reserves:

- Small organisations are the least likely to have drawn upon their reserves (48%). As TSOs become larger, they are more likely to have used their reserves – rising to 68% of the largest organisations.
- 28% of the largest TSOs used their reserves to invest in new activities compared with 21% of the smallest organisations.
- 31% of the largest TSOs used their reserves to meet essential costs compared with 14% of the smallest organisations. But only 8% of the largest TSOs drew heavily on their reserves to do so.
- Only 6% of TSOs have borrowed money over the last two years
- Larger organisations, with incomes above £250,000 per annum are the most likely to borrow money, but 83% have not done so in the previous two years.
- Some TSOs borrow money to bridge a gap in their cash flow, but this only applies to 1% of the whole sample and just 3% of the largest organisations.

“The fact that so few TSOs have tangible assets raises questions about their ability to lever funds through commercial borrowing or social investment borrowing. Few Third Sector organisations want to be ready to borrow money to engage in, for example, social investment programmes which often involve payment-by-result contractual requirements.”

Enterprising activity

Enterprising activity is defined as: *‘the organisation’s capability to marshal its resources and prioritise its energies to achieve the objectives it sets itself in its strategic mission. Enterprise is the means by which the organisation successfully positions itself in order to generate, find or win opportunities which will ultimately benefit its beneficiaries’.*

Earned income

The extent to which TSOs hold tangible assets, investments and reserves affects their propensity to earn income.

- 27% of TSOs earn no income. Smaller TSOs with no assets are the most likely not to earn income (55%), but 30% of smaller TSOs with property and investment assets earn more than 60% of their income.
- Larger TSOs with property and investment assets are the *least likely* to earn no income (3%) and are the *most likely* to earn over 60% of their income (56%).
- Overall 32% of TSOs earn more than 60% of their income. 39% of larger TSOs with no property and investment assets earn more than 60% of their income compared with 56% of larger TSOs with property and investment assets.
- The more assets larger TSOs have, the more likely they are to earn more than 60% of their income. 30% of TSOs with investment assets only, 52% with property assets only, and 56% with property and investment assets earn more than 60% of their income.

Contracts

Fewer TSOs are engaged in contract working than might be expected. The size of organisations makes a big difference in the likelihood of involvement.

- Few TSOs are unaware of opportunities to do contract working (17%). Smaller organisations are the most likely not to know about such opportunities (32%) compared with only 2% of the largest TSOs.
- Many organisations are not interested in getting involved in contract working (33%). But only 11% of the largest TSOs have no interest in contract working compared with nearly 50% of the micro TSOs.
- Some organisations feel that they are not ready to get involved in contracts: 6% say they need more information, 10% need extra support before they do contracts, and 12% perceive that there are barriers to involvement.
- Middle-sized organisations (17%) are the most likely to require more support before they enter into contracts, but larger TSOs are the most likely to perceive barriers to involvement (18%).
- Only 15% of TSOs are delivering contracts. Larger organisations are by far the most likely to be doing so (41%). Larger organisations are also the most likely to be bidding (18% compared with a sector average of 8%).

Contract working is more attractive to medium and larger sized organisations, but what are their expectations for the future?

- ***83% of the micro and 67% of small TSOs state that contract working is not relevant to them.***
- ***29% of medium sized and nearly 40% of the largest TSOs expect that their involvement in contract working will increase over the next two years (although only about 2% think it will increase significantly).***
- ***14% of medium sized and 19% of the largest TSOs expect that involvement in contract working will decrease over the next two years.***
- ***Around a third of medium and larger sized organisations expect that their involvement in contract working will remain about the same.***

Most larger organisations are financed by a mix of grants and contracts.

When considering the levels of need for TSOs' services is considered, some interesting patterns emerge.

- Over 80% of medium sized and larger TSOs expect that demand on their services will increase or increase significantly.
- Only about 1% of TSOs expect that the demand for their services will fall. Organisational size has no real influence on this perception.

For those TSOs which are involved in the delivery of public sector services, expectations about the future vary by organisational size.

- 28% of the sample believe that expectations will rise significantly and a further 40% feel that expectations will rise to some extent.
- Medium and larger TSOs are the most likely to feel that expectations will rise significantly (35% and 41% respectively).
- TSOs are more likely to think that statutory agencies expectations about their services will rise in West Yorkshire (29%) and South Yorkshire (34%).

Partnership working

Partnership working has become integral to much of the work of TSOs which are engaged in public sector contracts. 25% of TSOs have already been successful in partnership bidding. A further 9% have been involved in bids but have not yet been successful. 21% are considering getting involved in partnership bidding, but 44% are not willing to consider this option.

There is a clear association between the size of organisations and the willingness to bid, or success in winning bids.

- Over 75% of micro TSOs are not considering getting involved in partnership bidding for contracts. But only 9% of the largest are not considering partnership bidding.
- 55% of the largest TSOs have been successful in partnership bidding, compared with just 28% of medium sized TSOs.
- 18% of medium sized TSOs have been bidding but have not yet been successful, and a further 27% are considering getting involved in partnership bidding.

Future expectations about partnership working are as follows:

- 47% of TSOs believe that partnership working will increase over the next two years but only 2% think it will decrease.
- 27% of all TSOs state that partnership working is not applicable to them, but it is predominantly micro (50%) and smaller (44%) TSOs which say this.
- Around 20-25% of TSOs, irrespective of size, believe that partnership working will remain at about the same level.

Public sector working environment

- 77% of TSOs agree that the public sector understands the nature and role of their organisation, this percentage is largely the same irrespective of the size of TSOs.
- 18% of TSOs disagree that the public sector understands the nature and role of their organisation, medium sized TSOs are the most likely to feel that this is the case (23%).
- 77% of TSOs agree that the public sector respects their organisation's independence and only 15% disagree: medium sized TSOs are the most likely to disagree (21%).
- 64% of TSOs agree that the public sector informs them on issues that affect their organisation, but 29% disagree. Larger TSOs are the most likely to feel informed (75%) but medium sized TSOs are the least likely to feel informed (34%).
- 46% of TSOs agree that the public sector involves their organisation in developing and implementing policy on issue that affect them. The largest TSOs are most likely to agree (57%) but 40% of large TSOs and 50% of medium sized TSOs disagree.
- 45% of TSOs agree that public sector organisations act upon their opinions and 40% disagree. 49% of medium sized organisations disagree that this is the case compared with a 40% average.

Third Sector Organisations feel highly valued by officers in the public sector. But a majority do not feel that their voice is heard nor that they are fully involved in decision making. Medium sized TSOs tend to be more sceptical about the extent to which they are valued, involved and listened to by the public sector.

Employment and volunteering

Levels of employment and volunteering

To what extent do organisations of different sizes employ full- and part-time staff?

- For the sample as a whole, 44% of TSOs employ no full-time staff and a further 31% employ fewer than 5 members of full-time staff.
- Part time employment is more prevalent in smaller organisations: 43% of TSOs with an income range of £5,000 - £50,000 employ part-time staff.
- The largest TSOs show a strong reliance on part-time staff: 32% of such organisations employ over 20 part-time staff (and 9% employ more than 100).

Volunteers play a significant role in TSOs of all sizes, but volunteer support is much more important to the smaller organisations. That stated, most of the largest organisations have 6-50 volunteers, and over 20% have 100 or more volunteers working for them.

The Third Sector makes a significant contribution to employment and the economy of Yorkshire and the Humber

- ***The number of full-time employees is in the range of 50,000 and 77,000.***
- ***The number of part-time employees is in the range of 54,000 and 84,000.***
- ***The number of full-time equivalent staff is in the range of 68,000 and 105,000.***
- ***The number of volunteers is in the range of 234,000 and 362,000.***
- ***The estimated 'actual value' of salaries to the regional economy is currently £1.2bn.***
- ***The estimated 'nominal value' of the time given by volunteers is between £106.5m and £164.3m a year.***

Changing patterns of employment and volunteering

- Few of the smaller organisations (with incomes below £50,000 a year) have paid staff and where they do, the extent of change is negligible. For the largest TSOs, a mixed picture emerges with 24% having increased the number of full-time staff compared with 36% with falling numbers of full-time staff. Only 37% have retained stable full-time staffing levels.
- Between half and three quarters of smaller organisations do not employ part-time staff, of those which do, employment levels have remained relatively stable. Larger TSOs have experienced wider fluctuations in part-time staffing levels. 37% of the largest organisations had rising numbers of part-time staff while 24% had falling numbers.
- The proportion of TSOs with volunteers increases from 80% of the micro organisations to 90% of the largest. Of those organisations which have volunteers, the larger they are, the more likely they are to have increased volunteer numbers over the last two years – rising from 22% to 41%. Smaller TSOs are more likely to have reduced numbers of volunteers (14%) compared with 9% of the largest TSOs.

Future of employment and volunteering

It is useful to assess expectations about future levels of employment and volunteering in the Third Sector as this may provide a 'barometer' of sector 'confidence'. When comparing TSOs by size, it is apparent that:

- 24% of TSOs think that the number of employees in the sector will increase in the next two years. But very few TSOs, irrespective of their size, believe that the numbers of employees will increase *significantly* (just 2% believe this to be so).
- Optimism about increasing numbers of employees grows as TSOs become larger: only 8% of micro TSOs think numbers will rise compared with 24% of the largest TSOs.
- 15% of TSOs believe that the numbers of employees will fall. The largest TSOs are by far the most likely to believe this to be so (27% compared with 18% for medium sized TSOs).
- About 40% of TSOs expect that the numbers of volunteers will increase in the next two years. Larger TSOs are by far the most optimistic (55%) compared with just 33% for smaller TSOs and 44% of medium sized TSOs.
- Around 40% of TSOs believe that the number of volunteers will remain stable.
- Micro and smaller TSOs are most likely to think that the number of volunteers will fall (11% and 13% respectively).

Organisational capability

Capability for TSOs is defined as follows: *'its ability to employ, manage, and develop its resources in order to achieve its strategic objectives. All of the resources of the organisation are considered including: its trustees, employees and volunteers; its financial resources; its property; and its relationships with partners, funders and other key stakeholders'*.

Investment in capability

How do TSOs prepare their staff and volunteers to do their work?

- 44% of TSOs have a training budget. TSOs are progressively more likely to have a training budget as they grow in size, rising from 10% of the micro organisations to 84% of the largest.
- Most larger and medium sized TSOs use in-house and externally provided training in similar proportions (although the larger TSOs do more of both). Distance learning is used considerably less: 35% of the largest TSOs use distance learning for full-time staff compared with a sector average of just 14%.
- 41% of the micro TSOs provide training to volunteers compared with 85% of the largest. Training by external providers is much less common across all organisations for volunteers than was the case for paid employees.

With governance issues high on the agenda for many TSOs, it is useful to assess the extent to which organisations invest in their development.

- Levels of commitment to training for trustees varies considerably by organisational size. About 73% of the micro organisations say that this is not applicable to them (most do not have trustees) compared with just 19% of the largest TSOs.
- Commitment to training of trustees is generally substantially lower than for employees in larger and medium sized TSOs. In-house training is the most common (55% for medium sized TSOs and 67% for larger TSOs). Distance learning is not a popular option for Trustees with fewer than 13% of trustees in larger TSOs receiving training through this medium.

Training priorities

To what extent do TSOs prioritise different elements of training?

- Training to help TSOs become more effective at *bidding for grants* and *fundraising* is a top priority for 44% of TSOs. There is relatively little variation between organisations of different size.
- Training for marketing and publicity training is prioritised by only 25% of the micro organisations. Bigger TSOs allocate similar levels of priority to this area of training (between 38% and 46%).
- Training for tendering and commissioning is prioritised by 21% of small TSOs, rising to 46% for the largest organisations.
- Micro, small and medium sized TSOs tend not to place a high priority on training to develop their *strategic management, business planning, managing staff and volunteers* and *financial management*. Fewer than a third of the largest organisations put a high priority on such training.

Organisations which invest in staff development seem to be doing better financially.

- 14% of smaller TSOs with training budget had significantly rising income compared with 9% which had no training budget.
- 15% of larger TSOs with a training budget had significantly rising income, compared with just 11% which did not have a training budget.
- 39% of larger TSOs with no training budget had significantly falling income compared with 26% of those which did invest in training.
- 17% of smaller TSOs without a training budget had significantly falling income, compared with 12% which did have a training budget.

“The evidence shows that the organisations which invest in training for their employees, volunteers and trustees have strong strategic foresight, capability and are amongst the more financially secure organisations. Because many organisations are less secure and live ‘from hand to mouth’ discourages them from investing in training – but this may be a mistake.”

Organisational foresight

Organisational foresight is defined as *'the organisation's capability to serve its beneficiaries effectively and to make a wider contribution to the community of practice within which it works, to the Third Sector in general, and to civil society broadly defined. Crucially, this involves the ability of the organisation to understand its impact and to be able to communicate this effectively to outsiders'*.

Expectations for the Third Sector as a whole

What do TSOs think the prospects are for Third Sector as a whole in the next two years? The following findings refer to the percentage of respondents who believed the sector would become 'much more reliant' on each of the resources listed.

- 40% of TSOs believe that the Third Sector will become much more reliant on volunteers to deliver front line services: small and middle sized organisations had the highest expectations (41% and 44% respectively).
- 33% of TSOs believe that reliance on volunteers to help with fundraising would increase substantially: micro and small TSOs were more likely to believe that this will be the case (36% and 38% respectively).
- 20% of TSOs expect that the Third Sector will become much more reliant on local infrastructure bodies to support them: small and middle sized TSOs are more likely to believe that this will be the case (around 25%).
- 32% of TSOs expect that the Third Sector will become much more reliant on grants from charitable foundations to support them: small and middle sized TSOs are more likely to believe this (around 36%).
- 20% of TSOs expect that the Third Sector will become more reliant on the general public to give money: small TSOs are the most likely to believe this to be so (24%).
- 19% of TSOs believe that the Third Sector will become much more reliant on the public sector to meet organisations' core operating costs: small and medium sized TSOs are a little more likely to believe this to be the case (around 21%).
- 17% of TSOs believe that the Third Sector will become much more reliant on free support from their local authority: small TSOs (21%) and medium sized TSOs (18%) are the most likely to believe this to be the case.
- 16% of TSOs think that the Third Sector will become more reliant on public sector contracts over the next two years to deliver services: medium sized and larger TSOs are more likely to believe this to be the case (21% and 23% respectively).
- 12% of TSOs think that the Third Sector will become much more reliant on private sector businesses providing professional support in the next two years.
- 13% of TSOs believe that the Third Sector will become more reliant on the private sector for funding and 9% on contracts from the private sector: such views are undifferentiated by organisational size.

"Organisations tend to be over optimistic about the future prospects for the third sector as a whole. Many expect that support from volunteers, public giving, support from the public sector and infrastructure organisations will increase substantially. When it comes to individual organisations' own prospects, there is a split between optimists and pessimists. 35% expect income to rise substantially in the next two years, but 23% expect income to fall substantially. 26% think that the number of paid staff will increase, but 21% expect staff numbers to decline."

But most organisations believe that they will be working in a demanding environment –with 73% expecting that the need for their services will increase."

Expectations of change for individual organisations

How do TSOs think the future will hold for them in the next two years? The evidence shows that there are both optimistic and pessimistic points of view rather than consistent attitudes.

The optimists:

- 44% of TSOs believe that the number of volunteers supporting their own organisation will rise in the next two years: The largest TSOs are by far the most optimistic (58%) followed by medium sized TSOs (47%).
- 41% of TSOs think that the number of contracts held to deliver services will increase: organisational size does not seem to affect expectations in this respect.
- 35% of TSOs believe that their income will rise over the next two years. Optimism in this respect rises as TSOs become larger – rising from 27% for micro TSOs to 43% for the largest TSOs.
- 26% of TSOs believe that the number of paid staff that their organisation has will increase: expectations are similar across all organisational sizes.

The pessimists:

- 23% of TSOs believe that their organisation's income will fall over the next two years: the largest TSOs are most likely to believe that this will be the case (30%).
- 21% of TSOs think it is likely that the number of staff they employ will decline over the next two years: 30% of larger TSOs believe that this will be the case.
- 18% of TSOs predict that the number of contracts their organisation holds to deliver services will decline: an equal number of medium sized and larger TSOs believe this to be the case (20%).
- Only 10% of TSOs think that the numbers of volunteers working for them will fall over the next two years. Smaller TSOs are the most pessimistic in this regard (14%).

TSOs expect to be working in a demanding operational environment.

- 73% of TSOs believe that demand for their services will rise over the next two years. Medium sized and larger TSOs are more likely to expect that this will be the case (84% and 88% respectively). Few TSOs believe that demand for their services will fall.
- 67% of TSOs think that the expectations of statutory services on their work will increase: 72% of medium sized TSOs and 86% of larger TSOs believe that this will be the case. Less than 2% of TSOs consider that expectations will lessen.
- 64% of TSOs predict that they will be more likely to work in partnership in the next two years. Larger organisations are much more likely to expect this to be the case (74% against 44% of the micro TSOs). Few TSOs, of any size, think that partnership working will fall.

Preparing for the future

Many organisations have already taken steps to tackle the challenges of the future and many more are planning to do so: 42% want to increase earned income, 31% are working more closely with other organisations, and 29% are changing the way they run their services.

Medium sized to larger organisations are doing more to change their practices than the smaller organisations and groups that tend not to employ staff. But 52% of the larger organisations and 66% of medium sized organisations are not changing the way they do things to tackle future challenges.

It could be that these less active organisations expect that the funding environment will improve again as the recession lifts – but they may be mistaken in their optimism and should be planning now.

What are TSOs doing to prepare for the changes they think will occur?

- 42% of TSOs are taking steps now to increase earned income: TSOs are progressively more likely to be taking such steps as they grow in size - rising from 18% for micro TSOs to 64% for the largest TSOs.

- 31% of organisations are now working more closely with other TSOs: the largest organisations are the most likely to be doing so (46%) falling to just 17% for micro TSOs.
- 29% of TSOs are changing the way they run their services: 48% of the largest TSOs are taking action of this kind compared with just 34% of medium sized organisations.
- 21% of TSOs are taking action to increase the level of donations from individuals. Larger TSOs are the most active in this respect (29%) compared with 13% of micro and 19% of small TSOs.
- 8% of TSOs are taking action to change their legal form to meet their future objectives: smaller TSOs (9%) and medium sized TSOs (13%) are most likely to be doing this.
- Just 5% of TSOs are taking action to merge with another organisation: The largest TSOs are most likely to be doing so (10%) but are still small in number, fewer than 2% of micro TSOs are actively pursuing a merger.
- Fewer than 5% of organisations are taking action to take over a service from another TSO: larger organisations are the most likely to be doing this (11%) but remain small in number.

1 Introduction

Times of economic austerity produce many challenges to society. Often, there is an expectation, when times are hard, for the Third Sector to step in when other sectors draw back, or to scale up their efforts where the public sector has rarely been involved. But how well is the Third Sector in Yorkshire and the Humber positioned to tackle these challenges? Do they have the resources of people, ideas and money to get on with the job? What about the future – is the Third Sector under resource pressure too? And if they are, how are they planning to fill the gaps in their resources or change their practices to do things in different ways?

This report tackles these questions using data from a major new study of the Third Sector for Involve Yorkshire & Humber funded by Joseph Rowntree Foundation. But rather than just being a single “snap-shot” portrait of the region – this research is based on sound foundations from other previous studies to demonstrate what is happening now, where change has occurred and, as far as it is possible to say – what might happen next.

What is the ‘Third Sector’?

The National Audit Office (NAO) defines the Third Sector as follows:

“The third sector is the term used to describe the range of organisations which are neither state nor the private sector. Third sector organisations (TSOs) include small local community organisations, and large, established, national and international voluntary or charitable organisations. Some rely solely on the efforts of volunteers; others employ paid professional staff and have management structures and processes similar to those of businesses, large or small; many are registered charities whilst others operate as co-operatives, “social enterprises” or companies limited by guarantee... All share some common characteristics in the social, environmental or cultural objectives they pursue; their independence from government; and the reinvestment of surpluses for those same objectives.”¹

As the above quotation indicates, there are several categories of Third Sector organisation (TSO). The following categories are usefully distinguished by the National Audit Office.

■ **Voluntary and community sector**

Includes registered charities, as well as non-charitable non-profit organisations, associations, self-help groups and community groups. Most involve some aspect of voluntary activity, though many are also professional organisations with paid staff. ‘Community organisations’ tend to be focused on particular localities or groups within the community; many are dependent entirely or almost entirely on voluntary activity.

¹ Bourne, J. (2005) Working with the Third Sector, London, National Audit Office.

■ **General charities**

Charities registered with the Charity Commission except those considered part of the government apparatus, such as universities, and those financial institutions considered part of the corporate sector.

■ **Social enterprise**

A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners.

■ **Mutuals and co-operatives**

Membership-based organisations run on a democratic basis for the benefit of their members. Members may be their employees or their consumers or be drawn from the wider community. Some employee co-operatives may be essentially private businesses but many mutuals and co-operatives consider themselves part of the social enterprise sector.

As the NAO states, many TSOs have characteristics which are shared between these definitions. This study includes all of the above organisations within its definition of the Third Sector, except for large mutuals (such as building societies) and for-profit cooperatives. As is the case in the NAO definition, financial institutions, private schools and universities are also excluded from this study of the Third Sector.

The terms 'Third Sector' and 'TSO' are widely recognised internationally by academics and policy makers and are therefore adopted in this study. However, it should be noted that the present UK coalition government uses different terminology. Following the 2010 election, the Office for the Third Sector was renamed the Office for Civil Society. Similarly, individual TSOs are sometimes referred to in government documentation as 'Voluntary, Community and Social Enterprise Sector' organisations (VCSEs), or more commonly, as Civil Society Organisations (CSOs).²

Aim of the study

In 2010 Southampton University and NCVO undertook a study of the Third Sector in Yorkshire and the Humber drawing upon data from Guidestar which was funded by *Involve Yorkshire & Humber*.³ In the spring of 2013, Involve Yorkshire & Humber commissioned this follow up study to assess the extent to which change has occurred in the Third Sector over the last few years and to consider the possible impact of these changes on the sector's ability to meet the challenges of the future.

The aim of this study was to produce reliable and robust evidence on the Third Sector using tried and tested research techniques which have been developed for the Northern Rock Foundation Third Sector Trends Study (NRFTST) in North East England and Cumbria from 2008. The objective was to produce replicable evidence for comparison with the NRFTST, and also to produce reliable indicators of sector size and strengths in Yorkshire and the Humber by scaling up findings drawing upon additional evidence from other contemporary studies.

² For a full explanation of the use of both sets of terminology, see Alcock, P. (2010) *Big society or civil society? A new policy environment for the third sector*, Birmingham: Third Sector Research Centre.

³ Kane, D. and Mohan, J. (2010) *Mapping Registered Third Sector Organisations in Yorkshire and the Humber*, Newcastle: Northern Rock Foundation. www.nr-foundation.org.uk/resources/third-sector-trends.

The principal objective was to encourage 1000 Third Sector organisations (TSOs) in Yorkshire and the Humber to complete an online questionnaire to gather evidence on sector activity. More specifically, the study aimed to collect these data:

- Data on the **organisational characteristics** of individual TSOs: including the organisation's age, geographical location, legal form, income, number of employees and volunteers and area and spatial range of operation.
- Data on the **organisational purpose** of individual TSOs: including main beneficiaries, main services offered and principal service orientation, and ethos of organisation in relation to planning, practice and values.
- Data on **organisational assets**: including property, investments and cash in hand reserves, importance of different sources of income, proportion of income which is earned, and the extent to which reserves have been used in the last financial year.
- Data on **contracting and partnership working**: knowledge of contract opportunities, interest in and extent of partnership working and perceptions of public sector officers' views of the value of TSOs.
- **Trends data**: including changes in levels of income, changes in numbers of employees and volunteers, expectations about future levels of contract working, expectations about future assets, sources of financial resource and opportunities to lever such resources.
- Evidence on **organisational foresight and capability**: including possession of a training budget, extent and source of training provision, main training priorities and strategic priorities and action planning

The economic, social and policy context

The first Yorkshire and the Humber Third Sector Trends study, undertaken by Kane and Mohan in 2010 drew upon data collected in 2007-8. Since then, there has been enormous economic turbulence in the UK following the collapse of the Northern Rock bank in 2008 and subsequent turmoil, particularly in the European and United States banking systems when the sub-prime mortgage market unravelled.

Prior to 2008 the New Labour government invested heavily in a number of initiatives to tackle social, economic and regeneration issues such as child poverty, public health, education, employability, neighbourhood renewal and so on. Many TSOs benefitted from a long period of sustained investment though a large number of government programmes such as the Neighbourhood Renewal Fund and New Deal for Communities. Much government investment in strengthening the Third Sector accompanied these initiatives, including *ChangeUp*, *Capacitybuilders*, *Future Builders* amongst others.⁴

Following the general election of 2010 the new Conservative and Liberal Democrat coalition government has presided over a long and deepening commitment to reduce the public sector borrowing requirement which has led to significant cuts in government spending. Reducing public spending at national and local government level has, in turn, led to much speculation (and some exploration) of the potential

⁴ Investment in Third Sector development was not limited to government funding. Amongst others, Big Lottery committed substantial investment through, for example, the BASIS fund: <http://www.biglotteryfund.org.uk/global-content/programmes/england/basis>.

impact upon the Third Sector.⁵ The problem with such studies at a national or regional level is that they report on data drawn from relatively small numbers of TSOs and because such research is generally 'campaign' driven, can produce more alarming results.⁶

The NCVO warned against the dangers of producing alarmist arguments about the situation of the voluntary sector. Nevertheless, their 2013 report *Counting the Cuts: The impact of spending cuts on the UK voluntary and community sector*, shows that not all is well.

- The UK voluntary and community sector (VCS) will lose around £911 million in public funding a year by 2015-16.
- Cumulatively, the sector stands to lose £2.8 billion over the spending review period (2011- 2016).

The point NCVO makes is that just because times are hard – this doesn't mean that all TSOs are affected in the same way. And so, beneath these headline statistics NCVO offered the following analytical caveats.

- Funding from some parts of government is hit particularly hard – including some central government departments, local authority spending and capital expenditure. Cuts will be felt unevenly across the sector, and some parts of the sector will be hit harder.
- These figures mask the real impact of cuts as some central government departments may increase their funding for the sector: particularly the NHS and the Department for International Development in line with increased demands on the services that voluntary and community organisations provide.
- Responses to Freedom of Information requests show that half of all local authorities are making disproportionate cuts to the voluntary and community sector.
- There is significant variance in the way that different parts of government and local authorities implement cuts. Many local authorities are making long term, strategic decisions in partnership with their local VCS but some are not and this is causing real damage to the sector and local communities.

Other commentators have also presented measured assessments of the situation. Professor Peter Alcock, Director of the *Third Sector Research Centre* recently stated:

"Some may see the prospects for 2013 to be more doom and gloom. However, I think such pessimism comes from a short-sighted perspective on

⁵ Identifying the extent to which the Third Sector has suffered from government cuts is not a straightforward matter. Some attempts have been made to monitor the extent of cuts by, for example, *Voluntary Sector Cuts* where TSOs are explicitly asked to submit evidence which is mapped nationally. In this campaign "We're defining a cut as a statutory body (in central, local or regional government, including government agencies, local authorities, PCTs and others, or from the European Union) informing you that you will receive less money than they had previously agreed to provide, as part of a grant, a contract or another formal funding arrangement. This may include them asking you to make efficiency savings as part of an existing contract or cancelling a grant which they had previously agreed to provide. We're not including funding applications that have been turned down, but we are interested in funding programmes that have been cancelled, or continuation funding that is withdrawn due to budget cuts." For further details see: <http://voluntarysectorcuts.org.uk/>.

⁶ The 'Surviving or Thriving' surveys by VONNE in North East England, for example, is undertaken to examine the impact of cuts in Third Sector funding. The study tends to produce more alarming results than the much larger NRFTST (1700 responses in 2012 compared with 200 for the VONNE study). For example the VONNE study finds that 59% of TSOs have experienced decreasing funding compared with just 22% in the NRFTST study. For details of the VONNE survey, see: http://www.vonne.org.uk/campaigns/surviving_or_thriving.php.

social change. A key lesson from the past is to take the long view on the political and organisational changes that affect voluntary action. Despite the fears of cuts, mergers and closures; history will not judge this to be a time of 'crisis' for the sector. Patterns of individual activity and organisational development show resilience over time and general incremental growth.”⁷

In North East England and Cumbria, where the situation of TSOs is being tracked from 2008 to 2014, mid-point results show that larger numbers of organisations have experienced decline in funding over time. In Figure 1.1 TSOs are divided into two groups: smaller TSOs with income below £25,000 (such organisations rarely employ staff and are less formal in their structure and practices); and larger TSOs with income above £50,000 (the majority of which employ full and or part time staff and are more formal in their structure and practices).

As these data show, the percentage of smaller TSOs with rising income has diminished from 8% to 3% between 2010 and 2012. Those with falling income has increased from 13% to 16%. But the key finding is that amongst smaller TSOs, income tends to be stable (rising from 70% in 2010 to 81% in 2012).

The fortunes of larger TSOs are more varied. In 2010, 25% had experienced significantly rising income in the previous two years compared with just 14% in 2012 – suggesting that the funding environment was having an impact on the sector's financial wellbeing. By contrast, the percentage of larger TSOs with significantly falling income rose from just 15% in 2010 to 31% in 2012. While these percentages fall far short of those presented in some studies, they do suggest that in North East England and Cumbria, the larger organisations in the Third Sector are under increasing financial pressure.

Equivalent figures for Yorkshire and the Humber are presented for 2013. It can be seen that percentages for larger TSOs are virtually the same as in North East England and Cumbria in 2012. Smaller organisations in Yorkshire and the Humber seem to have been more likely to increase their income (10%) when compared with North East England and Cumbria (3%), but the majority had stable income (74%).

Figure 1.1 Percentage of TSOs in North East England and Cumbria reporting rising, stable or falling income in 2010 and 2012 (data for Yorkshire & Humber 2013 only)	<i>Smaller TSOs (income below £25,000 a year)</i>			<i>Larger TSOs (income above £50,000 a year)</i>		
	NE England and Cumbria 2010	NE England and Cumbria 2012	Yorkshire & Humber 2013	NE England and Cumbria 2010	NE England and Cumbria 2012	Yorkshire & Humber 2013
Income risen significantly in last 2 yrs	8%	3%	10%	25%	14%	14%
Income remained about the same in last 2 yrs	79%	81%	74%	60%	55%	56%
Income fallen significantly in last 2 yrs	13%	16%	16%	15%	31%	30%

⁷ Alcock, P. (2013) 'Crisis? What crisis?', *Third Sector Online*, 7th January 2013. See: <http://www.thirdsector.co.uk/Governance/article/1165606/pete-alcock-crisis-crisis/>. For a more detailed exposition of the media portrayal of Third Sector crises, see Taylor, R. and Alcock, P. (2012) *From crisis to mixed picture to phoney war: tracing Third Sector discourse in the 2008/9 recession*, Third Sector Research Centre Research Report No. 87, Birmingham: Third Sector Research Centre.

Even if many TSOs have experienced falling income, this should not necessarily be interpreted as a consequence of direct ‘cuts’ in funding and signify an acute crisis for the sector. On the contrary, TSOs may have been fully aware that the likelihood of maintaining levels of income at a higher level would become harder and that, as a consequence, they may have lowered their expectations and planned for this accordingly.⁸

In this report, a measured approach to the study of declining income for the Third Sector is adopted to take into account the probability that in times of austerity, most TSOs will plan ahead; will think about new ways of managing with existing or declining resources or finding new income streams; and will consider new ways of working to adapt to the economic climate within which they find themselves. It is equally important to recognise that money isn’t everything. Many TSOs, and particularly the smallest ones, manage on little money but still make an important contribution to their communities.

The regional context

Yorkshire and The Humber is a large region covering an area of 15,408 square kilometres. It had a population of 5.2 million in 2011. Over 80 per cent of the population live in urban areas (that is, towns with a population above 10,000).⁹ The region has, until recently, been divided into four sub-regional administrative and economic areas which are used extensively in the analysis undertaken in this report.¹⁰

- **West Yorkshire** is the most densely populated of the four sub-regions. 2.2m people live in this area of 2,000 square km, amounting to over 40 per cent of the total regional population.
- **South Yorkshire** is the second most densely populated sub-region and has 1.3 million residents in an area of 1,500 square km.
- **Humber**¹¹ has a population of 0.9 million residents in an area of 3,500 square km.
- **North Yorkshire** is the largest of the four sub-regions spatially. It is largely rural with a population of 0.8 million people living in an area of 8,300 square km.

In a large region which is spatially and economically varied, it is tempting to assume that generalisations cannot easily be made about the structure and dynamics of the Third Sector, nor about the needs of its beneficiaries. However, there is much evidence drawn from the NRFTST and the previous Yorkshire and Humber TST

⁸ For a much more detailed exploration of this argument see Chapman T. and Robinson, F. (2013) *On the Money* Newcastle: Northern Rock Foundation.

⁹ For a more detailed portrait of the region see Kay, I. (2010) *Portrait of Yorkshire and the Humber*, London: ONS. and ONS (2012) *Regional Profiles: Key Statistics - Yorkshire and The Humber*, London: ONS, http://www.ons.gov.uk/ons/dcp171780_275367.pdf.

¹⁰ The current UK Government does not recognise these formal regional boundaries and abolished key agencies which operated at a regional level. This led to the closure of the Government Office for Yorkshire and the Humber region in March 2011 and the Regional Development Agency, Yorkshire Forward, in March 2012, see: House of Commons Library (2013) *The Abolition of Regional Government*, 27th March. See also, Involve Yorkshire & Humber (2012) *Changes to Governance Structures and Arrangements in Yorkshire and Humber*, Leeds: Involve Yorkshire and Humber. However, the boundaries provide a useful basis for comparative measurement with other data sets on the structure and functions of the Third Sector in the region including the NTSS and the previous TST study undertaken by Kane and Mohan in 2010.

¹¹ Humber is a former sub-region of the former Yorkshire and the Humber administrative region. The area includes four unitary authorities: East Riding of Yorkshire, Hull, North East Lincolnshire and North Lincolnshire. While there have been some controversies surrounding the naming of this sub-region, the term Humber is adopted as this is currently used by the Local Economic Partnership, see: <http://www.humberlep.org/>.

study to show that the context within which TSOs work is subject to more general social, political and economic factors and that organisations with shared characteristics tackle these issues similar ways.

The political context within which TSOs operate were shaped, to some extent, following the last election by the Prime Minister's "Big Society" agenda. Big Society was defined in the following terms by the Cabinet Office:

"The Big Society agenda is not a Government programme; it is a call to action. The agenda contains a great deal of opportunity for the voluntary and community sector to do more and have a greater say. We want to work closely with the sector to help ensure organisations can seize these opportunities."¹²

Professor Alcock, Director of the Third Sector Research Centre explained the context within which Big Society thinking had emerged.

"The Big Society was intended to be contrasted with the big state that New Labour had advanced, and among other things was intended as an endorsement of the positive and proactive role that voluntary action and social enterprise could play in promoting improved social inclusion and 'fixing Britain's broken society'. By 'returning' power from the state to the citizen, social change could be put back in the hands of people and communities."¹³

This represents a shift in emphasis away from the former Labour government's attachment to the rhetoric of a 'third-way' with a government led partnership (or 'joined-up working') between the public, private and third sectors at its core - to an alternative model where civil society itself takes the lead. The idea was championed by Lord Wei who, in his maiden speech in the House of Lords, has drawn an analogy between the Big Society and a coral reef

"I describe this as the big society coral reef, because at the heart of this debate... is not just what civil society thinks social policy should be or even what government pronounces, but a collective and very British constitutional negotiation of a partnership for the 21st century that values and combines not just the seabed, the bedrock of our public services-to protect the vulnerable-but the coral represented by the many current and future providers of those services that add variety and innovation and humanity to their delivery. Last but not least it is the very fish that feed in these waters, the local citizen groups that can extend, vivify and shape this landscape in ambitious as well as humble ways. No single part of this ecosystem can or should dominate, but by working well together each comes to form a whole that is often more than the sum of its parts."¹⁴

Early in the current Parliament, a report was produced by Professor Peter Wells for *Yorkshire and the Humber Forum* (now *Involve Yorkshire & Humber*) on the strength of Big Society in general and the Third Sector more specifically in Yorkshire and the Humber. The report demonstrated that:

- almost a quarter of the adult population in Yorkshire and Humberside are involved in some regular and formal type of volunteering. The level of informal volunteering (e.g. support given freely to neighbours) is higher (around a

¹² Office for Civil Society (2010) *Building a Stronger Civil Society: a strategy for voluntary and community groups, charities and social enterprises*, London: Cabinet Office, p.12.

¹³ Alcock, P. (2010a) 'Building the Big Society: a new policy environment for the third sector in England', *Voluntary Sector Review*, 1:3, p. 380.

¹⁴ Lord Wei, *Hansard* 16 Jun 2010 : Column 1012.

third). According to the Citizenship Survey 2008-9 levels of both types of volunteering are lower than in a number of other regions

- there are strong variations in the pattern of volunteering: formal volunteering (typically through a civil society organisation) is more significant in prosperous parts of the region. Informal volunteering and caring responsibilities (for relatives) is important in more deprived areas
- almost twenty eight per cent of households donate money to charities. Proportionately more households in Scotland and southern and eastern England give compared with the East Midlands, North West England and Yorkshire and Humberside. There is a strong positive link between income and the propensity to give and areas where more people give to charity are not necessarily the same as those where donors give higher amounts of money.¹⁵

While the Wells Report recognised that there were over 10,000 registered charities in the region with a total income of £1.5 billion, it was pointed out that this may significantly underestimate the number of civil society organisations. When taking into account the existence of 'under the radar' organisations (i.e. unconstituted or unregistered organisations), it was estimated that there may be over 40,000 civil society organisations in the region. It was also noted that the density and wealth of charities differed spatially:

- there are considerable variations in the density of charities in the region. For example there are five and a half times more registered charities per head of the population in Ryedale (highest concentration) than in Wakefield (lowest concentration). The distribution tends to reflect the relative prosperity of different places
- 43 per cent of all charity income is concentrated in the two largest cities, Leeds and Sheffield. However, in terms of the concentration of income per head of the population, the highest concentrations are in Ryedale, Sheffield and York – all over £700 per person). By contrast in North East Lincolnshire and North Lincolnshire the figure is only just over a tenth of this (£75 per person). These figures are skewed to some extent by a few large charities with national reach, but even when these are excluded, a similar pattern remains.

Furthermore, it was noted that there were significant variations in the economic wealth across the region.

- four areas are ranked in the worst 50 English local authorities (out of 354 local authority districts) in the index of multiple deprivation (Hull, Bradford, Doncaster and Barnsley). By contrast Craven, Richmondshire and Hambleton are all in the top 100 local authorities
- the above scores mask the geographic concentration of deprivation in Yorkshire and Humber. For example, 44 per cent of super output areas (SOAs) in Hull are ranked in the lowest 10 percent nationally. The equivalent figures for Bradford, Doncaster, North East Lincolnshire and Sheffield are all over 20 per cent. The figures for North Yorkshire, East Riding and York are all less than three per cent.

Since the Wells Report was produced in 2010 the social and economic context within which the Third Sector in Yorkshire and the Humber works has changed significantly. Possibly the most important of these transformations is the decline in public spending. Such reductions have the potential to affect the Third Sector in two ways: firstly by limiting access to financial resources from local authorities (or other government departments or publicly funded organisations); and secondly, increased

¹⁵ Wells, P. Gilbertson, J., Gore, T. and Crowe, M. (2010) *A Big Society in Yorkshire and Humber?* Sheffield: Centre for Regional Economic and Social Research.

demand upon the local Third Sector in areas where the public sector has reduced services or withdrawn from areas of service provision.

Recent analysis published in *The Guardian* has suggested that areas suffering from deep multiple deprivation have been hit harder by government cuts than affluent areas.¹⁶ This observation is borne out by previous analysis undertaken in 2013 which is reproduced in Figure 1.2. These data show that some of the poorest local authority areas in Yorkshire and the Humber have been hard hit: most particularly, Bradford, Doncaster, Hull and North East Lincolnshire.

Figure 1.2 Levels of cuts to per capita local authority spending in Yorkshire & the Humber ¹⁷	Index of Multiple Deprivation 2010 (1 = Most Deprived)	Cumulative Area Change from 2010/11 in Year Change to 2014/15 (per capita member of local population)
West Yorkshire		
Bradford	26	-£200.39
Wakefield	67	-£127.66
Leeds	68	-£130.04
Kirklees	77	-£113.48
Calderdale	105	-£130.90
South Yorkshire		
Doncaster	39	-£208.63
Barnsley	47	-£168.07
Rotherham	53	-£150.12
Sheffield	56	-£198.47
Humber		
Hull	10	-£228.36
North East Lincolnshire	46	-£209.20
North Lincolnshire	120	-£111.15
East Riding of Yorkshire	202	-£85.44
North Yorkshire and City of York		
Scarborough	85	-£88.34
Ryedale District	213	-£71.50
York	234	-£65.85
Selby	235	-£68.54
Craven	246	-£73.56
Richmondshire	261	-£73.15
Hambleton	264	-£70.32
Harrogate District (B)	282	-£79.80

¹⁶ Watt, N. (2014) 'Local government cuts hitting poorest areas hardest, figures show: cuts average 25.3% in 10 most deprived areas of England, and 2.54% in 10 least deprived areas', *The Guardian*, Thursday 30 January.

¹⁷ Adapted from Rogers, S. (2013) The England cuts map: what's happening to each local authority and council? *The Guardian*, 121st January: <http://www.theguardian.com/news/datablog/interactive/2012/nov/14/local-authority-cuts-map>.

Recent analysis on the extent of economic pressure in the northern regions in more general terms has recently been undertaken by *IPPR North*. By focusing upon per capital spend in the English regions it was shown that:

“...a proportional cut necessarily means those regions with the highest expenditure receiving the largest cut. But now the three northern regions are shown to be hit harder than the remaining regions: the North East loses £135 per head; the North West £125 per head and Yorkshire and the Humber £113 per head. From this angle, the South East becomes one of the least affected regions, losing £97 per head.”¹⁸

Regional levels of productivity, as measured using Gross Value Added (GVA) by IPPR demonstrates wide disparities between London and the northern regions. However, it should be noted that productivity varies significantly *within* each of the northern regions.

- In North East England the lowest GVA is in County Durham (£11,661) compared with the highest in £19,592 in Darlington)
- In North West England the lowest GVA is in Wirral (£11.167) compared with the highest in Warrington (£25,047)
- In Yorkshire and the Humber the lowest GVA is in Barnsley, Doncaster and Rotherham (£13,806) compared with the highest in Leeds (£22,224).¹⁹

While it will not be possible in this report to explore differences in the way that the Third Sector addresses issues at the level of individual unitary local authorities or county council districts – more general observations can be made when comparing the four sub-regions of Yorkshire and the Humber. The above discussion helps to set such analysis in context within the boundaries of the region. Furthermore, the discussion has provided indications of the changing national social, political and economic environment within which the Third sector works in Yorkshire and the Humber.

Structure of the report

The report is sub-divided into eight substantive sections:

- Section two provides an account of the methodological approach adopted in the study, details how the sample of 1000 TSOs were garnered and provides a description of the key characteristics of the sample.
- Section three introduces data on sector structure drawing upon evidence from the present study together with comparative data from the 2010 National Third Sector Study (NTSS), the 2013 NCVO Almanac and the 2012 NRFTST in North East England and Cumbria.
- Section four presents new data on sector income and assets. These data arise from questions specifically developed for the YHTST study to examine which TSOs are the best and least resourced and the consequent impact on the way they practice and plan for the future.

¹⁸ Cox, E. Henderson, G. and Raikes, L. (2014) *Rebalancing the books: how to make the 2015 Spending Review work for all Britain*, Newcastle: IPPR North, p. 23.

¹⁹ Cox *et al.*, *ibid*, p. 26.

- Section five examines the extent to which TSOs behave in an enterprising and/or businesslike way in Yorkshire and the Humber to maximise their ability to gain sufficient resources to achieve their operational objectives.
- Section six analyses the human resources of TSOs in the sector, focusing upon the numbers of volunteers and employees in organisations of different sizes and purposes.
- Section seven presents data on organisational capability and the extent to which TSOs prioritise and invest in training and staff development.
- Section eight examines organisational foresight – that is, to consider what organisations feel the future holds for them and for the Third Sector as a whole.

The final section of the report draws some broad conclusions on the findings from the study.

2 Methodology and sample

The Third Sector Trends study was commissioned in April 2013 to undertake an online questionnaire survey of voluntary organisations, community organisations and social enterprises across the Yorkshire and the Humber region.

2.1 Survey instrument

The intention of this study was to replicate many of the findings from North East England and Cumbria. To ensure comparability a questionnaire was designed using about half of the questions from the Northern Rock Foundation study, with additional questions specifically designed for Yorkshire and the Humber.

The questionnaire was specifically designed to maximise the response rate to the survey as a whole and to individual questions. Drawing upon experience from the Northern Rock Foundation Third Sector Trends study, responses to questions were checked to ensure that maximum response rate had been achieved in previous surveys before making questions compulsory (i.e. that the respondent could not proceed without completing the question). Where risk of non-completion of questions or perhaps abandonment of the survey was observed, responses were optional (although optional questions were not identified in the text of the questionnaire). The questionnaire was uploaded onto Bristol Online Survey (BOS) once complete.

As the questionnaire used pre-piloted questions, with the exception of questions on TSO assets (which were checked by Big Society Capital), it was not necessary to undertake a thorough piloting process. Instead, a small pilot was undertaken to verify the usability of the questionnaire format as a whole. The questionnaire was piloted by organisations in North East England and organisations working closely with Involve. Small amendments were made to the questionnaire following the pilot to make it more friendly and usable and to maintain respondents' interest and commitment so that they would complete the whole survey. This included encouraging sentences to link sections and maintain enthusiasm for the survey.

2.2 Data collection and sample characteristics

Figure 2.1 presents data on the distribution of the sample of TSOs in each of the local authority and sub-regional areas of Yorkshire and the Humber. These data are compared with general population statistics and the census of charities undertaken in the study of 'general charities' by Kane and Mohan in 2011 using Guidestar Data.²⁰ For the sample as a whole, a response rate of 9.2% was achieved. This is a good response rate for an online survey where no direct access to charity address listings was available for use. For Yorkshire and the Humber as a whole, therefore, these data provide a large and representative sample which will produce statistically significant results.

²⁰ See Kane and Mohan, *ibid.* (2011:32).

Within three of the four sub-regions, it is evident that a similar response rate was achieved (between 9% and 12%). The exception is City of York and North Yorkshire where a lower response rate of just 4.4% was obtained. Nevertheless, with 155 returns, there is reasonably good grounds for confidence in the use of the sample. Furthermore, the reliability of the North Yorkshire & City of York sample has been checked against a larger previous study undertaken by the same author in 2010 where 427 responses were obtained.²¹ Background analysis strongly suggests that the data in the present study provide broadly reliable indications of sector size and strengths for the North Yorkshire & City of York sub-region as a whole.

Within each sub-region, there are some variations in response rates. Support was gained from local infrastructure organisations in each of the local authority areas in Yorkshire and the Humber. This was bolstered by support from local authority officers and other Third Sector organisations which held lists of local TSOs. Nevertheless, response rates varied to some extent. Attempts were made to bolster response rates through the intensive use of social media (Twitter) and regular emailing of local authority officers in each area to promote the study. Personal emails were sent to CVSs and other infrastructure organisations in areas with low response rates to try to raise numbers – with significant success in some areas.

As an online survey, without access to listings of organisations for direct email contact, it was necessarily to run the survey over quite a long period of time. The survey began on June 20th 2013 and was closed on 12th October. During this period there were several reminders and re-launches of the survey on: 24th July (by which date there were 451 returns); 5th August (total 670 returns); and 20th September (total 811 returns). The final response at the close of the survey was 1,007 (including 4 postal returns).

²¹ See Chapman, T. and Crow, R. (2010) *A thriving Third Sector: a study of North Yorkshire & City of York*, Middlesbrough: Social Futures Institute.

Figure 2.1 Geographical characteristics of the sample	Number of responses in 2013 survey	Number of general charities 2007/8	Response rate as proportion of general charities	Population in each Local Authority 2011 ²²	Charities per 100,000 population	Sample per 100,000 population
<i>Bradford</i>	76	814	9.3	522,500	155.8	14.5
<i>Calderdale</i>	71	453	15.7	203,800	222.3	34.8
<i>Kirklees</i>	121	739	16.4	422,500	174.9	28.6
<i>Leeds</i>	102	1170	8.7	751,500	155.7	13.6
<i>Wakefield</i>	45	383	11.7	325,800	117.6	13.8
West Yorkshire	415	3559	11.7	2,226,100	159.9	18.6
<i>Barnsley</i>	63	338	18.6	231,200	146.2	27.2
<i>Doncaster</i>	42	441	9.5	302,400	145.8	13.9
<i>Rotherham</i>	35	340	10.3	257,300	132.1	13.6
<i>Sheffield</i>	119	974	12.2	552,700	176.2	21.5
South Yorkshire	259	2093	12.4	1,343,600	264.6	32.7
<i>East Riding of Yorkshire</i>	43	936	4.6	334,200	280.1	12.9
<i>Hull</i>	76	333	22.8	256,400	129.9	29.6
<i>North East Lincolnshire</i>	25	193	13.0	159,600	120.9	15.7
<i>North Lincolnshire</i>	19	353	5.4	167,400	210.9	11.4
Humber	163	1815	9.0	917,600	197.8	17.8
<i>Craven, North Yorkshire</i>	15	334	4.5	55,400	602.9	27.1
<i>Hambleton, North Yorkshire</i>	20	517	3.9	89,100	580.2	22.4
<i>Harrogate, North Yorkshire</i>	26	733	3.5	157,900	464.2	16.5
<i>Richmondshire, North Yorkshire</i>	11	268	4.1	52,000	515.4	21.2
<i>Ryedale, North Yorkshire</i>	10	312	3.2	51,700	603.5	19.3
<i>Scarborough, North Yorkshire</i>	12	355	3.4	108,800	326.3	11.0
<i>Selby, North Yorkshire</i>	10	273	3.7	83,500	326.9	12.0
<i>York, North Yorkshire</i>	47	655	7.2	198,000	330.8	23.7
North Yorkshire & City of York	151	3447	4.4	796,400	432.8	12.0
<i>Other</i>	19					
Whole sample N=	1007	10914	9.2	5,283,700	230.7	21.1

²² Population for 2011 data are from ONS at the following site address: <http://www.ons.gov.uk/ons/rel/mro/news-release/census-result-shows-increase-in-population-of-yorkshire-and-the-humber/censusyorkandhumber0712.html>

- In **West Yorkshire**, response rates were strong in Calderdale and Kirklees (around 16%) but weaker in Leeds and Bradford which still achieved a respectable 9% response rate.
- In **South Yorkshire**, response rates were strong in Barnsley (19%) and were good in each of the other three local authority areas (around 10%).
- In **Humber**, response rates were good from Kingston upon Hull (23%) – the best in the sample, but relatively weak in Humber with only a 5% response rate. North East Lincolnshire achieved a good 13% response rate.
- In **North Yorkshire & City of York**, where the population of general charities is much higher than in the rest of the county, the response rate was relatively poor, averaging between 3-4% in most areas. City of York is the exception with a reasonably good response rate of 7%.

Figure 2.2 explores the characteristics of the sample further by examining the distribution of TSOs by organisational size (as measured by organisational income in the last year). These data show that there are quite significant variations in the responses by organisations of different sizes in each of the sub regions. It is not necessary to describe these data in detail as results are self-explanatory. However one or two examples will help to illustrate the above comment.

In Kirklees, where a good response rate was achieved, most TSOs were relatively small: 69% of responding TSOs had incomes below £50,000 in the previous year. A similar pattern can be observed in, for example, Barnsley, Calderdale, Doncaster, East Yorkshire and Selby. As these local authority/district areas are dissimilar in their urban/rural mix, it is not possible to assert that response rates from small TSOs were necessarily from, say, more rural areas.

Responses by 'larger' TSOs, with incomes above £50,000, were more numerous in most of the bigger urban areas: Bradford (66%), Leeds (66%), Sheffield (67%) and to a lesser extent Wakefield (59%) and Rotherham (53%). But this was not the case in Hull (47%) and especially Doncaster (31%). Some of the 'more rural' areas also returned questionnaires mainly from larger TSOs (Ryedale and Craven, for example) – although the sample sizes in these areas was small.

Because these differences have been observed, it is necessary to be cautious about comparing individual local authority areas and county council districts directly.

Figure 2.2 Response rates by TSO size (categorised by income in previous year)	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	N=
<i>Bradford</i>	9.2	25.0	28.9	36.8	76
<i>Calderdale</i>	28.2	29.6	16.9	25.4	71
<i>Kirklees</i>	38.0	31.4	18.2	12.4	121
<i>Leeds</i>	16.7	16.7	28.4	38.2	102
<i>Wakefield</i>	17.8	24.4	37.8	20.0	45
West Yorkshire	23.6	25.5	24.6	26.3	415
<i>Barnsley</i>	44.4	27.0	14.3	14.3	63
<i>Doncaster</i>	31.0	38.1	16.7	14.3	42
<i>Sheffield</i>	11.8	21.0	29.4	37.8	119
<i>Rotherham</i>	14.3	31.4	22.9	31.4	35
South Yorkshire	23.2	26.6	22.8	27.4	259
<i>East Yorkshire</i>	37.2	34.9	11.6	16.3	43
<i>Hull</i>	23.7	28.9	25.0	22.4	76
<i>North East Lincolnshire</i>	44.0	12.0	28.0	16.0	25
<i>North Lincolnshire</i>	21.1	52.6	10.5	15.8	19
Humber	30.1	30.7	20.2	19.0	163
<i>Craven, North Yorkshire</i>	26.7	13.3	46.7	13.3	15
<i>Hambleton, North Yorkshire</i>	25.0	25.0	35.0	15.0	20
<i>Harrogate, North Yorkshire</i>	7.7	19.2	34.6	38.5	26
<i>Richmondshire, North Yorkshire</i>	9.1	36.4	45.5	9.1	11
<i>Ryedale, North Yorkshire</i>	10.0	20.0	60.0	10.0	10
<i>Scarborough, North Yorkshire</i>	8.3	16.7	41.7	33.3	12
<i>Selby, North Yorkshire</i>	30.0	50.0	10.0	10.0	10
<i>York, North Yorkshire</i>	19.1	36.2	21.3	23.4	47
North Yorkshire & City of York	17.2	27.8	33.1	21.9	151
<i>Other</i>	58.3	0.0	0.0	41.7	12
Whole sample	24.0	26.7	24.4	24.9	1000

Figure 2.3 considers in more detail the size of organisations, categorised by income, in each sub region and for the sample as a whole. To assess the representativeness of the sample, these findings are compared with the larger Third Sector Trends survey in North East England and Cumbria in 2012 where 1,720 responses were achieved in a postal survey. From these data it is apparent that these two datasets are broadly similar. The main difference is that in the Yorkshire and the Humber

sample, there is a larger number of TSOs with incomes above £50,000. Consequently, in the analysis which follows, care will need to be taken to distinguish between larger and smaller TSOs where comparative observations are made between the two samples.

For Yorkshire and the Humber, it is clear that there are some quite distinct variations amongst the sub-regions in the sample. However, in the broader distinction between larger and smaller TSOs, these differences are not particularly pronounced. Most sub-regions have a broadly similar split between these two categories with the exception of Humber where there are more smaller organisations (just over 60%).

Figure 2.3 Income band of TSOs compared with North East England and Cumbria	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample	TSO1000 North East and Cumbria (2012)
No income	3.6	5.8	6.7	3.3	4.7	3.2
£1 - £2,000	12.7	9.7	16.0	7.3	11.6	14.7
£2,001 - £5,000	7.5	7.4	7.4	6.6	7.3	11.8
£5,001 - £10,000	5.8	6.6	11.7	8.6	7.4	13.2
£10,001 - £25,000	9.6	11.6	11.7	8.6	10.3	13.9
	10.1	8.5	7.4	10.6	9.3	7.9
£50,001 - £100,000	12.7	8.1	8.0	14.6	11.0	8.7
£100,001 - £250,000	11.8	14.7	12.3	18.5	13.7	9.7
£250,001 - £500,000	9.6	12.0	8.0	8.6	9.8	7.2
£500,001 - £1,000,000	6.5	6.6	5.5	6.0	6.3	4.8
£1,000,001 - £5,000,000	7.9	7.4	3.7	4.0	6.5	4.8
£5,000,001 plus	2.2	1.6	1.8	3.3	2.1	
N=	416	258	163	151	988	1592
Smaller TSOs (under £50,000)	49.3	49.6	60.9	45.0	50.6	64.7
Larger TSOs (over £50,000)	50.7	50.4	39.3	55.0	49.4	35.2

To gain greater confidence on the representativeness of the Yorkshire and the Humber sample, Figures 2.4 and 2.5 compare Yorkshire and the Humber data with the National Third Sector Survey of 2010 and the Northern Rock Foundation Third Sector Trends Study.²³ These data confirm the finding that there are more larger organisations in the Yorkshire and the Humber sample than may have been expected for a random sample survey. This is shown to be the case in all of the sub-regions of Yorkshire and the Humber in the study. This suggests that either larger organisations could identify a clearer purpose for completing the questionnaire, or that smaller organisations were less likely to find out about the survey – or possibly a mix of both of these factors.

²³ These data comparisons can be found in more detail in the statistical appendix to this report.

Figure 2.4 Northern Rock Foundation Third Sector Trends , NTSS and Third Sector Trends compared	West Yorkshire		South Yorkshire		Humber		North Yorkshire and the City of York		Yorkshire and the Humber		National NTSS average (2010)	TSO1000 North East and Cumbria (2012)
	NTSS (2010)	Third Sector Trends (2013)	NTSS (2010)	Third Sector Trends (2013)	NTSS (2010)	Third Sector Trends (2013)	NTSS (2010)	Third Sector Trends (2013)	NTSS (2010)	Third Sector Trends (2013)		
No income (£0)	6.3	3.6	5.0	5.8	5.4	6.7	3.3	3.3	5.3	4.7	4.5	3.2
£1-£2,000	8.3	12.7	6.4	9.7	8.8	16	13.3	7.3	8.4	11.6	13.6	14.7
£2,001-£5,000	8.3	7.5	9.4	7.4	11.1	7.4	8.8	6.6	9.4	7.3	9.1	11.8
£5,001-£10,000	11.2	5.8	11.6	6.6	11.7	11.7	12.7	8.6	11.6	7.4	12.5	13.2
£10,001-£25,000	12.8	9.6	15.8	11.6	17.4	11.7	16	8.6	15.3	10.3	18.2	13.9
£25,001-£50,000	10.6	10.1	10.4	8.5	11.1	7.4	11.6	10.6	10.8	9.3	9.1	7.9
£50,001-£100,000	11.7	12.7	10.6	8.1	9.4	8.0	8.3	14.6	10.4	11.0	6.8	8.7
£100,001-£500,000	21.8	21.4	21.8	26.7	14.8	20.3	16.6	27.1	19.5	23.5	15.9	16.9
£500,001 plus	9.0	16.6	9.1	15.6	10.3	11.0	9.4	13.3	9.4	14.9	10.2	9.6

Figure 2.5 Sample comparisons between NTSS, Northern Rock Foundation Third Sector Trends and Third Sector Trends 2013	West Yorkshire		South Yorkshire		Humber		North Yorkshire and the City of York		Yorkshire and the Humber		National NTSS average
	NTSS (2010)	Third Sector Trends (2013)	NTSS (2010)	TSO1 Third Sector Trends (2013)	NTSS (2010)	Third Sector Trends (2013)	NTSS (2010)	Third Sector Trends (2013)	NTSS (2010)	Third Sector Trends (2013)	
£0-£10,000	34.1	29.6	32.4	29.5	37.0	41.8	38.1	25.8	34.7	31.0	39.7
£10,000 - £100,000	35.1	32.4	36.8	28.2	37.9	27.1	35.9	33.8	36.5	30.6	34.1
£100,000 plus	30.8	38.0	30.9	42.3	25.1	31.3	26.0	40.4	28.9	38.4	26.1

3 Sector structure

This section presents data on the key characteristics of the Third Sector as a whole in Yorkshire and the Humber. In so doing, the analysis will provide a sound basis for analysis in subsequent sections of the report. The following areas of exploration are covered in this section:

- Legal form of TSOs in Yorkshire and the Humber.
- Area and scale of operation of TSOs.
- Beneficiaries of TSOs’ activity.
- Principal service activities of TSOs.
- Principal service areas of activity of TSOs.

3.1 Legal form of TSOs

Figure 3.1 shows what proportion of TSOs are informal or formally constituted entities. Respondents were able to state whether they fitted into more than one of the categories listed in the table. The majority of respondents were registered charities (n=639). Many TSOs were Companies Limited by Guarantee (CLG=262), Industrial and Provident Societies (IPS=16) or the more recently established legal form of Community Interest Companies (CIC=26).

Organisations were also asked whether they considered themselves to be ‘social enterprises’ which is not a legal form as such, but more of an identifier of organisational business ethos: only 90 subscribed to this definition. A total of 167 organisations defined themselves an informal organisations or groups.

Organisations legal form or type	N=	Percentage of whole sample
Informal organisation or group	167	13.4
Faith organisation	19	1.5
Unregistered charity	31	2.5
Registered charity	520	41.6
Registered charity (branch of larger organisation)	119	9.5
Social enterprise	90	7.2
Company Limited by Guarantee	262	21.0
Community Interest Company	26	2.1
Industrial and Provident Society	16	1.3
Total responses	1,250	100.0

3.2 The area of operation of TSOs

It is useful to know the extent to which TSOs work across geographical areas. This is because local authorities or local Third Sector infrastructure organisations may sometimes consider the ‘local Third Sector’ as the sole contributor to Third Sector activity. But in fact, many organisations from neighbouring or more distant local authorities and districts may work in the area, just as local TSOs may work in other local authorities or districts.

Figure 3.2 presents data on those organisations which worked at different spatial levels. In this table, the widest area of operation is used. So if an organisation stated that it worked both at neighbourhood/village level and across the whole local authority area, the higher level is recorded. For each category of area of operation, the characteristics of TSOs principal location of operation is also shown (i.e. mainly rural to mainly inner-city). Expressed as row percentages, the figure shows the extent to which organisations operating at different spatial levels were more likely to be focused in areas with particular spatial characteristics. The following findings are worth noting:

- Of those TSOs that operate only at neighbourhood or village level, 40% operate mainly in rural areas, and a total of 59% work in rural or a mix of rural and urban areas.
- TSOs that operate at local authority (or district level in North Yorkshire) tend to focus activity in either a mix of rural and urban areas (41%) or urban/inner city areas (53%).
- TSOs operating in more than one local authority or district area tend to focus activities in a mix of urban and rural areas – suggesting breadth of activity. Few appear to operate solely in rural or in inner city areas.
- TSOs operating at regional level or beyond the region tend to work in a mix of urban and rural areas and few focus on discrete rural or inner city areas.

Figure 3.2 Highest level of area of operation for organisations or groups (row percentages)	Mainly in rural areas	A mixture of rural and urban areas	Mainly in urban areas	Mainly in inner city areas	Total
Neighbourhood/village	40.0	18.7	35.7	5.7	230
Local Authority area (or one District of North Yorkshire)	6.5	40.6	35.5	17.5	434
More than one Local Authority / District area	7.0	69.0	15.5	8.5	142
Regional (e.g. Yorkshire and the Humber)	10.5	60.5	16.3	12.8	86
More than one region in the North of England	10.0	65.0	15.0	10.0	20
Nationwide	3.2	77.4	16.1	3.2	62
International	3.8	96.2	0.0	0.0	26
Whole sample	14.4	45.5	28.5	11.6	1000

Figure 3.3 considers the relationship between the areas where TSOs mainly work and their size (as measured by income in the last year). It is apparent from these

data that organisations operating mainly rural areas tend to be smaller than the sector average. Indeed 74% have incomes below £50,000 compared with those TSOs which work across a wider area. This helps to explain why such a large number of TSOs operating primarily at village/neighbourhood level tend to be focused in rural areas.

Figure 3.3

Size of TSOs operating in areas of different characteristics (column percentages)

	Mainly in rural areas	A mixture of rural and urban areas	Mainly in urban areas	Mainly in inner city areas	Totals
Under £5,000	36.4	19.3	26.5	12.6	23.3
£5,000 to £50,000	37.9	22.9	31.3	16.2	26.7
£50,000 to £250,000	18.6	26.4	19.6	37.8	24.7
£250,000 or more	7.1	31.4	22.5	33.3	25.3
N=	140	420	275	111	946

When considering the distribution of service functions of organisations working in rural or urban areas, it is apparent that TSOs have broadly similar characteristics.²⁴ As shown in Figure 3.4, of those organisations which work mainly in rural areas, 40% deliver direct services to beneficiaries – which is a similar percentage to TSOs working in areas with mixed or purely urban characteristics. By contrast, only about half as many of those TSOs which operate in rural areas provide secondary services such as advice and guidance or advocacy when compared with TSOs working in more urban areas.

While TSOs operating only in rural areas are more likely to offer infrastructure support to other voluntary organisations, there are many more which assigned themselves to the ‘other’ category – these are mainly small organisations working in the fields of arts, sport, music and environmental issues. It is worthy of note that TSOs operating only in inner-city areas are most likely to be involved in primary service delivery to beneficiaries (40%) or delivering secondary services (43%). This is a stronger than average focus on direct service delivery which may derive mainly from particular public sector funding streams to tackle inner-city problems.

²⁴ For a fuller description of these service functions, see Section 3.4, below.

Figure 3.4 Main function of TSOs (column percentages)	Mainly in rural areas	A mixture of rural and urban areas	Mainly in urban areas	Mainly in inner city areas	Whole sample
Provides front-line services to beneficiaries (e.g. providing accommodation, care services, training etc)	38.9	35.2	39.1	39.7	37.3
Provides direct support services to beneficiaries (e.g. providing advocacy, advice and guidance)	18.1	33.8	34.9	43.1	32.9
Provides indirect support services to beneficiaries (e.g. carrying out research, policy development, campaigning)	4.2	6.2	6.0	2.6	5.4
Provides grants to the voluntary and community sector as a Foundation or Trust	2.1	1.3	0.7	0.0	1.1
Provides infrastructure support to the voluntary and community sector	14.6	11.4	7.4	7.8	10.3
Other (mainly arts, sport, music and environment)	22.2	12.1	12.0	6.9	12.9
N=	144	455	284	116	999

3.3 Beneficiaries of TSO activity

Figure 3.5 shows the percentages of organisations and groups which offer services or support to categories of beneficiaries. The figure is arranged with the most common categories of beneficiaries at the top and the least common at the base. Excluding ‘people in general’, the top four priority areas are: children and young people, older people, people with health or mental health difficulties, and people with physical disabilities. Differences between sub-regions are not particularly pronounced in some areas of beneficiary support (marked in light blue). In others there are quite clear variations as noted in the following bullet points:

- A focus on children and young people is stronger in the larger metropolitan sub-regions of West and South Yorkshire (40% of TSO serve this beneficiary group).
- As would be expected few TSOs serve the interests of disadvantaged people in urban areas in the relatively affluent rural areas North Yorkshire and York (just 6% compared with average 23%).
- Concentration of attention on workless or unemployed people is more prevalent in the metropolitan areas of West and South Yorkshire and in Humberside (between 20-26%) compared with just 12% in North Yorkshire.
- Concern to serve the interests of beneficiaries in rural areas is by far the strongest in North Yorkshire (26% of TSOs compared with 13% sector average).
- Supporting beneficiaries from ethnic minorities is focused mainly in metropolitan sub-regions and particularly West Yorkshire (15% of TSOs).

- Concentration on homelessness and housing issues is strongest in South Yorkshire (16% of TSOs compared with sector average of 11%).

Providing support to people from ethnic minorities may be under-estimated to some extent in Figure 3.5. This assertion is supported by Figure 3.6. which details the proportion of organisations serving the interests of specific ethnic minority groups. Indeed, these data show that between 33-39% of TSOs in West, South and Humber provide some support to ethnic minority beneficiaries – while in North Yorkshire it is just 21%. It is notable that a number of organisations are specifically serving the interests of recent migrant groups including Eastern European migrants, asylum seekers and refugees.

As Figure 3.7 indicates, services to ethnic minority groups mirrors, to a limited extent, population statistics on minority population groups: 4.9% of TSOs in West Yorkshire, for example, serve the 10% of the population who are Asian or Asian British, but only 1% of organisations in South Yorkshire, where 4.3% of the population is Asian or Asian British. It is important to qualify the finding that in North Yorkshire and the City of York, with the exception of Gypsies and Travellers, no charities deal with issues facing other ethnic minority groups. This is an anomaly produced by the categories used in the survey question: in fact 13% of TSOs state that they serve the interests of ‘any ethnic minority’ rather than the interests of particular ethnic minority groups.

Figure 3.5 Main beneficiaries of organisation's or group's activities (percentage of sample responses in descending order)	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
People in general	49.5	49.4	50.8	47.7	50.8
Children and young people	40.5	40.1	31.2	24.8	37.3
Older people	31.3	37.7	32.3	30.9	34.0
People with health or mental health difficulties	30.8	35.8	28.6	31.5	32.7
People with physical disabilities	21.1	30.4	23.8	31.5	26.2
People in disadvantaged urban areas	26.7	27.6	20.1	6.0	23.3
Unemployed/workless people	22.3	26.1	20.6	12.1	22.0
Carers	13.8	17.5	12.7	22.1	16.2
People in rural areas	10.4	8.6	13.2	26.2	13.2
People of a particular ethnic or racial origin	15.5	11.7	7.9	4.7	11.8
People with homelessness and housing issues	10.0	16.0	8.5	8.7	11.3
People with concerns about gender and sexuality	4.4	5.8	4.2	2.0	4.5
N=	412	257	162	149	980

Figure 3.6 Percentage of population in each ethnic group (% of TSOs serving interests in brackets) ²⁵	% White, British	% Mixed (no data from TSOs)	% Asian or Asian British	% Black or Black British	% Chinese	Total population (1000s)
West Yorkshire	81.6	1.8	10.2 (4.9)	1.9 (2.9)	0.5 (1.0)	2,226,700
South Yorkshire	89.2	1.4	4.3 (0.8)	1.5 (1.2)	0.8 (1.2)	1,317,300
Humber	92.3	1.0	2.5 (1.6)	0.8 (1.6)	0.8 (0.5)	917,500
North Yorkshire & City of York	92.2	1.0	2.2 (0.0)	0.7 (0.0)	0.4 (0.0)	796,600

Figure 3.7 If organisation or group works mainly with ethnic minority people, whose interests are mainly served (percentage of sample responses)	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Any ethnic group interests	24.0	23.0	19.0	13.4	21.8
Asian interests - general	4.9	0.8	1.6	0.0	2.6
Bangladeshi interests	2.7	1.2	1.1	0.0	1.6
Indian interests	2.9	1.2	1.1	0.0	1.7
Pakistani interests	3.2	1.2	1.1	0.0	1.8
Black interests - general	2.9	1.2	1.6	0.0	1.8
Black Caribbean interests	2.9	1.6	1.1	0.0	1.8
Black African interests	3.4	3.1	1.6	0.0	2.6
Chinese interests	1.0	1.2	0.5	0.0	0.8
Eastern European migrant interests	1.5	1.9	1.6	0.0	1.4
Asylum seekers and refugee interests	4.1	6.2	2.1	0.0	3.8
Gypsies or Travellers' interests	1.5	0.8	0.5	1.3	1.1
<i>Other</i>	6.8	6.2	5.3	8.1	6.7
<i>No Answer</i>	63.8	68.5	61.9	79.2	68.8
N=	412	257	162	149	980

3.4 Main services activities of TSOs

Figure 3.8 shows the principal service activities of TSOs in each of the sub-regions of Yorkshire and the Humber and for the sample as a whole. In the survey, TSOs activities were sub-divided into a series of discrete categories. These are defined as follows:

- **Primary services:** organisations whose *main function* is to provide ‘front-line’ services to individual beneficiaries such as providing accommodation, delivering care services, community transport, providing specific training, and so on.
- **Secondary services:** organisations whose main function is to provide direct support services to individual beneficiaries such as advocacy, information, advice and guidance.

²⁵ Note: Breakdown of ethnic minority communities data in 2009 is available at this site:

<https://docs.google.com/spreadsheet/ccc?key=0AonYZs4MzIZbdFJ6OVF1U3JZTXEYnFjb0k1clJvOFE&hl=en#gid=0>

- **Tertiary services:** organisations whose main function is to provide services which may have a direct impact on beneficiaries, but this usually occurs through intermediaries. Three types of tertiary services are defined:
 - Provides indirect support services to beneficiaries (e.g. research, policy analysis, campaigning)
 - Provides grants to the voluntary and community sector as a Foundation or Trust
 - Provides infrastructure support to the voluntary and community sector
- **Other services:** many organisations did not allocate themselves to one of the above categories. Where enough information was available they were re-classified. Those which remained in this category were mainly small TSOs involved in community activities, arts, sports music and social or leisure activities (such as dance clubs, coffee morning groups, etc.)

In all the above definitions, TSOs are defined according to their 'main' area of service delivery. But this does not mean that organisations only participated in one aspect of service delivery. More often than not, TSOs engage in a range of activities combining primary, secondary and tertiary service roles.

For the sector as a whole, it is clear that about 38% of TSOs' main role is to deliver front-line primary services to beneficiaries (including, for example, training, accommodation or social care). About a third of TSOs say that their principal role is to deliver secondary services (such as advocacy or advice and guidance).

Those TSOs offering tertiary services are mainly involved with the delivery of indirect support service to beneficiaries (such as research, policy or campaigning: about 5% of TSOs) or giving support to the Third Sector itself as infrastructure organisations such as councils for voluntary services (10%) or as grant giving foundations or trusts (only 1%). It is likely that the number of infrastructure organisations is somewhat inflated in the sample as they would be amongst the most likely TSOs to see the relevance of the survey. Differences between sub-regions are not particularly pronounced – although there are more arts, sport, music and environmental organisations in the major urban areas of West and South Yorkshire.

There are also many other organisations which did not fit neatly into any of the above categories. These are shown to be mainly small organisations which are engaged with the arts, sport, music and environmental issues. It is also notable, and to be expected, that larger TSOs are much more likely to be engaged in primary and secondary service delivery than smaller TSOs.

There are some variations in the types of service provision TSOs offer when compared by areas with differing geographical characteristics. As Figure 3.8 shows, a similar number of TSOs consider that their principal activities are to deliver primary services irrespective of whether they operate in rural or urban areas. By contrast, there are few TSOs in mainly rural areas which offer secondary services (just 18% compared with a sector average of 37%), and many more smaller TSOs (22% compared with a sector average of 13%) are involved in the delivery of arts, sports, music or environmental activities.

Figure 3.8 Main function of TSOs (column percentages)	Mainly in rural areas	A mixture of rural and urban areas	Mainly in urban areas	Mainly in inner city areas	Whole sample
Provides front-line services to beneficiaries (e.g. providing accommodation, care services, training etc)	38.9	35.2	39.1	39.7	37.3
Provides direct support services to beneficiaries (e.g. providing advocacy, advice and guidance)	18.1	33.8	34.9	43.1	32.9
Provides indirect support services to beneficiaries (e.g. carrying out research, policy development, campaigning)	4.2	6.2	6.0	2.6	5.4
Provides grants to the voluntary and community sector as a Foundation or Trust	2.1	1.3	0.7	0.0	1.1
Provides infrastructure support to the voluntary and community sector	14.6	11.4	7.4	7.8	10.3
Other (mainly arts, sport, music and environment)	22.2	12.1	12.0	6.9	12.9
N=	144	455	284	116	999

A more detailed picture of the services offered by TSOs in the region is provided in Figure 3.9. As this study is drawing upon a self-selected sample of TSOs it is necessary to compare with the 2007/8 Third Sector Trends study undertaken by Kane and Mohan to assess the representativeness of the sample. In Kane and Mohan's study, all TSOs which were registered at the Charity Commission, Industrial and Provident Societies (IPS) and Community interest Companies (CIC), or non-profit making Companies Limited by Guarantee (CLG) were included in the analysis.

- The first column of the table (coloured pale blue) shows the proportion of TSOs engaged in each field of activity as a percentage of the whole 2013 Third Sector Trends study.
- The second column, (also coloured pale blue) shows what percentage of TSOs were engaged in the same fields of activity in 2007/8.²⁶

The third column of the figure shows the difference between the two studies. This is not an indicator of change in the sector, but instead, shows differences in the compositions of TSOs in each study. It is important to take note of these differences because, as the analysis progresses, it may be the case that anomalies need to be explained on the basis of different sample characteristics.

The principal areas of considerable difference are as follows:

- The Third Sector Trends sample in 2013 has many more organisations, proportionately, providing services in the following areas: culture and

²⁶ Excluded from this analysis are the 38% of TSOs in the 2013 Third Sector Trends survey which stated that they provided services as an informal support group, social or leisure club or group. They have been removed because this category was not included in the study by Mohan and Kane.

recreation, community development, education, health, employment and training, infrastructure bodies, environment, law and advocacy.

- The Third Sector Trends sample in 2013 has many fewer organisations, proportionately, providing services in the following areas: parent teachers associations; and to a lesser extent, social services and grant making bodies.
- The proportion of TSOs are broadly similar in the following service areas: religious organisations, playgroups, international organisations, research organisations.

These differences are derived largely from the approach adopted by Kane and Mohan to allocate TSOs to single categories of activity using available Guidestar data. This means that allocation is not by self selection by individual organisations as in the case of the present study. In this study, by contrast, no limit was placed on TSOs in stating what services they offered. Clearly many TSOs often get involved in more than one activity. By recording every area of activity, it is possible to get a much more clear impression of the level of attention given to the whole range of service delivery areas.

Figure 3.10 offers a more clear picture of the relevance of beneficiary service area by crosstabulating these data with the approach to service provision. The beneficiary service areas in this figure are listed in descending order by the number of TSOs stating that they offer support in each area (that is, the largest group of 377 TSOs offer informal support to the smallest group of 11 TSOs which are involved in international activity). It is evident from this figure that in some areas of beneficiary service support, TSOs are much more likely to be delivering primary services – that is, hands on, front line support to individuals. It is useful to highlight the main areas of support:

- Over half of TSOs in employment and training and social services mainly provide **primary support**.
- Between 30-50% of TSOs in the following areas mainly provide **primary support**: culture and recreation, community development, education, health, housing, playgroups, scout groups and youth clubs.
- Over half of TSOs in law and advocacy mainly provide **secondary support**.
- Between 30-50% of TSOs in health, housing and research mainly provide **secondary support**.
- Over half of TSOs providing infrastructure support and grant making foundations mainly provide **tertiary support**.

These findings usefully demonstrate that while TSOs may be involved in a particular area of beneficiary service, their roles within that area may be diverse. For example, within the field of 'health', organisations may be engaged with direct service delivery – such as the provision of physiotherapy. They may be providing secondary services, such as advocacy, information, advice and guidance to people with health problems. Or they may be providing tertiary services as a grant maker to other TSOs engaged indirect services, providing infrastructure support to TSOs working in the health field, or undertaking research and or campaigning in the field of health. Many TSOs may be engaged in several different ways. This explains why only 45% of TSOs in the health field are actually engaged in front-line (or primary) service delivery.

Figure 3.9 Services provided by TSOs in Yorkshire and the Humber	As a percentage of whole TSO1000 sample	As a % of all TSOs in 2007-8 census	Difference between TSO1000 and 2007-8 Census	2013 Survey of 1000 TSOs N=	2007-8 Census of registered charities N=
Social Services (e.g. care services for disabled people, older people, children, etc.):	15.4	19.6	-4.2	154	2,130
Culture and recreation (e.g. sports clubs, arts groups, museums, galleries, heritage, leisure facilities, etc.):	31.3	14.7	16.6	313	1,596
Parent teacher associations:	0.5	9.9	-9.4	5	1,072
Community development (e.g. economic, social or community development: such as community transport, community association):	24.9	8.8	16.1	249	957
Religion (e.g. organisations with religious goals):	5.6	6.2	-0.6	56	675
Education (e.g. educational foundations, school funds, educational charities):	18.9	5.4	13.5	189	589
Playgroups and nurseries (e.g. nurseries, playgroups, early years centres, kindergartens, pre-school):	7.7	5.4	2.3	77	584
Grant making foundations (e.g. private individual, family or corporate foundations):	2.2	5.3	-3.1	22	574
Scout groups and youth clubs:	6.2	3.8	2.4	62	415
Health (e.g. hospital services, hospital league of friends, hospices and nursing homes, mental health support, air ambulance services):	16.7	3.6	13.1	167	392
Village halls (e.g. village halls, memorial halls):	7.6	3.6	4.0	76	387
Environment (e.g. recycling, sustainability, natural world protection, wildlife, veterinary services):	12.6	3.4	9.2	126	369
Housing (e.g. housing trusts, organisations providing housing support):	7.8	2.8	5.0	78	304
Law and advocacy (e.g. citizen advice, equality and diversity, credit and debt counselling, refugee and immigrant community support, prisoner rehabilitation, victim support, consumer safety and advocacy):	10.7	2.3	8.4	107	247
International (e.g. aid and services provided in overseas countries, disaster and famine relief, development and assistance):	1.1	1.8	-0.7	11	197
Research (e.g. foundations funding research, including medical research):	2.7	1.8	0.9	27	191
Employment and training (e.g. training providers, re-employment, business partnerships):	17.9	1.0	16.9	179	112
Umbrella bodies (e.g. infrastructure bodies providing support to civil society groups, including CVSs, volunteer bureaux, national infrastructure bodies):	6.2	0.8	5.4	62	92

Figure 3.10 Main approach to service provision by TSOs in areas of beneficiary support	Provides front-line services to beneficiaries (e.g. providing accommodation, care services, training etc)	Provides direct support services to beneficiaries (e.g. providing advocacy, advice and guidance)	Provides tertiary services (research and campaigning, infrastructure support or grant giving)	Other (mainly small arts, music, sport and environment groups)	N=
An "informal" support group, social or leisure club or group	31.0	28.9	10.1	30.0	377
Culture and recreation (e.g. sports clubs, arts groups, museums, galleries, heritage, leisure facilities, rotary clubs, etc.)	34.2	14.4	13.1	38.3	313
Community development (e.g. economic, social or community development: such as community transport, community association)	30.2	21.4	20.2	28.2	248
Education (e.g. educational foundations, school funds, educational charities)	42.9	19.6	11.6	25.9	189
Employment and training (e.g. training providers, re-employment, business partnerships)	50.8	27.4	10.1	11.7	179
Health (e.g. hospital services, hospital league of friends, hospices and nursing homes, mental health support, air ambulance services)	45.5	35.3	12.0	7.2	167
Social Services (e.g. care services for disabled people, older people, children, etc.)	64.3	26.0	4.5	5.2	154
Environment (e.g. recycling, sustainability, natural world protection, wildlife, veterinary services)	31.7	7.1	24.6	36.5	126
Law and advocacy (e.g. citizen advice, equality and diversity, credit and debt counselling, refugee and immigrant community support, prisoner rehabilitation, victim support, etc.)	12.1	67.3	10.3	10.3	107
Housing (e.g. housing trusts, organisations providing housing support)	48.7	34.6	7.7	9.0	78
Playgroups and nurseries (e.g. nurseries, playgroups, early years centres, kindergartens, pre-school)	36.4	23.4	15.6	24.7	77
Village halls (e.g. village halls, memorial halls)	21.1	10.5	23.7	44.7	76
Scout groups and youth clubs	38.7	14.5	8.1	38.7	62
Umbrella bodies (e.g. infrastructure bodies providing support to civil society groups, including CVSS, volunteer bureaux, national infrastructure bodies)	8.1	14.5	71.0	6.5	62
Religion (e.g. organisations with religious goals)	28.6	16.1	16.1	39.3	56
Research (e.g. foundations funding research, including medical research)	29.6	29.6	11.1	29.6	27
Grant making foundations (e.g. private individual, family or corporate foundations)	4.5	13.6	59.1	22.7	22
International (e.g. aid and services provided in overseas countries, disaster and famine relief, development and assistance)	27.3	9.1	18.2	45.5	11

Figure 3.11 shows differences in the activities of TSOs according to their location within each of the four sub-regions of Yorkshire and the Humber and by their size. It is apparent that differences in the levels of involvement in primary service delivery are relatively small, with the exception of Humber where levels of primary service delivery are somewhat lower; but secondary service delivery is considerably higher than in the other sub regions. When the size of organisations is compared, by contrast, big differences emerge: 45% of larger TSOs are engaged mainly in primary service delivery compared with 30% of smaller TSOs. Smaller TSOs are much more likely to be in 'other' category – where such organisations mainly consist of small groups involved in arts, sport, music or environmental issues.

Figure 3.11

Main function of TSOs by sub-region and organisational size categorised by income (column percentages)

	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Smaller TSOs (under £50,000 income)	Larger TSOs (over £50,000 income)	Whole sample
Provides front-line services to beneficiaries (e.g. providing accommodation, care services, training etc)	37.0	39.7	32.5	40.4	29.6	45.2	37.3
Provides direct support services to beneficiaries (e.g. providing advocacy, advice and guidance)	32.5	33.1	38	29.1	31.2	34.7	32.9
Provides indirect support services to beneficiaries (e.g. carrying out research, policy development, campaigning)	5.3	3.9	6.1	6.6	8.3	2.4	5.4
Provides grants to the voluntary and community sector as a Foundation or Trust	1.0	0.8	1.2	2.0	0.8	1.4	1.1
Provides infrastructure support to the voluntary and community sector	8.9	10.5	12.3	12.6	9.1	11.6	10.3
Other (mainly arts, sport, music and environment)	15.4	12.1	9.8	9.3	20.9	4.7	12.9
N=	416	257	163	151	506	493	999

4 Income and assets

This section explores the resources of the Third Sector by presenting data on the following aspects of income and assets.

- Trends using sector-wide data on income and expenditure for the whole of Yorkshire and the Humber.
- The extent of reliance on different sources of income.
- Organisational assets
- Extent and purpose of use of reserves and loans.

4.1 Trends in income and assets in Yorkshire and the Humber

Figure 4.1 presents time-series data on levels of income and expenditure across the Yorkshire and the Humber region drawing upon NCVO data. These data show that there has been a good deal of stability in the sector between 2006/7 and 2010/11. Some variations are worthy of note however. The number of TSOs has fallen by about 3.6%.

The change in sector assets appears, on the surface, to be puzzling as this represents a very significant increase in assets (38.5%) compared with 2006-7. This can largely be accounted for by anomalies in timing of reporting of financial data to the Charity Commission by some very large TSOs and the establishment of some new large charities in the region.²⁷

Figure 4.1						
Sector trends 2008 - 2011	Number of organisations	Sector income (£m)	Sector expenditure (£m)	Sector assets (£m)	Regional population (000s)	Organisations per 1,000 persons
2010-2011 ²⁸	10,278.00	£1,616.00	£1,509.00	£3,218.00	5,258.10	1.9
2006-2007 ²⁹	10,662.00	£1,560.00	£1,406.80	£2,322.70	5,177.00	2.1
Numerical change	-384.0	+56.0	+102.2	+895.3	+81.1	-0.2
% Change	-3.6	+3.5	+7.2	+38.5	+1.6	+10.5

Unfortunately, regional data are not available on discrete income sources over a longer period of time. However, the data on income can be contextualised by considering the longer-term national trends in Third Sector income. Figure 4.2 shows trends in 'voluntary income' (i.e. *grants, endowments and gifts* from individuals,

²⁷ Thanks are due to David Kane at NCVO for clarifying this point – and for confirming that differences are not due to changes in the way that data are collected and recorded.

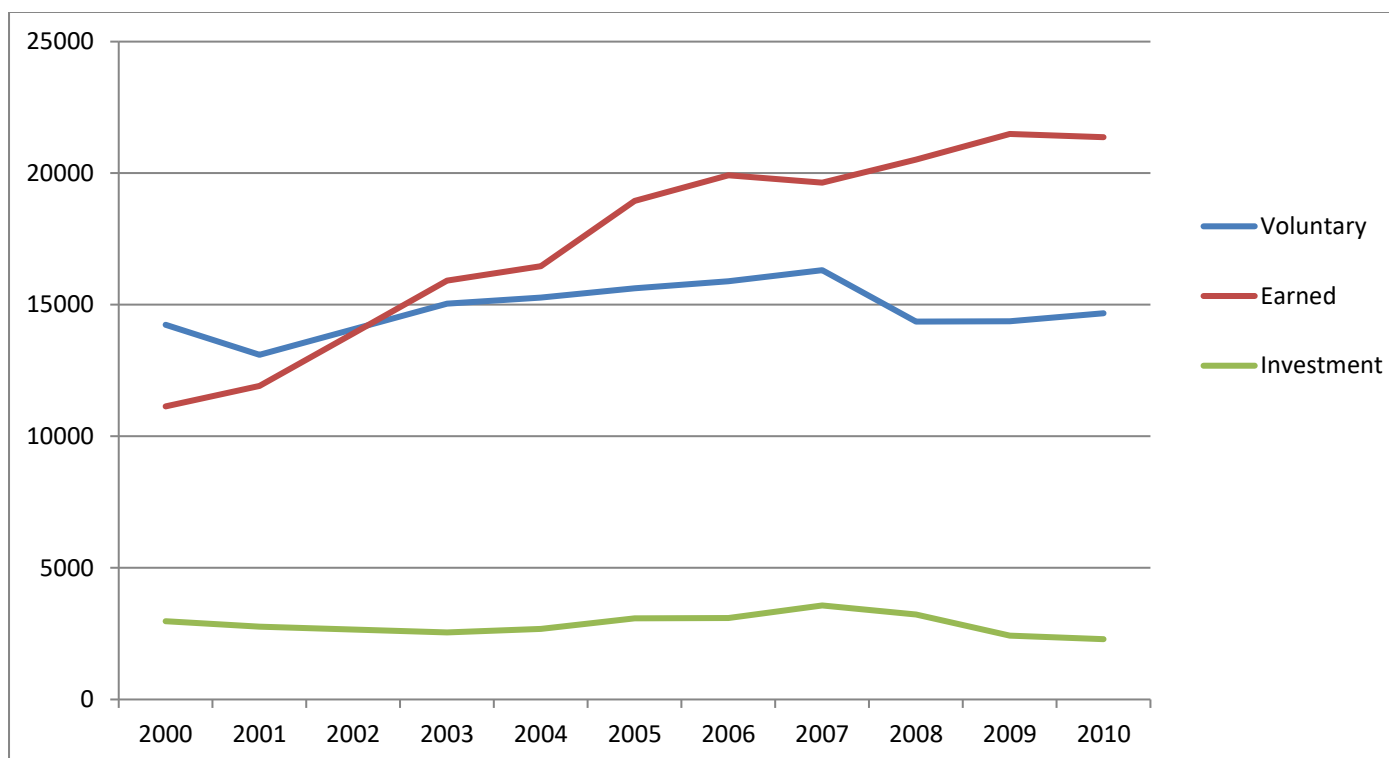
²⁸ Source: These data were kindly provided by David Kane, of NCVO, for this report.

²⁹ Source: Kane and Mohan (2010: 31) *Mapping registered TSOs in Yorkshire and the Humber*, Newcastle, Northern Rock Foundation. It should be noted that Kane and Mohan's report also stated that there may be as many as 14,218 TSOs operating in the region when IPSs, CICs and CLGs (which were not registered as charities) were added to the sum. In Figure 4.1 the smaller number of registered charities is used in order to produce an accurate comparison with NCVOs 2010-11 data.

public sector, private sector, foundations, lottery etc.) 'earned income' (including trading and contracts) and 'investments' between these financial years 2000-2001 to 2010-2011.

These data show that the balance between voluntary income and earned income has shifted quite considerably over time. Voluntary income has remained broadly similar rising from £14.2bn to £14.6bn. Earned income, by contrast, has risen more dramatically from £11.1bn to £21.3bn – a rise of 91%.³⁰ Investment income has remained fairly stable, but has reduced from £2.9bn to £2.1bn.

Figure 4.2 **Third Sector income, expenditure and investment, UK: 2000-2011.**³¹



It is useful to determine how earned income has risen so dramatically by examining change in different types of earned income. As Figure 4.3 shows, earned income from the private sector and voluntary sector has remained relatively stable over time and constitutes only a limited resource to the sector. Trading to individuals has been more turbulent, rising to a peak of £9bn in 2003. The most important change has been the vastly increased volume of earned income from statutory sources. This has risen from £4.5bn to £11.2bn in a decade, representing an increase of 151%.

³⁰ Earned income includes 'contracts' to deliver public sector services. The sharp rise in earned income may mask, to some extent, some anomalies in the way that public sector funds to deliver services have been redefined over time. There is some good evidence to suggest that the terms 'grants', 'contracts' or 'service level agreements' are subject to redefinition from time to time even if the services they pay for are, ostensibly, much the same. See: Macmillan, R. (2010) *The third sector delivering public services: an evidence review*, Working Paper. University of Birmingham, Birmingham, UK; Matthew Jackson, (2010) "Matching rhetoric with reality: The challenge for Third Sector involvement in local governance", *International Journal of Sociology and Social Policy*, Vol. 30 Iss: 1/2, pp.17 – 31.

³¹ Source: NCVO Civil Society Almanac: <http://data.ncvo.org.uk/a/almanac13/almanac/databank/income-2/>

Figure 4.3 Sources of earned income, UK: 2000-2011.³²

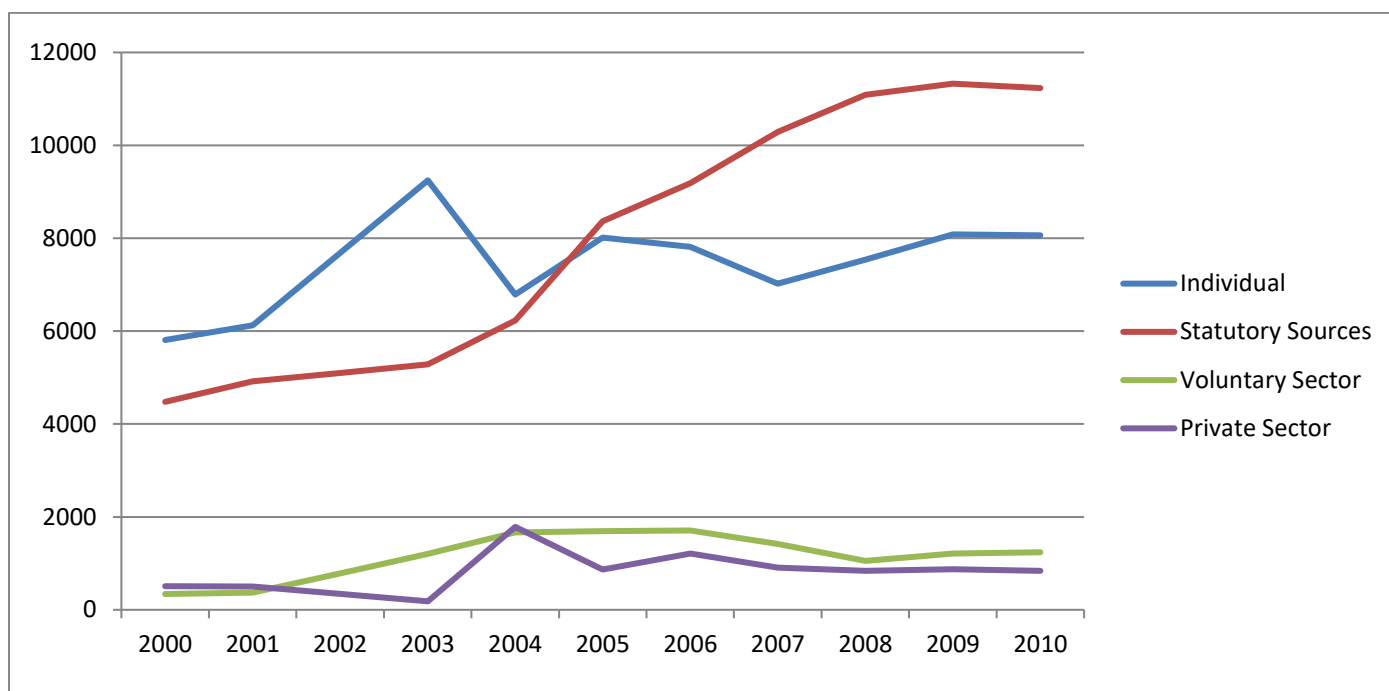


Figure 4.4 shows the proportions of different sources of income earned by charities of different sizes. It is clear from these data that reliance on individual sources of income falls dramatically from 65% of all earned income in micro charities to just 31% for large charities. The reason why ‘major’ charities have such a heavy reliance upon trading to individuals is their strong penetration of the charity marketing via charity shops, direct mailshots and online trading amongst other things. In Yorkshire and the Humber, however, there are relatively few charities of this kind³³ as most are located in London and the South East. Income from statutory sources rises proportionately as TSOs grow in size: from just 1% for micro organisations to 71% for the major TSOs. Voluntary sector earned income is of limited importance to all but the micro TSOs.

Figure 4.4							
Percentage distribution of sources of income by size of TSO ³⁴							
	Micro	Small	Medium	Large	Major	Total	Number of charities
Individual	64.9	59.5	37.9	30.6	20.8	28.1	64,833
Statutory Sources	1.2	32.5	51.5	60.5	70.6	62.8	28,084
Voluntary Sector	33.3	6.2	8.4	5.7	6.0	6.4	17,718
Private Sector	0.5	1.8	2.2	3.1	2.6	2.7	5,648
Total earned income	£59.2	£618.8	£2,618.3	£5,914.6	£8,530	£17,740.8	

³² Source: NCVO Civil Society Almanac: <http://data.ncvo.org.uk/a/almanac13/almanac/databank/income-2/>

³³ In 2010 the five largest charities in Yorkshire and the Humber were UFI Charitable trust (£192.5m income), The Family Trust Fund (£31.6m income), BTCV (£28.9m income), Camphill Village Trust (£27.8m income) and Foundation for Credit Counselling (£23.2m income), Source, Kane and Mohan 2010: 20).

³⁴ Source: recalculated in percentages from raw financial data: NCVO Civil Society Almanac: <http://data.ncvo.org.uk/a/almanac13/almanac/databank/income-2/>

It is unfortunate that these data are not available at regional level for analysis, but a consideration of the national picture helps to provide a general overview of the changing distribution of sources of income over time and will provide a useful backdrop for the analysis of the Third Sector Trends data collected in Yorkshire and the Humber in 2013.

4.2 Reliance on different sources of income

The previous section considered national trends in Third Sector finances. This section considers the relative importance attached to different sources of income in Yorkshire and the Humber. Figures 4.5(a) and 4.5(b) provides an indication of the extent of *relative* reliance upon different sources of income (rather than *actual* reliance on each income source). These data also show if sources of income are relevant at all to TSOs. The data were collected this way for two reasons. Firstly, because respondents generally find it difficult to prioritise sources of income in rank order. Indeed, most organisations have a mixed diet of income streams so it is simply not possible to do this. Secondly, respondents are generally unwilling to divulge actual levels of income from different sources to researchers. This may be partly due to sensitivities surrounding financial disclosure, but is mainly because it would take the too much time to do. In a quantitative survey such as this, the aim is to get as many responses as possible to answer every question to get a broad understanding of sector reliance on different sources of income and how this changes over time.³⁵

Organisations of different sizes have different levels of reliance on income sources. In the analysis that follows the sample is split into two categories of larger and smaller TSOs. Larger TSOs tend to employ staff and tend to operate as more 'formal organisations' because they must attend to finances to meet a wider range of commitments. Smaller TSOs do not generally employ staff on a continuous basis or at all by contrast and tend to be less formal in their organisational practices as a consequence.

- **Grants** – few TSOs say that grant funding is not applicable to them (14% of small organisations and only 3% of larger organisations). Levels of reliance upon grants is relatively similar irrespective of organisational size – although 79% of larger TSOs emphasise that grants are 'most important' or 'important' compared with 67% of smaller TSOs.
- **Contracts** – as would be expected, few smaller TSOs rely upon contracts. Indeed, 70% say they are not applicable to them and only 9% state that they constitute the most important source of income. Larger TSOs are more heavily reliant on contracts: 57% say it is the most important source of income and a further 20% state it is important to them. Only 13% of larger TSOs report that contracts are of no importance to them.
- **Earned income** – for smaller TSOs, earned income plays a significant part in their finances: 27% say that earned income is 'important' or 'most important' to them. But for more than half of these smaller organisations, earned income is not considered to be applicable to them. Larger TSOs are more heavily reliant on earned income – 27% say that this is of most importance to them – although it should be recognised that this is only about half the level of importance attached to grants and contracts. Perhaps surprisingly, 21% of larger TSOs state that earned income is not relevant to them.

³⁵ This is a common failing in the design of local small-scale studies of the Third Sector, resulting in small samples of evidence on the detailed finances of TSOs.

- **Investment income** – that is, income from stocks, shares, savings or other investments are of no importance to 80% of smaller TSOs and 58% of larger TSOs. This provides further indication that the Third Sector is relatively under-capitalised. Indeed just 3% of TSOs, large or small, say that investment income is the most important source of income.
- **Contributions in kind** – include offers of support in terms of time, facilities or consumables from people or organisations to a TSO (so it does not include the contribution of their own volunteers). This tends to be of greater importance to smaller TSOs: 21% state that this is the most important source of income. But 29% also state that contributions in kind are not relevant to them. Larger TSOs also recognise that contributions in kind are important, however, with about 35% stating it is ‘important’ or ‘very important’ to them.
- **Gifts** – are judged to be of greater relative importance by smaller TSOs but not to such an extent as might be expected. Around 53% of smaller and 41% of larger TSOs say that gifts are ‘important’ or ‘most important’ to them. Indeed, only 14% of larger TSOs say that gifts are of no importance, compared with 19% of smaller TSOs.
- **Subscriptions** – are of no importance to about half of smaller and 60% of larger TSOs. Smaller TSOs are more likely to say that subscriptions are ‘most important’ to them (22% compared with 7% for larger TSOs).
- **Borrowed money** – is considered to be of no importance to 93% of smaller TSOs and 77% of larger TSOs. This is a finding of some significance given the current government push to encourage TSOs to take loans to increase their capacity to engage in social investment programmes. Currently only 1.5% of larger TSOs say that borrowed money is most important to them, and just 5% say it is important.

Figure 4.5(a) Relative importance of difference sources of income	Smaller TSOs (under £25,000 income)	Larger TSOs (over £50,000 income)	All TSOs
GRANTS			
Most Important	45.7	50.7	48.4
Important	21.3	28.0	24.9
Of some importance	15.0	14.0	14.5
Least Important	4.1	3.9	4.0
Not applicable	14.0	3.3	8.2
N=	414	485	899
CONTRACTS			
Most Important	9.3	53.7	33.4
Important	8.0	20.0	14.6
Of some importance	5.0	10.2	7.8
Least Important	7.8	3.3	5.3
Not applicable	70.0	12.7	38.8
N=	400	479	879
EARNED INCOME			
Most Important	15.1	26.9	21.4
Important	11.9	22.3	17.5
Of some importance	12.4	20.2	16.6
Least Important	5.8	10.0	8.1
Not applicable	54.7	20.6	36.4
N=	411	480	891
INVESTMENT INCOME			
Most Important	3.2	3.6	3.4
Important	2.5	8.2	5.6
Of some importance	6.4	12.3	9.5
Least Important	8.1	18.4	13.6
Not applicable	79.9	57.5	67.8
N=	407	473	880

Figure 4.5(b) Relative importance of difference sources of income	Smaller TSOs (under £25,000 income)	Larger TSOs (over £50,000 income)	All TSOs
CONTRIBUTIONS IN KIND			
Most Important	20.6	9.9	14.8
Important	24.6	24.4	24.5
Of some importance	20.4	34.9	28.2
Least Important	5.2	17.0	11.6
Not applicable	29.2	13.9	21.0
N=	407	476	883
GIFTS			
Most Important	24.8	19.8	22.1
Important	28.0	22.2	24.9
Of some importance	19.2	27.2	23.5
Least Important	8.6	16.7	13.0
Not applicable	19.4	14.2	16.6
N=	407	486	893
SUBSCRIPTIONS			
Most Important	21.9	7.3	14.0
Important	13.1	9.0	10.9
Of some importance	8.8	11.0	10.0
Least Important	7.1	12.5	10.0
Not applicable	49.1	60.2	55.1
N=	411	480	891
BORROWED MONEY			
Most Important	0.5	1.5	1.0
Important	0.5	5.0	2.9
Of some importance	2.5	7.3	5.1
Least Important	4.0	9.8	7.1
Not applicable	92.6	76.6	83.9
N=	405	482	887

Figure 4.6 takes the analysis forward by comparing the reliance of organisations on grants, contracts and earned income in more finely tuned income brackets and for each of the sub-regions of Yorkshire and the Humber.

- **Grants** – there is not a strong causal relationship between organisational size and a high level of reliance` 1 (that is ‘most important’) on grants. Middle sized organisations are the most reliant, while smallest and largest TSOs are less heavily reliant. By sub-region, it is apparent that reliance on grants are broadly similar irrespective of the area within which they are based (but not necessarily limited to in their work).
- **Contracts** – when considering heavy reliance on contracts, there is a clear association between organisational size and levels of dependence: rising from just 8% for the micro TSOs to 64% for the largest. Sub regional variations are not pronounced.
- **Earned income** – earned income (not including contracts) becomes more important to TSOs as they grow in size to organisations with incomes of between £50,000-250,000. Thereafter, heavily reliance on this source of income falls. At sub-regional level, levels of reliance on earned income is similar although there is some indication that more rural areas may be more reliant on earned income that more urban areas.

As Figure 4.7 indicates, there appears to be quite a strong relationship between the spatial characteristics of the places where TSOs work and reliance upon earned income (excluding grants) in relative terms. Indeed, 31% of TSOs working in rural areas consider earned income as most important compared with just 17% of those working in urban areas. It may be assumed that this is an anomaly produced by a surfeit of smaller TSOs working in rural areas. But as analysis of Figure 3.3 has shown, that is unlikely to be the case.

When size of organisations is taken into account it is revealed that within rural areas, 22% of smaller TSOs (under £50,000 income) and 46% of larger TSOs (over £50,000 income) are heavily reliant upon earned income. For urban areas, these percentages are 11% and 21% respectively. While this observation is speculative, it could be the case that TSOs in rural areas have had to become more enterprising due to a lack of heavy investment by government programmes (such as Neighbourhood Renewal Funds or New Deal for Communities which were focused on deprived urban areas).

Figure 4.6					
Relative importance of earned income by spatial characteristics of areas of work	Mainly in rural areas	A mixture of rural and urban areas	Mainly in urban areas	Mainly in inner city areas	All TSOs
Most Important	31.4	22.8	17.1	17.7	21.8
Important	12.9	20.3	17.1	14.2	17.6
Of some importance	7.9	17.9	16.8	20.4	16.4
Least Important	4.3	7.4	8.6	13.3	8.0
Not applicable	43.6	31.7	40.4	34.5	36.2
N=	140	448	280	113	981

Figure 4.7 Relative importance of earned income by spatial characteristics of areas of work	Mainly in rural areas		A mixture of rural and urban areas		Mainly in urban areas		Mainly in inner city areas		All TSOs
	Smaller TSOs	Larger TSOs	Smaller TSOs	Larger TSOs	Smaller TSOs	Larger TSOs	Smaller TSOs	Larger TSOs	
Most Important	22.7	45.7	14.0	29.4	11.5	21.4	14.3	18.8	21.8
Important	10.2	20.0	15.2	23.0	11.5	23.1	0.0	20.0	17.6
Of some importance	8.0	11.4	14.6	19.4	11.5	25.6	17.9	18.8	16.4
Least Important	3.4	8.6	6.7	7.7	4.6	12.8	14.3	13.8	8.0
Not applicable	55.7	14.3	49.4	20.6	61.1	17.1	53.6	28.8	36.2
N=	88	35	164	248	131	117	28	80	981

Figure 4.8 compares the extent of reliance on grants, contracts and earned income in each of the four sub-regions of Yorkshire and the Humber. These data show that reliance on grants does not differ significantly across the sub-regions. Reliance on contracts does appear to differ to some extent with a higher level of reliance in West Yorkshire. As noted in discussion of previous tables, it is apparent that reliance on earned income is the strongest in North Yorkshire & City of York when compared with the predominantly urban areas of West and South Yorkshire.³⁶

Figure 4.9 provides an indication of the extent to which organisational income has fallen, remained the same or risen over the last two years. It is important to recognise that changes to the income of individual organisations does not necessarily indicate that they are flourishing, moribund or in a crisis. Income fluctuation is, in fact, more or less endemic in TSOs.³⁷ For the sector as a whole, however, measures of income fluctuation can give some indication of general financial wellbeing. The data in this figure are split into small cohorts of TSOs by income in the previous year. This has been done to examine some of the finer differences in the experiences of organisations throughout the sector.

When organisations of different sizes are compared, as shown in Figure 4.8, it is clear that as TSOs become bigger, the less likely they are to have had stable income over the last two years. Indeed, 81% of the micro TSOs had stable income, but this percentage descends steadily to just 46% for those TSOs which had an income of between £250,000 and £500,000. The largest TSOs with income above £500,000 seem to have experienced higher levels of stability however – and especially so in the case of those TSOs with income above £1m (70% of which had stable income). In short, it is a mixed picture and it is not safe to make too many generalisations about TSOs experiences of income fluctuations over the last two years.

Falling income has been experienced by organisations of all sizes – but it is middle income TSOs which seem to have been affected most in this respect: around a third of TSOs with income between £50,000 and £500,000 have had significantly falling income. Rising income, paradoxically, has also been amongst the most common in this middle income group of TSOs. This finding clearly shows that commentators should guard against making generalised comments about falling income in the sector – on the contrary it is a mixed picture.

³⁶ As observed in a briefing paper on local authority spending cuts by Yorkshire and the Humber Forum (2011, p.4), levels of reliance on public sector income varied considerably between local authority areas from just 28% in North Yorkshire and 30% in the East Yorkshire compared with 46% in Hull.

³⁷ For a detailed exploration of income fluctuations in TSOs, see Chapman, T. and Robinson, F. (2013) *On the Money*, Newcastle: Northern Rock Foundation.

Figure 4.8

Relative importance of grants, contracts and earned income by sub region

	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
GRANTS					
Most important	47.1	50.2	48.1	47.0	48.1
Important	26.5	23.0	22.8	22.8	24.4
Of some importance	13.6	15.6	10.5	20.8	14.7
Least important	3.6	3.1	6.8	3.4	4.0
Not applicable	7.8	7.0	11.1	6.0	7.9
<i>No Answer</i>	1.5	1.2	0.6	0.0	1.0
N=	412	257	162	149	980
CONTRACTS					
Most important	33.5	26.8	31.5	30.9	31.0
Important	12.6	17.1	13.0	15.4	14.3
Of some importance	7.5	8.6	8.0	9.4	8.2
Least important	5.8	5.8	4.9	4.7	5.5
Not applicable	38.3	38.9	37.0	34.2	37.7
<i>No Answer</i>	2.2	2.7	5.6	5.4	3.4
N=	412	257	162	149	980
EARNED INCOME					
Most important	19.4	21.8	24.1	26.2	21.8
Important	18.2	17.9	16.7	15.4	17.4
Of some importance	18.2	15.2	11.1	15.4	15.8
Least important	7.5	8.6	8.0	8.1	8.0
Not applicable	34.2	35.8	38.3	32.9	35.1
<i>No Answer</i>	2.4	0.8	1.9	2.0	1.8
N=	412	257	162	149	980

Income in the last financial year	Income rising significantly in last two years	Income stable in the last two years	Income falling significantly in last two years	N=
No income	8.5	80.9	10.6	47
£1 - £2,000	9.4	72.6	17.9	117
£2,001 - £5,000	10.5	76.3	13.2	76
£5,001 - £10,000	6.8	79.5	13.7	73
£10,001 - £25,000	11.8	66.7	21.6	102
£25,001 - £50,000	19.6	59.8	20.7	92
£50,001 - £100,000	11.9	55.0	33.0	109
£100,001 - £250,000	15.6	52.6	31.9	135
£250,001 - £500,000	16.5	46.4	37.1	97
£500,001 - £1,000,000	11.3	59.7	29.0	62
£1,000,001 - £5,000,000	14.4	68.9	16.7	90
All TSOs	12.8	63.7	23.5	1000

It is useful to assess the ‘mood of the sector’ by presenting data on expectations about income and expenditure in the future. Figure 4.9 shows that for the sector as a whole there is considerable optimism about rising income over the next two years: almost 30% expect income to rise (but only 5% of TSO believe that their income will increase *significantly*).

While relatively few TSOs of all sizes expect that income will grow significantly, it is evident that larger TSOs are much more confident about rising income (39%) than the micro TSOs (20%). That stated, 21% of the largest organisations expect income to fall compared with just 11% of the micro TSOs. Differences in sub regional expectations are not particularly strong, although there is some evidence to suggest a higher level of pessimism in West and South Yorkshire about future levels of income.

Expenditure is considered in Figure 4.10. For the sample as a whole, it is clear that more than half of TSOs expect that expenditure will rise in the next two years (more TSO expect expenditure to rise than those who expect income to rise). When considering the size of organisations, it is clear that expectations about expenditure rise progressively as TSOs become larger – although the margins are not enormous – rising from 38% to 53%.

Stability in expenditure is more likely to be expected by the micro organisations (47%), and this percentage falls incrementally to 31% for the largest TSOs. There are no tangible differences in expectations between the four sub-regions of Yorkshire and the Humber.

Figure 4.10 Income will...	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Income will increase significantly	4.2	6.3	4.1	4.0	4.9	5.1	6.2	2.0	4.7
Income will increase	19.6	26.9	32.8	38.8	29.4	29.2	31.5	30.2	29.8
Income will remain similar	53.3	46.3	36.9	27.2	39.8	37.7	43.8	46.3	40.9
Income will decrease	7.9	15.3	18.9	23.2	18.2	15.6	13.0	14.8	16.1
Income will decrease significantly	3.8	4.5	7.4	6.4	5.3	8.9	1.2	4.7	5.5
Not applicable	11.3	0.7	0.0	0.4	2.4	3.5	4.3	2.0	3.0
N=	240	268	244	250	412	257	162	149	980

Figure 4.11 Expenditure will...	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Expenditure will increase significantly	4.6	4.9	5.7	4.4	5.6	3.1	6.8	4.7	5.0
Expenditure will increase	33.3	48.9	52.0	49.2	47.1	47.1	45.1	44.3	46.3
Expenditure will remain similar	47.1	38.8	31.6	30.8	35.9	34.6	37.0	41.6	36.6
Expenditure will decrease	2.9	4.9	7.8	12.8	7.0	8.2	6.8	6.0	7.1
Expenditure will decrease significantly	0.4	1.5	2.5	2.4	1.5	2.7	0.0	2.0	1.6
Not applicable	11.7	1.1	0.4	0.4	2.9	4.3	4.3	1.3	3.3
N=	240	268	244	250	412	257	162	149	980

4.3 Organisational assets

The analysis which follows will examine the extent to which TSOs are bolstered by a range of assets including property, equity on properties upon which a mortgage is held, long-term investments and cash reserves. Before that analysis proceeds, it is useful to make some general observations on the level of assets which are held by TSOs using NCVO national data. Following this a broad statement can be made on what level of reserves TSOs need to hold in order to be regarded as being in a reasonably healthy state financially.

Assets held by charities should not be equated with 'reserves'. Fixed assets can include tangible fixed assets such as property or long-term investments which cannot easily be transformed into liquid assets. Not all liquid assets can be classified as reserves however, as many of these funds may be restricted (in terms of the purposes against which they can be expended). With these points in mind, the Charity Commission defines reserves as follows:

Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. This definition excludes restricted income funds and endowment funds, although holding such funds may influence a charity's reserves policy. Reserves will also normally exclude tangible fixed assets held for the charity's use and amounts designated for essential future spending.³⁸

The NCVO have published useful evidence on the levels of reserves held by TSOs. NCVO provide indications of the levels of 'free reserves' held by TSOs. Free reserves are indicated by the number of months' equivalent expenditure that are available to organisations. In 2010/11, it was calculated that the sector held £47.8bn in free reserves – providing a financial cushion to the equivalent of 16.8 months of expenditure.³⁹

The average level of reserves held appears to be exaggerated to some extent by the substantial free reserves held by grant-making foundations and research foundations. Whereas for other TSOs, the average reserve is closer to 9 months of expenditure. As Figure 4.12 shows, amongst TSOs there is considerable variation in the average number of months of free reserves held.

³⁸ See for more detail: <http://www.charitycommission.gov.uk/publications/cc19.aspx#c1>

³⁹ At the deep point of the recession in 2008/9 the equivalent reserve period fell to just 12.8 months. See: <http://data.ncvo.org.uk/a/almanac13/almanac/voluntary-sector/assets/how-much-does-the-voluntary-sector-hold-as-reserves-2/>

Figure 4.12 Free reserves held by areas of TSO operational activity (2010-2011) expressed as number of months' expenditure	Number of months expenditure held in reserves
Grant making foundations	59.8
Research foundations	58.1
Village halls	24.1
Religion	20.8
Housing	18.3
Health	17.6
Scout groups and youth clubs	14.2
Parent teacher associations	12.4
Education	11.3
Development	8.2
Environment	8.0
Culture and recreation	7.0
Social services	6.9
International	4.9
Law and advocacy	4.7
Playgroups and nurseries	4.5
Employment and training	4.1
Umbrella bodies ⁴⁰	3.3

Source: NCVO UK Civil Society Almanac 2012 <http://data.ncvo.org.uk/a/almanac13/almanac/voluntary-sector/assets/how-much-does-the-voluntary-sector-hold-as-reserves-2/>

Is it possible to state what levels of reserves individual charities *should* hold in order to be regarded as a reasonably financially secure organisation? The Charity Commission makes the following observations:

There is no single level or even a range of reserves that is right for all charities. Any target set by trustees for the level of reserves to be held should reflect the particular circumstances of the individual charity. To do this, trustees need to know why the charity should hold reserves and, having identified those needs, the trustees should consider how much should be held to meet them... The charity's target level of reserves can be expressed as a

⁴⁰ Umbrella bodies are more commonly known as 'infrastructure organisations' in the Third Sector academic, policy and practice literature. In this report, the latter term is used.

target figure or a target range and should be informed by: its forecasts for levels of income for the current and future years, taking into account the reliability of each source of income and the prospects for developing new income sources; its forecasts for expenditure for the current and future years on the basis of planned activity; its analysis of any future needs, opportunities, commitments or risks, where future income alone is unlikely to be able to meet anticipated costs; and its assessment, on the best evidence reasonably available, of the likelihood of each of those needs that justify having reserves arising and the potential consequences for the charity of not being able to meet them. Trustees who hold reserves without attempting to relate their need for reserves to factors such as these will have difficulty in satisfactorily explaining why they hold the amount of reserves that they do.⁴¹

With these observations in mind, the extent to which TSOs in Yorkshire and the Humber hold assets and free reserves will now be assessed. Figures 4.12 and 4.13 compare levels of property ownership of TSOs of different sizes and by their sub-regional location.

- Taking the sample as a whole, it is clear from Figure 4.12 that fewer than 32% of organisations own properties outright (and Figure 4.13 shows that only about 8% of TSOs have a stake in property ownership with a mortgage.)
- Smaller organisations are the least likely to own properties outright (84% have no property compared with 52% of the largest organisations), and larger TSOs tend to have a bigger stake in property. Across sub-regions there are some differences in the levels of property ownership – but they are not particularly pronounced and may have been produced by chance.
- Figure 4.12 shows that TSOs holding mortgages are relatively few (about 7% of all TSOs). It is clear that the largest organisations are most likely to be in this position where 23% hold a mortgage. Sub-regional differences are negligible.

Figure 4.14 examines the extent to which TSOs of different sizes and in different locations have investments (such as stocks and shares, savings, etc.): rising from 14% of the micro TSOs to 46% for the largest. Similarly, and as would be expected, the larger TSOs tend to have more money invested than smaller ones. In this study, no attempt was made to investigate *actual* level of holdings, but rather to get a more general picture of where most assets were held in the sector.

Finally, Figure 4.15 considers the extent to which TSOs hold cash reserves in their current account. For the sector as a whole, it is evident that nearly 20% of TSOs have no reserves at all. Smaller TSOs are the most likely to have no cash reserves (29%) but this falls incrementally to 11% for the largest of the TSOs. Few organisations have substantial reserves over £1m (3.3% of the largest organisations).

⁴¹ For more detailed exploration of these issues by the Charity Commission, see: <http://www.charitycommission.gov.uk/publications/cc19.aspx#c1>

Figure 4.12 Approximate value of property we own outright	Organisational size (by income)				Sub-region within which organisations are located				
	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
No assets/reserves at all	84.3	66.0	69.0	51.5	67.6	67.6	66.9	68.1	67.6
Less than £10,000	10.2	10.0	8.2	3.4	6.5	8.2	12.1	7.1	8.0
£10,001 - £25,000	0.4	1.5	3.9	0.4	2.0	2.0	0.6	0.7	1.6
£25,001 - £50,000	0.8	1.5	2.6	0.9	1.3	1.6	1.3	2.1	1.5
£50,001 - £100,000	3.0	3.5	2.2	3.8	3.3	4.1	4.5	0.0	3.2
£100,001 - £250,000	0.8	8.5	6.9	9.4	7.3	6.1	4.5	7.8	6.6
£250,001 - £1,000,000	0.4	6.9	5.6	13.6	6.3	6.6	7.6	7.8	6.8
£1,000,001 - £5,000,000	0.0	1.5	1.3	12.3	4.3	2.5	1.9	5.7	3.6
£5,000,001 plus	0.0	0.4	0.4	4.7	1.5	1.2	0.6	0.7	1.2
N=	236	259	232	235	398	244	157	141	940

Figure 4.13 Approximate equity on property we own with a mortgage	Organisational size (by income)				Sub-region within which organisations are located				
	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
No assets/reserves at all	100.0	97.6	94.6	77.0	92.6	92.6	93.4	92.4	92.7
Less than £10,000	0.0	0.4	0.5	1.9	0.5	0.9	0.7	0.0	0.6
£10,001 - £25,000	0.0	0.0	0.5	0.0	0.3	0.0	0.0	0.0	0.1
£25,001 - £50,000	0.0	0.0	0.0	1.9	0.5	0.9	0.0	0.0	0.4
£50,001 - £100,000	0.0	0.0	0.9	1.4	0.3	0.9	0.7	0.8	0.6
£100,001 - £250,000	0.0	1.2	1.8	3.8	2.4	1.3	2.0	0.0	1.7
£250,001 - £1,000,000	0.0	0.8	1.8	7.0	2.1	1.3	2.0	4.5	2.2
£1,000,001 - £5,000,000	0.0	0.0	0.0	5.2	1.1	1.7	1.3	0.8	1.2
£5,000,001 plus	0.0	0.0	0.0	1.9	0.3	0.4	0.0	1.5	0.4
N=	226	248	222	213	377	229	151	132	889

Figure 4.14 Approximate reserves in stocks, shares, savings etc.	Organisational size (by income)				Sub-region within which organisations are located				
	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
No assets/reserves at all	86.1	73.3	69.4	53.7	70.2	75.9	73.7	58.8	70.6
Less than £10,000	10.0	14.9	7.3	2.2	9.1	9.0	7.1	11.0	9.0
£10,001 - £25,000	2.6	4.7	5.6	3.5	5.2	3.3	2.6	5.1	4.2
£25,001 - £50,000	0.0	2.0	7.8	4.8	3.9	2.0	3.2	5.9	3.6
£50,001 - £100,000	0.9	2.0	5.2	6.2	3.6	2.4	3.2	5.9	3.6
£100,001 - £250,000	0.0	1.6	3.0	8.4	2.8	2.0	3.2	6.6	3.3
£250,001 - £1,000,000	0.0	1.2	1.3	13.7	3.1	3.7	4.5	5.9	3.9
£1,000,001 - £5,000,000	0.0	0.4	0.4	6.2	1.8	1.6	1.9	0.7	1.6
£5,000,001 plus	0.4	0.0	0.0	1.3	0.3	0.0	0.6	0.0	0.2
N=	230	255	232	227	386	245	156	136	923

Figure 4.15 Approximate cash reserves in current account.	Organisational size (by income)				Sub-region within which organisations are located				
	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
No assets/reserves at all	29.5	19.3	16.0	11.2	18.6	20.3	20.8	14.6	18.8
Less than £10,000	67.5	61.4	28.6	9.9	41.2	38.6	44.7	47.9	42.1
£10,001 - £25,000	1.7	14.0	21.4	11.6	13.2	11.6	14.5	9.0	12.3
£25,001 - £50,000	0.0	3.4	21.0	14.9	9.7	9.2	7.5	14.6	9.9
£50,001 - £100,000	0.0	1.5	9.2	19.0	6.7	10.4	5.7	6.9	7.5
£100,001 - £250,000	0.4	0.4	3.8	15.7	5.5	7.6	1.9	2.8	5.0
£250,001 - £1,000,000	0.4	0.0	0.0	14.5	4.2	2.0	4.4	4.2	3.7
£1,000,001 - £5,000,000	0.0	0.0	0.0	2.9	1.0	0.4	0.0	0.0	0.5
£5,000,001 plus	0.4	0.0	0.0	0.4	0.0	0.0	0.6	0.0	0.1
N=	234	264	238	242	403	251	159	144	957

4.4 Use of assets and loans

It is clear that the current fiscal environment is affecting the economy substantially, not least because of significant cuts in public sector spending since 2010. The impact of these austerity measures on the Third Sector appear to be less dramatic than may have initially been expected. Indeed, there is evidence to suggest that sector income as a whole has not yet diminished significantly. As NCVO recently argued in the Civil Society Almanac:⁴²

...in the 2008/09 financial year... the voluntary sector had been growing faster than the rest of the economy before the recession, and it suffered a smaller contraction than the wider of economy once recession hit. While GDP fell by 6.3%, the voluntary sector's income fell in 2008/09 by 3.6% in real terms – amounting to a fall of £1.4 billion in 2011 prices. Looking at this fall in more detail, the sector's voluntary income and investment income fell, while earned income from trading increased. There was a fall in donations from individuals of £400million – or 6.2%, and a £415m decline in the value of legacies – a higher percentage fall of 18.4%. Investment income fell by £346million or 9.7%. Income from government was flat in real terms in this year – a decline in government grants was largely offset by an increase in government contracts.

Assertions that the voluntary sector is living on the edge of financial disaster may, therefore, be too alarmist. Data from the Yorkshire and the Humber Third Sector Trends show that TSOs have been drawing upon reserves in the last financial year, but not as heavily as may be expected.

- 26% of TSOs did not have any reserves.
- Of those TSOs which have reserves, 40% had not drawn upon them in the last financial year.
- 18% of TSOs which have reserves, used some of them to invest in new activities, a further 4% drew heavily on reserves for this purpose.
- 22% of TSOs drew on some of their reserves to meet essential costs and a further 9% drew heavily on these reserves.

This is not to argue that those TSOs which are heavily committed to delivering public sector contracts may face a particularly challenging financial environment in the near future due to anticipated further downward pressure on public spending announced in the recent Budget.⁴³ Taken together with existing projections on spending in the northern region, discussed in Section 1 of this report, it is a likelihood that financial conditions may deteriorate significantly, and particularly so in those areas with significant concentrations of deprivation.

When the size of organisations is taken into account, some interesting findings emerge.

- Small organisations are the last likely to have drawn upon their reserves (48%). As TSOs become larger, they are more likely to have used their reserves – rising to 68% of the largest organisations.

⁴² <http://data.ncvo.org.uk/a/almanac13/almanac/voluntary-sector/finance-the-big-picture/what-is-the-impact-of-recession-and-austerity/>

⁴³ As shown in this report, reliance on grants is higher in Yorkshire and the Humber than in neighbouring regions. But it may well be the case that such grants to deliver particular aspects of service may be defined as service level agreements or contracts in other regions.

- 28% of the largest TSOs used their reserves to invest in new activities compared with 21% of the micro organisations.
- 31% of the largest TSOs used their reserves to meet essential costs compared with 14% of the micro organisations. But only 8% of the largest TSOs drew heavily on their reserves to do so.

The fact that so few TSOs have tangible assets raises questions about their ability to lever funds through commercial borrowing or social investment borrowing. Their limited use of reserves to invest in future developments shows that demand from TSOs in the social investment market may be somewhat more limited at present than the supply of capital.

Figure 4.16
'In the last financial year, has your organisation or group drawn on its reserves?' (percentage of TSOs which do have reserves)

	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	Whole sample
We don't have any reserves (% of whole sample)	51.4	30.6	16.9	8.3	26.4
No, we have not drawn on our reserves	47.6	49.2	36.5	32.2	40.1
Yes, we have used 'some' of our reserves to invest in new activities (such as buying property, developing a new service, employing a development worker)	19.0	16.9	12.2	20.9	17.1
Yes, we drawn 'heavily' on our reserves to invest in new activities (such as buying property, developing a new service, employing a development worker)	1.9	2.8	3.0	6.6	3.9
Yes, we have used 'some' of our reserves for essential costs (such as salaries, rent, etc.)	12.4	18.6	30.5	22.3	22.2
Yes, we have drawn 'heavily' on reserves for essential costs (such as salaries, rent, etc.)	9.5	7.3	11.7	8.5	9.3
We have used 'some' reserves for both investment and essential costs	8.6	4.0	5.1	8.5	6.4
We have drawn 'heavily' on reserves for both investment and essential costs	1.0	1.1	1.0	0.9	1.0
N=	105	177	197	211	690

Figure 4.17 presents data on the extent to which organisations borrow money. These data usefully feed into the current debates on whether Third Sector organisations are sufficiently 'investment ready' to engage in, for example, social investment programmes which often involve payment-by-result contractual requirements.

For the sample as a whole it is evident that:

- Few organisations have borrowed money in the last two years (about 6%) of the sample

- Larger organisations, with incomes above £250,000 per annum are the most likely to borrow money, but 83% have not done so in the previous two years.
- Of those organisations that do borrow money (i.e. as investment capital) to invest in new activities or services, most are larger organisations, but only 6% of the largest organisations in the sample have done so.
- The second most popular reason for borrowing money is to buy property with a mortgage, but only 2% of TSOs have done so, and these are mainly the largest organisations.
- Some TSOs borrow money to bridge a gap in their cash flow, but this only applies to 1% of the sample and just 3% of the largest organisations.

These findings call into question the viability of social investment models, but there may be scope to move more TSOs into the investment readiness zone.

Figure 4.18

Percentage of organisations or groups which have borrowed money from a financial institution (such as a bank, building society, local authority or a credit union) for any of the following purposes in the last two years

	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	Whole sample
We have not borrowed money in the last two years	99.1	98.1	94.3	82.9	93.6
We have borrowed money mainly to invest in the development of new activities or services (e.g. any form of investment capital)	0.0	0.8	2.6	6.4	2.4
We have borrowed money mainly to bridge a gap in our cash flow (e.g. any form of working capital)	0.9	0.8	1.3	2.6	1.4
We have borrowed money mainly to buy a property (e.g. a mortgage)	0.0	0.0	1.3	6.4	1.9
We have borrowed money for a mixture of purposes	0.0	0.4	0.4	1.7	0.6
N=	225	257	228	234	944

Having an appetite for engaging in social investment may be related to the extent to which TSOs have sufficient equity to lever such funds. This raises the question - to what extent is there a link between organisational assets and their strategic planning? Figure 4.19 explores the relationship between assets and the interest TSOs have in developing their capability. Three categories of TSOs have been identified: organisations with no assets, organisations which either own property or have investments, and organisations that have both property and investments.

While the causal relationship between a TSOs' assets and their prioritisation of the development of their capability is not strong, the relationship is nevertheless consistent. This shows quite clearly that organisations with a stronger asset base are more likely to want to invest in developing their capability.

- TSOs with the strongest asset base put highest priority on developing capability in marketing and publicity, and bidding for grants. But they also put a high priority on strategic management, managing staff. Developing capability in financial management is their lowest priority.

- TSOs with no property or investments prioritise development of their capability in marketing and publicity, followed by tendering for public services, bidding for grants and fundraising. This perhaps suggests that drawing in new income is a higher priority than for TSOs which have a stronger asset base.
- It is evident that the TSOs with the strongest asset base are much more likely to prioritise the development of their capability in relation to managing staff (83% against just 65% of TSOs with no assets).
- 80% of the TSO with the strongest asset base prioritise building their capability in strategic management compared with just 70% of the TSO with no asset base.

Figure 4.19 Areas of training that are prioritised by TSOs according to organisational assets (for larger TSOs with income above £50,000)	No property or investments (rank order shown in brackets)	Property or investments (rank order shown in brackets)	Owners of property and investments (in rank order of importance)	Difference between TSOs with no property or investments and those which have both property and investments
Marketing and publicity	79.2 (1)	83.8 (1)	86.4 (1)	7.2
Bidding for grants	70.6 (=3)	78.2 (2)	85.2 (2)	14.6
Strategic management	70.1 (=5)	74.0 (5)	84.1 (3)	14.0
Managing staff	64.7 (6)	73.3 (7)	82.9 (4)	18.2
Fundraising	70.6 (=3)	77.0 (3)	81.8 (5)	11.2
Business planning	70.1 (=5)	74.4 (4)	81.6 (6)	11.5
Tendering for public services	72.4 (2)	73.7 (6)	78.2 (7)	5.8
Financial management	63.3 (7)	67.6 (8)	71.6 (8)	8.3

Before any firm conclusions can be drawn from this analysis, it is necessary to explore the relationship between ownership of fixed assets and/or levels of cash reserves, and participation in the particular kinds of activity. Figure 4.20 shows that there is a clear relationship between ownership of fixed assets and participation in the delivery of primary services (such as accommodation, training, social care, etc.). Because this has been shown, it is possible to state that those TSOs which are the most likely to get involved with social investment programmes are also those organisations with the strongest asset base – so allowing them to lever investment capital should they so wish.

The second section of Figure 4.20 compares TSOs with different levels of cash reserves to ascertain if better endowed organisations are more or likely to be engaged in the delivery of primary services. While the relationship is less strong than when considering fixed assets, the data show that organisations with stronger current account reserves are more likely to be involved in the delivery of direct services to beneficiaries.

Figure 4.20 Relationship between TSO assets and types of services they deliver (row percentages)	Delivers mainly primary services	Delivers mainly secondary services	Delivers mainly tertiary services	N=
TSO assets				
TSOs with no assets	38.0	41.4	20.6	577
TSOs with stocks, shares or other investments	47.1	33.3	19.6	240
TSOs which own property outright	52.6	30.9	16.5	272
TSO cash reserves				
Less than £10,000.	39.3	38.3	22.4	321
£10,000. to £50,000.	41.8	40.0	18.2	110
£50,000 plus	46.2	36.9	16.9	249

5 Enterprising activity

Enterprising activity by TSOs involves the adoption of a range of attitudes and practices to help organisations achieve their objectives. Such practices can be adopted by organisations of all shapes and sizes and working across the whole range of sub-sectors. The term enterprise should not, therefore, be equated with the more narrowly defined term ‘social enterprise’ which is adopted by some TSOs. In the Northern Rock Foundation Third Sector Trends Study, “enterprise” was defined as:

‘the organisation’s capability to marshal its resources and prioritise its energies to achieve the objectives it sets itself in its strategic mission. Enterprise is the means by which the organisation successfully positions itself in order to generate, find or win opportunities which will ultimately benefit its beneficiaries’.

Figure 5.1 presents set of indicators of organisational practice in relation to enterprising activity which was drawn from a longitudinal study of the practices of 50 TSOs in North East England and Cumbria between 2019 and 2013.

Figure 5.1 Features of effective enterprising organisational practices

Knows how to spot and assess opportunities:

- organisation has knowledge and a clear understanding of where opportunities might present themselves;
- organisation has a mechanism to undertake successful opportunity appraisals.

Knows when to compete or cooperate with others:

- organisation knows who its potential competitors or partners are and understands its relationship with them;
- the organisation has a clear understanding of its reasons for choosing to compete or cooperate.

Uses innovation to meet beneficiary needs:

- the organisation employs innovative practice with the sole purpose of meeting the needs of its beneficiaries;
- the organisation know how to learn from its own and others’ innovative practices.

Has an organisational culture which is responsive to change:

- the organisation has the ability to marshal all its resources to address new challenges and opportunities;
- the organisation communicates with and successfully prepare its people for change.

Maintains useful relationships with stakeholders to help achieve aims:

- the organisation maintains positive relationships with relevant external stakeholders;
- the organisation knows which networking or relationship building opportunities to prioritise in order to pursue its objectives.

This section of the report examines the extent to which TSOs engage in enterprising activity. A number of areas of enquiry will be explored, including:

- The characteristics of organisations that earn income.
- The proportion and characteristics of TSOs that undertake contract work
- The extent to which TSOs engaged in contract work do so in partnership
- The perceptions TSOs hold on their relationship with public sector officers

5.1 Earned income

Figure 5.2 examines the extent to which organisations rely upon earned income. Earned income in this context includes income from the sale of products or service and / or the delivery of services to contract. The data indicate that larger TSOs tend to earn a higher proportion of their income. But many of the largest organisations earn little income. Indeed, 7% earn no income and about 23% say that less than 20% of their income is earned (which is a higher percentage than for the micro organisations at just 19%).

When sub-regional differences are considered, it is apparent that there are broad similarities in the range of earned income in West, South and Humber. In North Yorkshire & City of York, by contrast, TSOs appear to be more likely to rely upon earned income. While a sizeable proportion of TSOs earn no income (23%) or less than 20% of income (21%), 18% say that they earn between 91-100% of their income.⁴⁴

⁴⁴ In a previous study of the sector in North Yorkshire & City of York (Chapman and Crow, 2010), it was noted that levels of earned income in the area were considerably higher than in the North East of England at the time. Speculations were made that the reliance on earned income may be partly due to the lack of significant public sector funding through special initiatives such as Neighbourhood Renewal Funding and other funds which were allocated to areas with high levels of multiple deprivation. The evidence in this figure seems to strengthen the value of that assertion but requires further analysis.

Figure 5.2

Approximations of earned income 'e.g. from selling products and service and / or contracts to deliver services) by TSO size and sub region

Organisational size (by income)

Sub-region within which organisations are located

	Organisational size (by income)				Sub-region within which organisations are located				
	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
0%	57.1	29.9	13.1	6.8	25.2	28.4	27.8	22.8	26.1
1-10%	16.3	15.7	19.7	17.2	18.2	16.7	18.5	13.4	17.1
11-20%	2.5	7.8	11.9	6.0	7.0	8.2	5.6	8.1	7.2
21-30%	2.9	6.0	5.7	5.6	5.3	6.6	1.9	6.0	5.2
31-40%	1.7	5.2	4.5	6.0	4.9	3.5	6.2	2.7	4.4
41-50%	3.3	3.7	4.9	2.0	3.9	2.3	4.9	3.4	3.6
51-60%	2.1	6.0	4.9	3.6	3.6	4.3	3.1	7.4	4.3
61-70%	1.7	1.9	5.7	6.8	4.6	2.7	2.5	6.0	4.0
71-80%	1.7	4.1	7.4	8.8	4.9	6.6	6.2	5.4	5.6
81-90%	2.5	7.5	6.1	12.8	8.7	5.1	8.6	6.0	7.3
91-100%	8.3	12.3	16.0	24.4	13.6	15.6	14.8	18.8	15.1
N=	240	268	244	250	412	257	162	149	980

Figure 5.3 explores the relationship between an organisation’s asset base and its proportion of earned income. TSOs have been divided into ‘smaller’ organisations (which are unlikely to employ staff) and ‘larger’ organisations (which rely heavily upon paid employees). The following findings can be noted:

- Overall, 27% of TSOs earn no income. Smaller TSOs with no assets are the most likely not to earn any income (55%), but 30% of smaller TSOs with property and investment assets earn more than 60% of their income.
- Larger TSOs with property and investment assets are the *least likely* to earn no income (3%) and are the *most likely* to earn over 60% of their income (56%).
- Overall 32% of TSOs earn more than 60% of their income. 39% of larger TSOs with no property and investment assets earn more than 60% of their compared with 56% of larger TSOs with property and investment assets.
- The more assets larger TSOs have, the more likely they are to earn more than 60% of their income. 30% of TSOs with investment assets only, 52% with property assets only, and 56% with property and investment assets earn more than 60% of their income.

Figure 5.3 % of earned income	No property or investments		Owner of property and investments		Owner of property but no investments		Investments but no property		All TSOs
	Smaller TSOs	Larger TSOs	Smaller TSOs	Larger TSOs	Smaller TSOs	Larger TSOs	Smaller TSOs	Larger TSOs	
None	55.2	13.5	21.2	3.4	22.4	6.5	44.4	11.0	26.7
Under 30%	21.7	33.0	36.4	26.4	36.2	26.9	27.8	47.6	29.7
30% to 60%	7.8	14.3	12.1	13.8	15.5	15.1	13.9	11.0	12.0
60% or more	15.3	39.1	30.3	56.3	25.9	51.6	13.9	30.5	31.7
N=	281	230	33	87	58	93	36	82	900

5.2 Contracts

Figure 5.4 examines the extent to which organisations and groups are engaged in the delivery of services to contract.

- Few TSOs are unaware of opportunities to do contract working (17%). Smaller organisations are the most likely not to know about such opportunities (32%) compared with only 2% of the largest TSOs.
- Many organisations are not interested in getting involved in contract working (33%). Only 11% of the largest TSOs have no interest compared with nearly 50% of the micro TSOs.
- Some organisations feel that they are not ready to get involved in contracts: 6% say they need more information, 10% need extra support before they do contracts, and 12% perceive that there are barriers to involvement.

- Middle-sized organisations (17%) are the most likely to require more support before they enter into contracts, but larger TSOs are the most likely to perceive barriers to involvement (18%).
- Only 15% of TSOs are delivering contracts. Larger organisations are by far the most likely to be doing so (41%). Larger organisations are also the most likely to be bidding (18% compared with a sector average of 8%).

These data demonstrate convincingly that contract working is primarily an interest of medium and larger TSOs.

Figure 5.4
Organisation's or group's current position about tendering for public sector services by TSO size (column percentages)

	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	Whole sample
We are not aware of these opportunities	32.1	25.0	7.0	2.0	16.6
We are aware of these opportunities but they are not relevant to our organisation's objectives	48.8	45.1	25.8	11.2	32.8
We are aware of these opportunities but need more information	7.9	5.6	8.2	3.6	6.3
We are interested in this option but would need extra support to do this	4.6	11.6	16.8	6.4	9.9
We are interested in this option but feel there are barriers in the tendering process	4.6	7.1	17.2	17.6	11.6
We are already bidding to deliver public sector services	0.8	3.0	11.1	18.4	8.3
We are already delivering public sector services for which we have tendered	1.3	2.6	13.9	40.8	14.6
N=	240	268	244	250	1002

It is useful to assess the extent to which TSOs feel that they may participate in contract working in the future. Figure 5.5 compares the opinions of TSOs by size and by the location in each of the four Yorkshire and the Humber sub regions.

- 83% of the micro and 67% of small TSOs state that contract working is not relevant to them.
- 29% of medium sized and nearly 40% of the largest TSOs expect that their involvement in contract working will *increase* over the next two years (although only about 2% think it will increase significantly).
- 14% of medium sized and 19% of the largest TSOs expect that involvement in contract working will *decrease* over the next two years.
- Around third of medium and larger sized organisations expect that their involvement in contract working will remain about the same.

At a sub regional level, few clear differences emerge, although TSOs in Humber and North Yorkshire & City of York are more likely expect that their involvement will remain stable.

When considering the levels of need for TSOs' services is considered, some interesting patterns emerge.

- Micro TSOs are the least likely to believe that the need for their services will increase significantly (14%) rising to 41% for the largest TSOs.
- Over 80% of medium sized and larger TSOs expect that demand on their services will increase or increase significantly.
- Only about 1% of TSOs expect that the demand for their services will fall. Organisational size has no real influence on this perception.

To what extent do TSOs believe that the expectations of public sector officers running statutory services will increase?

- For the whole sample, it is evident that 28% of TSOs believe that expectations will rise significantly and a further 40% feel that expectations will rise to some extent.
- Medium and larger TSOs are the most likely to feel that expectations will rise significantly (35% and 41% respectively).
- TSOs are more likely to think that statutory agencies expectations about their services will rise in West Yorkshire (29%) and South Yorkshire (34%).

Figure 5.5(a)
Extent to which TSOs believe that over the next two years their involvement in contract working will...

	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Increase significantly	0.8	3.0	2.0	2.8	1.9	3.5	1.9	1.3	2.2
Increase	6.3	11.6	26.6	36.8	20.6	20.6	19.1	21.5	20.5
Remain similar	7.1	14.9	31.6	38.4	22.3	19.1	25.9	30.2	23.3
Decrease	1.7	2.6	11.5	16.0	9.0	10.1	2.5	5.4	7.7
Decrease significantly	0.4	1.1	3.7	2.8	2.2	2.7	0.6	1.3	1.9
Not applicable	83.8	66.8	24.6	3.2	43.9	44.0	50.0	40.3	44.4
N=	240	268	244	250	412	257	162	149	980

Figure 5.5 (b)
Extent to which TSOs believe that over the next two years the need their services will...

	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Increase significantly	14.2	23.5	34.8	40.8	<u>29.4</u>	<u>33.5</u>	23.5	22.1	28.4
Increase	27.1	36.6	48.4	46.4	38.3	35.4	43.8	48.3	40.0
Remain similar	35.4	30.6	14.3	11.6	23.1	21.0	25.3	22.8	22.9
Decrease	1.3	1.5	0.8	0.4	0.5	1.9	0.6	0.7	0.9
Decrease significantly	0.0	0.0	0.8	0.4	0.0	0.8	0.0	0.7	0.3
Not applicable	22.1	7.8	0.8	0.4	8.7	7.4	6.8	5.4	7.6
N=	240	268	244	250	412	257	162	149	980

Figure 5.5 (c)									
Extent to which TSOs believe that statutory agencies expectations of their services will...									
	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Increase significantly	7.1	8.6	23.4	28.0	18.2	17.5	13.6	15.4	16.8
Increase	18.3	28.0	43.4	55.6	31.8	41.2	37.0	41.6	36.6
Remain similar	30.4	32.8	21.7	12.8	23.1	19.5	30.9	29.5	24.4
Decrease	0.8	0.7	2.0	0.0	1.2	1.2	0.0	0.7	0.9
Decrease significantly	0.0	0.4	1.2	0.8	0.7	0.8	0.0	0.7	0.6
Not applicable	43.3	29.5	8.2	2.8	25.0	19.8	18.5	12.1	20.6
N=	240	268	244	250	412	257	162	149	980

5.3 Partnership working

Partnership working has become integral to much of the work of TSOs which are engaged in public sector contracts.⁴⁵ It is important, therefore, to gauge the extent to which TSOs in Yorkshire and the Humber are currently involved in partnership bidding. Figure 5.6 shows that for the sample as a whole about 25% of TSOs have already been successful in partnership bidding. A further 9% have been involved in bids but have not yet been successful. 21% are considering getting involved in partnership bidding, but 44% are not willing to consider this option.

There is a clear association between the size of organisations and the willingness to bid, or success in winning bids.

- Over 75% of micro TSOs are not considering getting involved in partnership bidding for contracts. But only 9% of the largest are not considering partnership bidding.
- 55% of the largest TSOs have been successful in partnership bidding, compared with just 28% of medium sized TSOs.
- 18% of medium sized TSOs have been bidding but have not yet been successful, and a further 27% are considering getting involved in partnership bidding.

These data show clearly that partnership is an activity which is mainly considered and undertaken by medium to larger sized TSOs and so investment in capability should clearly be focused primarily amongst these organisations where strong interest in involvement is indicated.

Figure 5.6 Percentage of organisations or groups which been involved in partnership bidding	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	Whole sample
Yes and have been successful	7.5	11.2	27.5	54.8	25.1
Yes and have not yet been successful	2.9	4.5	18.0	12.4	9.4
No, but we are considering this	14.2	20.5	26.6	24.0	21.4
No and we are not considering this	75.4	63.8	27.9	8.8	44.1
N=	240	268	244	250	1002

Figure 5.7 examines TSOs' expectations about partnership working (which may include formal contractual partnerships or more general forms of collaborative working relationships), in a more general sense (that is, not just partnership bidding as shown in Figure 5.7). For the sample as a whole there are strong indications that:

- 47% of TSOs believe that partnership working will increase over the next two years but only 2% think it will decrease.
- 27% of all TSOs state that partnership working is not applicable to them, but it is predominantly micro (50%) and smaller (44%) TSOs which say this.
- Around 20-25% of TSOs, irrespective of size, believe that partnership working will remain at about the same level.

⁴⁵ The term 'partnership working' is used in many contexts in the academic, policy and practice literature. In relation to this Figure, the term refers to formal partnership relationships which are governed by contracts rather than more loosely defined collaborative partnership relationships.

There are no discernible sub-regional variations in expectations about partnership working in the future.

Figure 5.7
Expectations about future involvement in partnership working

	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	Whole sample
Increase significantly	2.9	7.1	9.0	10.4	7.4
Increase	25.0	26.1	48.0	61.2	39.9
Remain similar	22.1	20.9	26.2	22.0	22.8
Decrease	0.8	1.5	4.5	1.6	2.1
Decrease significantly	0.4	0.7	1.6	1.2	1.0
Not applicable	48.8	43.7	10.7	3.6	26.8
N=	240	268	244	250	1002

	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Increase significantly	8.3	7.4	5.6	8.1	7.6
Increase	41.0	36.6	39.5	43.6	40.0
Remain similar	21.8	23.7	24.7	22.8	23.0
Decrease	1.9	3.9	0.6	0.7	2.0
Decrease significantly	1.0	1.6	0.6	0.7	1.0
Not applicable	26.0	26.8	29.0	24.2	26.4
N=	412	257	162	149	980

5.4 Public sector working environment

Formal partnership working is most commonly undertaken when public sector contracts are let. So it is useful to get a better understanding of the way that TSOs feel that public sector organisations perceive them. Figure 5.8 explores this issue by comparing the attitudes of organisations of different sizes.

- 77% of TSOs agree that the public sector understands the nature and role of their organisation, this percentage is largely the same irrespective of the size of TSOs.
- 18% of TSOs disagree that the public sector understands the nature and role of their organisation, medium sized TSOs are the most likely to feel that this is the case (23%).
- 77% of TSOs agree that the public sector respects their organisation's independence and only 15% disagree: medium sized TSOs are the most likely to disagree (21%).
- 64% of TSOs agree that the public sector informs them on issues that affect their organisation, but 29% disagree. Larger TSOs are the most likely to feel informed (75%) but medium sized TSOs are the least likely to agree (34%).
- 46% of TSOs agree that the public sector involves their organisation in developing and implementing policy on issue that affect them. The largest

TSOs are most likely to agree (57%) but 40% of large TSOs and 50% of medium sized TSOs disagree.

Figure 5.8					
Perceptions of public sector attitudes towards the Third Sector	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	Whole sample
They understand the nature and role of our organisation					
Strongly agree	17.5	17.9	19.7	28.8	21.0
Agree	52.5	60.4	56.1	55.2	56.2
Disagree	12.5	12.7	18.0	11.2	13.6
Strongly disagree	4.6	4.9	4.5	4.0	4.5
Not applicable	12.9	4.1	1.6	0.8	4.8
N=	240	268	244	250	1002
They respect our organisation's independence					
Strongly agree	13.8	18.3	18.0	22.0	18.1
Agree	55.4	60.4	57.4	60.0	58.4
Disagree	9.2	9.0	16.4	10.0	11.1
Strongly disagree	3.3	3.0	4.1	4.8	3.8
Not applicable	18.3	9.3	4.1	3.2	8.7
N=	240	268	244	250	1002
They inform our organisation on issues which affect us or are of interest to us					
Strongly agree	12.9	14.2	10.2	18.0	13.9
Agree	40.8	48.1	52.5	57.2	49.7
Disagree	20.8	22.0	25.8	18.0	21.7
Strongly disagree	9.2	7.8	7.8	4.8	7.4
Not applicable	16.3	7.8	3.7	2.0	7.4
N=	240	268	244	250	1002
They involve our organisation appropriately in developing and implementing policy on issues which affect us					
Strongly agree	8.3	9.3	7.8	14.0	9.9
Agree	33.8	31.7	36.9	42.8	36.2
Disagree	24.6	29.1	33.6	30.8	29.5
Strongly disagree	11.3	13.8	15.6	9.6	12.6
Not applicable	22.1	16.0	6.1	2.8	11.8
N=	240	268	244	250	1002
They act upon our organisation's opinions and/or responses to consultation					
Strongly agree	6.3	8.6	6.1	8.8	7.5
Agree	32.9	32.5	38.5	47.2	37.7
Disagree	23.8	28.4	33.6	30.4	29.0
Strongly disagree	10.8	11.9	15.6	7.6	11.5
Not applicable	26.3	18.7	6.1	6.0	14.3
N=	240	268	244	250	1002

- 45% of TSOs agree that public sector organisations act upon their opinions and 40% disagree. 49% of medium sized organisations disagree that this is the case compared with a 40% average.

These findings are revealing because it is clear that in some respects TSOs feel highly valued by public sector organisations, but a majority do not necessarily feel that their voice is heard or that they are fully involved. It is apparent from these data that medium sized TSOs are more sceptical about the extent to which they are valued, involved and listened to by the public sector when compared with their larger counterparts.

5.5 Organisational values and ethos

Much of the analysis in this section has focused on TSOs opinions about getting involved in earning income or undertaking contracts to deliver services. But little is known about whether organisations have an organisational ethos which is conducive to enterprising activity.

A series of papers from the Northern Rock Foundation Third Sector Trends study⁴⁶ explore the issue of organisational culture in depth and conclude that the 'ethos' of larger organisations has a significant impact on the way that TSOs marshal their assets (of people, resources and ideas) to achieve their objectives. The term 'ethos' refers to the *cultural orientation* of the organisation – in relation to the market, the state, or the community (but does not mean the extent of TSO financial dependence on market, state or community – although admittedly these factors often go together). The three categories can broadly be described as follows:

- **Community driven ethos.** These are organisations that are not only *for* the community but also *of* the community. They are embedded in their community of place or interest, and reliant on its support. Many of these TSOs are quite small and they are often reliant on volunteers; they may endure over long periods of time.
- **Public-sector driven ethos.** These TSOs are aligned closely with the public sector or at least are much shaped by public sector agendas. Their objectives may thus have been defined by others, particularly through the operation of funding regimes. They may struggle at first to find the flexibility to respond when public sector financial or policy priorities change.
- **Market driven ethos.** These TSOs are business-like in their practice – they are clear about what product or service they offer – but still remain strongly attached to their social values. Sometimes such organisations are described as social enterprises because they are 'value-led' and 'market driven'.⁴⁷ But many TSOs which operate with a market driven ethos do not like the term social enterprise.

One paper from the NRFTST study, *Journeys and Destinations*,⁴⁸ undertook an analysis of the relationship between the ethos of organisations and practices in 2009

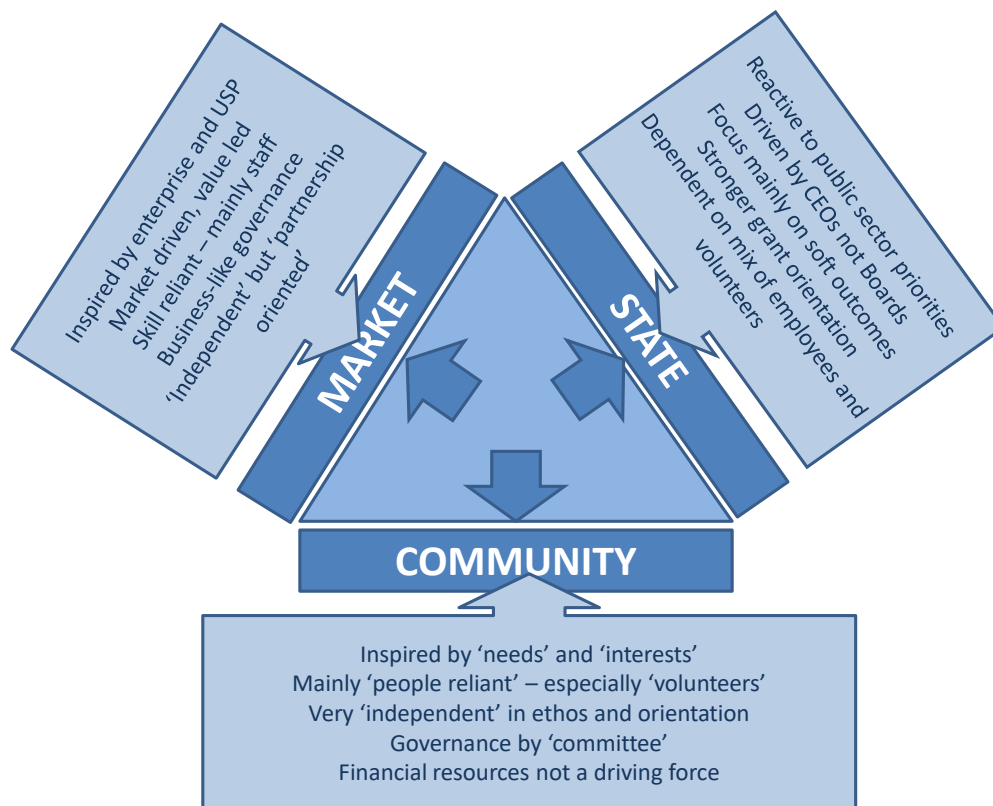
⁴⁶ Chapman, T. and Robinson F. (2013) *On the money: How does the way Third Sector Organisations think about money affect the way they work?* Newcastle, Northern Rock Foundation; Chapman, T. and Robinson, F., et al. (2013) *Walking a tightrope: balancing critical success factors in hard times.* Newcastle, Northern Rock Foundation; Robinson, F. and Bell, V., et al. (2012) *Taking the temperature: How are Third Sector Organisations doing.* Newcastle, Northern Rock Foundation.

⁴⁷ The definition of social enterprise as "value led, market driven", comes from A. Westall (2001) *Value Led, Market Driven: social enterprise solutions to public policy goals*, London, Institute for Public Policy Research.

⁴⁸ Chapman, T. and Robinson, F. et al. (2012) *Journeys and Destinations: the impact of change on Third Sector Organisations*, Newcastle, Northern Rock Foundation. The diagram is a development from conceptual ideas presented initially by Pestoff, V. A. 1992. 'Third sector and co-operative services: from determination to privatization', *Journal of Consumer Policy*, 15:1, 21-45; and then revised by Evers, A. and Laville, J. L. 2004. 'Defining the Third Sector in Europe' in A. Evers and J.L. Laville (eds.) *The Third Sector in Europe*, Cheltenham: Edward Elgar Press.

and 2012. Those that were categorised as having a market or community driven ethos generally fared well over a period of four years. By contrast, those with a public sector-driven ethos were doing less well. Indeed, many of them appeared to be struggling in 2009 and still struggling in 2012.

Figure 5.9 **Planning and practice ethos in the TSO50**



Subsequent analysis using the TSO1000 in North East England and Cumbria demonstrated that there were clear tendencies for organisations with a particular ethos to hold particular aspirations and to practice in certain ways.

- TSOs with a community driven practice and planning ethos, for example, were 'more likely' to eschew social enterprise as their preferred approach to running their organisation.
- TSOs with a public-sector driven planning and practice ethos were 'more likely' to be driven by the priorities of the state.
- TSOs with a market driven planning and practice ethos were 'more likely' to focus on developing strategies to earn income from trading.

Figure 5.10 **Organisational ethos as a matter of ‘degree’**



It is important to note that none of these categories of TSO, as defined by their ethos, has a *monopoly* over any particular aspect of organisational practice. Instead, it is a question of the *degree* of assimilation of particular attitudes and adoption of particular practices that we are talking about, as indicated in Figure 5.10. In other words, organisations with a market driven planning and practice ethos are ‘more likely’ to have the characteristics featured in Figure 5.9 than other TSOs. But this does not mean that other organisations do not share some of these characteristics. And neither does it mean that TSOs with a market-driven planning and practice ethos are not driven to some extent by values and practices more closely associated with the state and community.

As Figure 5.11 indicates, the issue of organisational culture is a particularly complex one because TSOs feel differently about themselves in relation to a range of statements on organisational culture. It is useful to compare attitudes in Yorkshire and the Humber with data from North East England and Cumbria to examine the extent of consistent attitudes from two areas where a similar survey has taken place.⁴⁹ In terms of practice values, it is apparent that:

- Most TSOs associate primarily with ‘people in the community’, and especially so in smaller TSOs (83% in Yorkshire and the Humber and 86% in the NE and Cumbria).
- Larger TSOs in Yorkshire and the Humber seem to be more likely than in the NE and Cumbria to associate with the values of people in the public sector in value terms (30% and 17% respectively).
- Larger TSOs in the NE and Cumbria are more likely say that they share the practice values of people in the private sector (30%) compared with Yorkshire and the Humber (19%).

⁴⁹ The Northern Rock Foundation Third Sector Trends survey was undertaken in 2012, but on most dimensions, little difference in attitudes is observed between these data and the Yorkshire and the Humber data.

There is some evidence to suggest, therefore, that TSOs in the NE and Cumbria may be more interested in enterprising practice. In terms of social values, it is clear that:

- The vast majority of TSOs in Yorkshire and the Humber (84%) and the NE and Cumbria (87%) associate with the social values of people in the community.
- In Yorkshire and the Humber, larger TSOs are more likely to associate their social values with people in the public sector (16%) than in the NE and Cumbria (12%).

The resources TSOs draw upon may affect the way that they shape their organisational values as identified above. In fact this is shown strongly to be the case.

- In Yorkshire and the Humber, 47% of TSOs state that their financial resources come primarily from the public sector compared with just 22% in NE and Cumbria. This is even more pronounced for larger TSOs (67% in Yorkshire and the Humber and 42% in NE and Cumbria).
- More larger organisations in the NE and Cumbria state that their main source of income originates from the private sector 24% compared with 12% in Yorkshire and the Humber.
- Smaller TSOs are more likely to gain their financial resources from people in the community in both Yorkshire and the Humber (64%) and NE and Cumbria (79%)

Differences in the level of reliance on sources of funding may be exaggerated to some extent by the different composition of the two samples. There are many more small TSOs in the NE and Cumbria sample.

When the source of volunteers is considered it is apparent that:

- The vast majority of volunteers who work with TSOs are 'people in the community' (92% in Yorkshire and the Humber and 91% in NE and Cumbria)
- Larger TSOs in both regions are more or less equally reliant on volunteers from the public sector (4%) and private sector (6-7%).

When planning for the future is considered, some interesting similarities emerge.

- Larger TSOs are three times as likely to associate with people in the public sector when planning for the future than smaller organisations in both regions: in Yorkshire and the Humber association with the public sector is stronger for large TSOs (21%) than in the NE and Cumbria (13%).
- Association with people in the private sector, in planning terms is about the same in both regions: 8% of smaller TSOs and 30% of larger TSOs state that this is the case.
- The vast majority of smaller TSOs associate with people in the community when they are planning for the future (84% in Yorkshire and the Humber and 88% in NE and Cumbria).

Organisational ethos clearly impacts on the way that TSOs think about and make decisions about opportunities that come their way. It is also clear that organisational ethos affects the way they tackle challenges when they arise.⁵⁰ The stronger association with the values of people in public sector in most domains of

⁵⁰ For a detailed analysis of the impact of organisational ethos and organisational practice, see Chapman and Robinson (2013) *The Crystal Ball*, Newcastle, Northern Rock Foundation.

organisational ethos, as shown in this analysis, may usefully inform the analysis in the next section which addresses the extent to which TSOs in the Yorkshire and the Humber region address the issue of developing organisational capability.

Figure 5.9 Organisational ethos in Yorkshire and the Humber and the NE and Cumbria	Yorkshire and the Humber			North East and Cumbria		
	Smaller TSOs	Larger TSOs	All TSOs	Smaller TSOs	Larger TSOs	All TSOs
In the way that we do our work in practical terms we are closer in style to...						
People in the public sector	10.1	29.6	20.7	7.0	17.4	11.1
People in the private sector	7.2	19.3	13.8	7.7	29.9	16.5
People in the community	82.7	51.1	65.6	85.3	52.7	72.4
N=	416	493	909	819	539	1,358
Our values are matched most closely with the interests of...						
People in the public sector	8.9	16.4	13.0	5.3	11.5	7.7
People in the private sector	3.8	2.0	2.9	3.4	7.2	4.9
People in the community	87.3	81.5	84.2	91.3	81.3	87.3
N=	416	493	909	817	541	1,358
The financial resources we use to do our work come mainly from...						
People in the public sector	24.5	66.7	47.4	8.2	42.2	21.9
People in the private sector	12.0	11.8	11.9	12.8	24.0	17.3
People in the community	63.5	21.5	40.7	79.0	33.8	60.8
N=	416	493	909	772	521	1,293
Volunteers who support us come mainly from...						
People in the public sector	1.7	4.1	3.0	1.7	3.4	2.3
People in the private sector	3.6	5.9	4.8	5.2	7.9	6.3
People in the community	94.7	90.1	92.2	93.1	88.7	91.4
N=	416	493	909	773	506	1,279
When we are planning for the future, our approach is closer to...						
People in the public sector	8.2	20.7	15.0	4.1	12.6	7.5
People in the private sector	8.2	30.2	20.1	7.6	30.5	16.8
People in the community	83.7	49.1	64.9	88.4	56.9	75.7
N=	416	493	909	790	531	1,321

Organisational ethos clearly impacts on the way that TSOs think about and make decisions about opportunities that come their way. It is also clear that organisational ethos affects the way they tackle challenges when they arise.⁵¹ The stronger

⁵¹ For a detailed analysis of the impact of organisational ethos and organisational practice, see Chapman and Robinson (2013) *The Crystal Ball*, Newcastle, Northern Rock Foundation.

association with the values of people in public sector in most domains of organisational ethos, as shown in this analysis, may usefully inform the analysis in sections 7 and 8 of this report which consider how TSOs in the Yorkshire and the Humber region address the issue of developing organisational capability and plan for the future.

This point is strengthened to some extent by considering differences in ethos in practice and planning values in Yorkshire and the Humber sub regions, as shown in Figure 5.10.

- Practice values are most closely associated with people in the public sector in the more urban or metropolitan areas of West Yorkshire (20%) and South Yorkshire (23%) than in more rural sub-regions of North Yorkshire (17%) and Humber (17%).
- In North Yorkshire & City of York, private sector practice values are considerably stronger (20%) compared with other sub-regions (around 11%), which may be associated with lower levels of public sector investment than in areas with higher levels of deprivation.
- Private sector planning practices are adopted much more strongly in North Yorkshire & City of York (30%) compared with other sub regions (around 18%).
- Planning values associated with those of people in the public sector are the strongest in South Yorkshire (17%) and least strong in Humber (11%).

Figure 5.10 Organisational ethos by sub region	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
In the way that we do our work in practical terms, we are closer in style to...					
People in the public sector	20.4	23.3	16.7	17.4	20.1
People in the private sector	11.9	11.7	12.3	19.5	13.1
People in the community	67.7	65.0	71.0	63.1	66.8
N=	412	257	162	149	980
When we are planning for the future, our approach is closer to...					
People in the public sector	14.6	17.1	10.5	14.8	14.6
People in the private sector	18.0	17.5	17.9	29.5	19.6
People in the community	67.5	65.4	71.6	55.7	65.8
N=	412	257	162	149	980

6 Employment in the Third Sector

This section takes the analysis forward by considering the extent to which TSOs in Yorkshire and the Humber draw upon employed staff and volunteers to undertake their work. The section has a number of themes:

- A consideration of levels of employment and volunteering in the region.
- Changing patterns of employment and volunteering.
- Future prospects for employment and volunteering

6.1 Levels of employment and volunteering

Figure 6.1 presents data on the extent to which organisations of different sizes employ full- and part-time staff and rely upon volunteers. It is clear from these data that, as would be expected, small TSOs employ few full- or part-time staff. Indeed, for the sample as a whole, it is evident that 44% of TSOs employ no staff and a further 31% employ fewer than 5 members of full-time staff.

Part time employment is more prevalent in small TSOs: nearly 38% of organisations employ part-time staff – but such employment is most prevalent in TSOs with an income range of £5,000 - £50,000 (43%). The largest TSOs show a strong reliance on part-time staff – indeed, 32% of such organisations employ over 20 part-time staff (and 9% employ more than 100).⁵²

Volunteers play a significant role in TSOs of all sizes in Yorkshire and the Humber. Small TSOs state that they are the least reliant upon volunteers, which may be misleading because in such organisations dependence on voluntary time of committee members or trustees is generally substantial. A more general finding is, however that the main clusters of volunteers are similar for organisations of different sizes suggesting that volunteer support is much more important to the smaller organisations. The exception is the largest organisations where most TSOs have 6-50 volunteers, but over 20% have 100 or more volunteers working for them.

Estimates have been generated on the size of the employed and voluntary workforce in Yorkshire and the Humber.⁵³ The lower estimate uses a multiplier of 9.2 on the assumption that there are 10,914 TSOs in the region.⁵⁴ A higher multiplier of 14.2 is also applied using the larger number of TSOs recorded by Kane and Mohan to

⁵² Data were not collected in this study on the shifting balance from full-time to part-time work for current employees in response to current financial pressures. Research for NRFTST indicates that in many medium sized and smaller organisations, key staff have collectively agreed to reduce their time commitment so as not to lose organisational expertise in the hope that new sources of funding may become available in future (see Chapman and Robinson, 2013, *ibid*). Data from the Involve Yorkshire & Humber 16th Confidence Survey (December 2013) shows that 33% of respondents had reduced staff hours in the last quarter: <http://www.involveyorkshirehumber.org.uk/uploads/files/resources/qcs/16th-qcs-september-2013.pdf>.

⁵³ Employee estimates are based on the lowest number in each of the categories: so for the category of 3-5 employees, the lowest number is used, i.e. 3. For volunteers the estimates have been weighted to take into account the limited number of small organisations in the sample compared with general organisational population estimates: the estimates for the micro organisations (with incomes in the range £0-5,000 have been doubled. To compensate for the exclusion of trustee and committee members in the volunteer tally, an average of 15 persons has been added to each organisation – this brings the estimates in line with those produced by NCVO and NTSS. Volunteer estimates are more generous than for employees. For each category of volunteer, the mid point in the range is used: so for 3-5 volunteers, the mid point is 4. The exception is TSOs with over 100 volunteers, where the estimate is recorded simply as 100.

⁵⁴ Kane and Mohan, 2010, Figure 15, p.32

include CLGs, IPSs and CICs which are not also registered as charities.⁵⁵ The use of the lower estimate is recommended as this sits more closely with those produced more recently by NCVO for Yorkshire and the Humber as a region. It should be noted that housing associations are not included in the analysis as their inclusion would skew the data considerably.

While caution needs to be used in adopting these estimates, it is useful to note that within Yorkshire and the Humber:

- The number of full-time employees is in the range of 50,000 and 77,000.
- The number of part-time employees is in the range of 54,000 and 84,000.
- The number of full-time equivalent⁵⁶ staff is in the range of 68,000 and 105,000.⁵⁷
- The number of volunteers is in the range of 234,000 and 362,000.⁵⁸

The estimate for the investment in salaries by the Third Sector in Yorkshire and the Humber is calculated by multiplying the number of estimated full-time equivalent employees by the average wage which is currently £12.48 per hour (equivalent levels in the public sector are £13.84 and in the private sector, £12.49).⁵⁹ It is assumed that full-time staff work 7.5 hour days x 220 days work per annum.

- The estimated 'actual value' of salaries at the lower FTEs estimate is £1,232,550,000.

The expenditure of the Third Sector as a whole in Yorkshire and the Humber is estimated by NCVO at £1.5bn for financial year 2010-2012.⁶⁰ As salaries are generally known to constitute the bulk of expenditure, this suggests that estimates on FTE numbers is about right, providing that the lower range estimate is used. The higher range estimate would suggest that the salary bill is considerably higher than the expenditure of the sector (and indeed its income at £1.6bn) and has not therefore been recorded.

It is not safe to draw strong conclusions on the value of volunteers to the economy using average wage estimates. Consequently, the financial value of volunteering time is equated with the current minimum wage level which is £6.31 per hour. It is assumed that volunteers provide, on average, 6 hours per month support, that is 72 hours per year⁶¹ (£454) multiplied by the lower and higher estimated number of volunteers in the region.

⁵⁵ The latest NCVO estimate for the number of organisations in Yorkshire and the Humber for 2011 is 10,278. Which suggests that the lower estimate may provide a more accurate multiplier. Close scrutiny of the North East and Cumbria listings of TSOs by Kane and Mohan suggest that there may be considerable incidence of double counting of registered charities and CLGs, IPSs and CICs, consequently, the more reliable figure appears to be 10,914 although this will probably be an underestimate of total numbers of active non-profit organisations. The number of 'under the radar' organisations, i.e. informal organisation, will be large but there is no scope in this study to assess their areas of operation or their number. For a detailed appraisal of under the radar organisations, see Mohan 2011.

⁵⁶ FTE equivalent estimates are produced by adding one third of part-time staff estimates to the full-time staff estimate.

⁵⁷ Mohan *et al.* (2011) estimated that the number of full-time equivalent employees was 72,700 for 2007-8 so the likelihood is that the current estimate should err on the side of the lower estimate.

⁵⁸ Mohan *et al.*'s estimate was 335,000 volunteers and the NTSS estimate for 2008 was 337,173. So it is likely that the current estimate is at the upper end of the scale produced in this research.

⁵⁹ Source: NCVO Civil Society Almanac 2012 <http://data.ncvo.org.uk/a/almanac12/almanac/voluntary-sector/work/what-is-the-state-of-pay-in-the-voluntary-sector/>.

⁶⁰ This estimate was kindly provided by David Kane, NCVO, in July 2013.

⁶¹ Extreme caution is necessary when calculating the value of volunteering. Estimates on the average number of hours volunteered vary greatly from study to study. A recent Yorkshire and Humber Forum paper by Crowe (2011a) estimated that 300,000 volunteers provided 25m hours of support, that is, 83.3 hours per annum – slightly higher than the estimate used in this report (which replicates estimates used in the similar study in North Yorkshire undertaken in 2010). A Timebank survey, by contrast, determined a more generous estimate of 12.6 hours in the previous four weeks: see - <http://timebank.org.uk/key-facts>. At a higher level still is an European Report on levels of volunteering which estimate average contribution of time is around 6 hours per week – see: McLoughlan, P., Batt, W., Costine, M. and Scully, D. (2011) *Second European Quality of Life Survey Participation in volunteering*

- On the basis of these assumptions the 'nominal financial value' of volunteering is in the range of £106.5m and £164.3m a year in Yorkshire and the Humber.

Figure 6.1 Employment and volunteering in Yorkshire and the Humber	Micro £0- £5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	Whole sample	Lower estimate for whole sector	Higher estimate for whole sector
Paid full-time staff							
None / not applicable	94.4	81.7	21.3	4.1	43.5	-	-
1-2	5.6	17.0	50.7	6.2	20.0	1,435	2,215
3-5	1.1	1.3	21.7	15.7	11.2	2,401	3,706
6-10	0.0	0.0	5.3	21.1	8.2	3,533	5,453
11-20	0.0	0.0	1.0	21.9	7.2	5,667	8,747
21-50	0.0	0.0	0.0	14.0	4.5	6,762	10,437
51-100	0.0	0.0	0.0	7.9	2.7	9,853	15,208
100 plus	0.0	0.0	0.0	9.1	2.8	20,240	31,240
N=	178	153	207	242	780	49,891	77,006
Paid part-time staff							
None / not applicable	84.7	43.5	9.2	1.7	31.2	-	-
1-2	12.0	43.5	22.7	5.6	21.2	1,693	2,613
3-5	3.3	10.3	37.1	15.0	17.2	4,112	6,347
6-10	0.0	1.3	24.5	20.2	12.4	5,962	9,202
11-20	0.0	0.4	5.7	24.5	8.4	7,388	11,403
21-50	0.0	0.4	0.4	16.7	5.0	8,308	12,823
51-100	0.0	0.0	0.4	9.0	2.5	10,322	15,932
100 plus	0.0	0.4	0.0	7.3	2.1	16,560	25,560
N=	183	223	229	233	868	54,345	83,880
Volunteers (excluding trustees, committee members)							
None / not applicable	18.2	9.6	7.1	5.4	10.0	24,288	37,488
1-2	7.9	7.8	7.1	4.5	6.8	1,104	1,704
3-5	13.6	14.3	9.0	9.5	11.6	3,754	5,794
6-10	24.8	18.7	15.6	12.6	17.9	11,555	17,835
11-20	19.2	23.0	18.4	13.5	18.6	22,494	34,719
21-50	8.4	17.0	24.5	23.0	18.2	51,520	79,520
51-100	5.1	7.0	9.9	10.8	8.2	49,680	76,680
100 plus	2.8	2.6	8.5	20.7	8.7	69,920	107,920
N=	214	230	212	222	878	234,315	361,660

6.2 Changing patterns of employment and volunteering

Figures 6.2(a) to (d) examine what has happened to levels of staffing and volunteering in TSOs over the last two years by size of organisation, and within which sub-region they are located. Considering firstly, organisations of different sizes, it can be observed that:

- Few of the smaller organisations (with incomes below £50,000 a year) have paid staff and where they do, the extent of change is negligible. For the largest TSOs, a mixed picture emerges with 24% having increased the number of full-time staff compared with 36% with falling numbers of full-time staff. Only 37% have retained stable full-time staffing levels.
- Between half and three quarters of smaller organisations do not employ part-time staff, of those which do, employment levels have remained relatively stable. Larger TSOs have experienced wider fluctuations in part-time staffing levels. 37% of the largest organisations had rising numbers of part-time staff while 24% had falling numbers.
- The proportion of TSOs with volunteers increases from 80% of the micro organisations to 90% of the largest. Of those organisations which have volunteers, the larger they are, the more likely they are to have increased volunteer numbers over the last two years – rising from 22% to 41%. Smaller TSOs are more likely to have reduced numbers of volunteers (14%) compared with 9% of the largest TSOs.
- Only 55% of smaller TSOs have trustees, rising steadily to 94% of the largest organisations.⁶² Stability in trustee numbers is more prevalent the larger organisations become. The balance between rising or falling numbers of trustees is relatively even across organisations of all sizes, although there is more fluidity in the larger organisations where 28% report rising or falling trustee numbers compared with just 12% of the micro organisations.

In sum, these findings suggest a mixed picture rather than clear patterns. Variations between sub-regions are also evident:

- More TSOs in West Yorkshire (17%) and especially South Yorkshire (21%) have falling numbers of full-time employees compared with North Yorkshire (11%) and Humber (11%).
- The percentages of organisations with rising numbers of full-time staff are quite similar irrespective of TSO size.
- More TSOs in West Yorkshire (14%) and South Yorkshire (17%) have falling numbers of part-time staff compared with other sub-regions
- The proportion of TSOs with rising numbers of part-time staff is similar across areas.
- Variations in volunteer numbers are relatively similar across the four sub-regions. The lowest levels of stability are observed in Humber (38% compared with an average of 44%).
- Changes in the numbers of trustees are not particularly pronounced between sub regions and no clear patterns or differences are worthy of remark.

⁶² Many smaller or micro TSOs operate using a committee structure: as they are unconstituted organisations there is no formal requirement to have trustees.

Figure 6.2 (a)									
What has happened to staffing levels in the next two years: paid full-time staff	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Increased	1.7	1.1	13.9	24.0	10.2	10.5	13.6	6.0	10.2
Stayed the same	11.7	21.3	45.1	37.2	29.6	26.8	25.9	34.2	29.0
Reduced	4.2	4.1	22.5	35.6	17.2	21.0	10.5	11.4	16.2
Not applicable to us	82.5	73.5	18.4	3.2	43.0	41.6	50.0	48.3	44.6
N=	240	268	244	250	412	257	162	149	980

Figure 6.2 (b)									
What has happened to staffing levels in the next two years: paid part-time staff	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Increased	3.3	11.2	27.9	36.8	19.9	22.6	20.4	15.4	20.0
Stayed the same	15.4	36.2	46.3	36.4	35.0	29.2	26.5	46.3	33.8
Reduced	5.0	7.1	19.3	24.0	13.6	17.1	9.9	11.4	13.6
Not applicable to us	76.3	45.5	6.6	2.8	31.6	31.1	43.2	26.8	32.7
N=	240	268	244	250	412	257	162	149	980

Figure 6.2 (c)									
What has happened to numbers of volunteers in the last two years (excluding trustees)	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Increased	22.1	27.6	37.3	40.8	30.3	35.0	33.3	28.2	31.7
Stayed the same	46.3	44.0	43.4	41.2	45.4	42.4	38.3	47.0	43.7
Reduced	13.8	17.2	10.7	8.8	13.3	12.5	16.0	9.4	13.0
Not applicable to us	17.9	11.2	8.6	9.2	10.9	10.1	12.3	15.4	11.6
N=	240	268	244	250	412	257	162	149	980

Figure 6.2 (d)									
What has happened to numbers of trustees in the last two years	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Increased	6.7	11.9	18.0	16.0	15.0	12.1	10.5	14.1	13.4
Stayed the same	42.9	58.6	59.4	66.4	56.3	57.6	58.6	57.0	57.1
Reduced	5.4	13.8	14.8	11.6	12.4	9.7	13.6	10.7	11.6
Not applicable to us	45.0	15.7	7.8	6.0	16.3	20.6	17.3	18.1	17.9
N=	240	268	244	250	412	257	162	149	980

6.3 Future of employment and volunteering

It is useful to assess expectations about future levels of employment and volunteering in the Third Sector as this may provide a 'barometer' of sector 'confidence' and 'realism' in the current economic climate which can be used if future studies are undertaken as has been the case in North East England and Cumbria. When comparing TSOs in Yorkshire and the Humber by size, it is apparent that:

- 24% of TSOs think that the number of employees in the sector will increase in the next two years. But few TSOs, irrespective of their size, believe that the numbers of employees will increase *significantly* (just 2% believe this to be so).
- Optimism about increasing numbers of employees grows as TSOs become larger: only 8% of micro TSOs think numbers will rise compared with 24% of the largest TSOs.
- 15% of TSOs believe that the numbers of employees will fall. The largest TSOs are by far the most likely to believe this to be so (27% compared with 18% for medium sized TSOs).

Levels of optimism and pessimism about future levels of employment differ to some extent by sub region:

- TSOs in South Yorkshire are the least optimistic about future levels of employment: only 15% think that numbers will rise and 18% think numbers will fall.
- TSOs in North Yorkshire & City of York are the most likely to expect levels of employment to remain stable (46% against sector average of 38%).

Figure 6.4 presents data on future expectations about the numbers of volunteers supporting individual TSOs. When the size of organisations is taken into account it is clear that:

- About 40% of TSOs expect that the numbers of volunteers will increase in the next two years. Larger TSOs are by far the most optimistic (55%) compared with just 33% for smaller TSOs and 44% of medium sized TSOs.
- Around 40% of TSOs believe that the number of volunteers will remain stable.
- Micro and smaller TSOs are most likely to think that the number of volunteers will fall (11% and 13% respectively).

Differences in levels of optimism and pessimism about future levels of volunteering across sub regions are more muted.

- TSOs in North Yorkshire & City of York are more likely to expect volunteer numbers to remain stable (49% against sector average of 42%).
- Falls in volunteer numbers are more likely to be expected in West Yorkshire (10%) South Yorkshire (11%) and Humber (11%); only 7% in North Yorkshire & City of York expect this to be the case.

How accurate these expectations about future levels of employment and volunteering will be, remains to be seen. But in light of future projections by TSOs themselves about income levels, the predictions about employees seem to be somewhat over optimistic. Volunteer levels, national statistics suggest, are relatively unchanged, so it is also probably the case that the sector is too optimistic in this respect also. But again, that remains to be seen in future surveys.⁶³

⁶³ See: Chapman, T. and McGuinness, B. (2013) 'Consuming values in a social market: making choices about volunteering and non-volunteering', *Social and Public Policy Review*, Vol. 7: 1.

Figure 6.3 Expectations about future numbers of paid staff.	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Numbers will Increase significantly	1.7	2.2	2.0	2.0	2.7	1.2	1.9	2.0	2.0
Numbers will increase	6.3	14.2	20.9	23.6	17.0	13.6	20.4	16.1	16.5
Numbers will remain similar	15.8	38.4	51.6	44.4	35.7	38.9	35.8	45.6	38.1
Numbers will decrease	1.7	4.9	18.4	26.8	14.6	14.0	6.2	11.4	12.6
Numbers will decrease significantly	1.3	1.1	3.7	2.8	1.9	3.9	0.0	2.0	2.1
Not applicable	73.3	39.2	3.3	0.4	28.2	28.4	35.8	22.8	28.7
N=	240	268	244	250	412	257	162	149	980

Figure 6.4 Expectations about future numbers of volunteers	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Numbers will Increase significantly	5.0	4.9	3.7	7.6	5.6	5.1	5.6	4.7	5.3
Numbers will increase	24.2	28.4	40.6	46.8	34.7	36.2	35.8	30.9	34.7
Numbers will remain similar	46.3	46.6	40.2	33.6	41.0	40.1	40.7	49.0	41.9
Numbers will decrease	9.2	12.3	5.7	4.4	7.8	8.6	11.1	5.4	8.2
Numbers will decrease significantly	1.7	1.1	3.3	1.2	1.7	2.7	0.6	2.0	1.8
Not applicable	13.8	6.7	6.6	6.4	9.2	7.4	6.2	8.1	8.1
N=	240	268	244	250	412	257	162	149	980

7 Organisational capability

In the NRFTST research, an organisation's 'capability' is defined as:

'its ability to employ, manage, and develop its resources in order to achieve its strategic objectives. All of the resources of the organisation are considered including: its trustees, employees and volunteers; its financial resources; its property; and its relationships with partners, funders and other key stakeholders'.

Figure 7.1 presents the key characteristics of good practice capability which were determined from a longitudinal study of 50 organisations in North East England and Cumbria.⁶⁴

Figure 7.1 Aspects of effective organisational practice	
Staff, volunteers and trustees are properly prepared to perform their roles:	<ul style="list-style-type: none"> ■ the organisation employs effective strategies to inform and train its staff [and volunteers] to undertake their roles successfully; ■ the organisation understands how to motivate its staff to maximise their potential.
Is appropriately 'professional' in approach to practice:	<ul style="list-style-type: none"> ■ the organisation approaches its work in such a way as to win the confidence of its beneficiaries, funders and other key stakeholders; ■ the organisation knows how to deal with trustees, employees and volunteers who could or do undermine their professionalism.
Can work effectively with other organisations:	<ul style="list-style-type: none"> ■ the organisation prioritises the maintenance of effective and productive relationships with the TSOs with which it works; ■ the organisation knows when and how to adapt its own practice preferences in order successfully to work with other organisations.
Plans and manages finances effectively:	<ul style="list-style-type: none"> ■ the organisation has the appropriate skills and systems in place to plan and manage its finances and budgets successfully; ■ the organisation plans its use of financial resources successfully to maximise its impact on serving beneficiaries.
Understands and implements relevant procedures and practices:	<ul style="list-style-type: none"> ■ the organisation has sufficient knowledge and understanding of its statutory responsibilities; ■ the organisation has (or has access to) appropriate systems and processes to manage its responsibilities.

⁶⁴ For full details of that research, see Chapman and Robinson (2013) *The Crystal Ball*, Newcastle: Northern Rock Foundation.

Previous sections of this report have considered the current activities, resources and assets of TSOs in Yorkshire and the Humber and their expectations about change in the future. This section considers how well TSOs prepare for change by:

- Examining the way that TSOs invest in their future capability through training.
- The main sources of training used by TSOs for employees, volunteers and trustees
- The training priorities of TSOs

7.1 Investment in capability

Previous reports for the Northern Rock Foundation Third Sector Trends in North East England and Cumbria have shown that organisations which invest heavily in organisational development tend to have a training budget. In the Yorkshire and the Humber study, 44% of TSOs have a training budget. As Figure 7.2 shows, the larger TSOs are progressively more likely to have a training budget, rising from 10% of the micro organisations to 84% of the largest.

Figure 7.2 Ownership in training budgets by TSOs	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	Whole sample
TSO has a training budget	10.0	22.0	58.6	84.4	43.6
TSO does not have a training budget	90.0	78.0	41.4	15.6	56.4
N=	240	268	244	250	1002
	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
TSO has a training budget	43.7	45.9	35.2	49.0	43.7
TSO does not have a training budget	56.3	54.1	64.8	51.0	56.3
N=	412	257	162	149	980

7.2 Sources of training

Employees and volunteers are clearly amongst the most important assets of TSOs. It is important therefore to explore the extent to which TSOs invest in their organisational capability by developing the skills and competence of their people through training. Figure 7.3 shows clearly that larger TSOs are more likely to offer training to their staff. This is to be expected as most TSOs with income below £50,000 a year have none or few full or part-time staff. It is worthwhile noting, however, that medium sized TSOs are significantly less likely to train full or part-time staff than their larger counterparts. For example, only 48% of medium sized TSOs provide full-time staff in-house training compared with 84% of the largest organisations. Similar proportional differences occur for each type of training delivery for both full and part-time employees.

It is clear that most larger and medium sized TSOs use in-house and externally provided training in more or less the same proportions (although the larger TSOs do more of both). Distant learning is used considerably less: 35% of the largest TSOs use distance learning for full-time staff compared with a sector average of just 14%.

Figure 7.3 also shows the extent to which training is given to volunteers and trustees in TSOs of different sizes. These data show that training is more commonly given to volunteers than to paid employees. The extent to which training is given to volunteers is generally affected by organisational size. For example, 41% of the micro TSOs provide training to volunteers compared with 85% of the largest. It is worthy of note that training by external providers is much less common across all organisations for volunteers than was the case for paid employees. The same applies when considering the extent of distance learning.

Levels of commitment to training for trustees varies considerably by organisational size. About 73% of the micro organisations say that this is not applicable to them (most do not have trustees) compared with just 19% of the largest TSOs. Commitment to training of trustees is generally substantially lower than for employees in larger and medium sized TSOs. In-house training is the most common (55% for medium sized TSOs and 67% for larger TSOs). Distance learning is not a popular option for Trustees with fewer than 13% of trustees in larger TSOs receiving training through this medium.

Figure 7.3					
Percentage of TSOs giving training (as a proportion of all respondents in each category)	Micro £0-£5,000	Small £5,000 - £50,000	Medium £50,000 - £250,000	Large £250,000 or more	Whole sample
Full-time employees					
Via in-house training	5.4	10.1	48.0	84.4	36.7
Via external training provider	7.1	8.2	58.2	82.8	38.7
Via distance learning	2.5	3.0	15.6	35.2	14.0
Not applicable to us	91.3	86.9	30.7	7.2	54.4
N=	240	268	244	250	1002
Part-time employees					
Via in-house training	8.8	22.4	66.0	89.2	46.4
Via external training provider	8.3	22.4	63.5	81.6	43.8
Via distance learning	2.1	8.6	16.8	38.4	16.5
Not applicable to us	87.9	62.7	16.0	3.6	42.6
N=	240	268	244	250	1002
Volunteers (excluding trustees)					
Via in-house training	41.3	52.6	75.4	85.2	63.6
Via external training provider	20.0	35.8	44.7	44.4	36.3
Via distance learning	3.8	10.4	13.9	19.6	12.0
Not applicable to us	46.3	28.4	15.2	11.6	25.2
N=	240	268	244	250	1002
Trustees					
Via in-house training	21.3	39.2	54.9	66.8	45.6
Via external training provider	10.8	28.0	40.2	46.0	31.3
Via distance learning	1.7	4.9	8.2	12.8	6.9
Not applicable to us	72.9	42.9	27.0	18.8	40.2
N=	240	268	244	250	1002

7.3 Training priorities

It is not known why organisations choose to, or not to, train their staff or volunteers. It could be the case that there are insufficient resources to train staff (although, in recent years, much training has been offered free to TSOs by local infrastructure bodies funded by, for example, local authorities, Capacity Builders, Big Lottery BASIS funding and so on). Or perhaps TSOs do not think that investing in capability through training is important to them. While these questions cannot adequately be resolved using the data to hand, it is possible to explore the extent to which TSO prioritise different elements of training.

Figure 7.4 presents data on those areas of training to which TSOs accord high priority. Each of these areas of training are listed in priority order (from *bidding for*

grants which is the highest priority to *financial management* which has the lowest priority).

- Training to help TSOs become more effective at *bidding for grants* and *fundraising* is a top priority for 44% of TSOs. There is relatively little variation between organisations of different size.
- Training for marketing and publicity training is prioritised by only 25% of the micro organisations. Bigger TSOs allocate similar levels of priority to this area of training (between 38% and 46%).
- Most micro TSOs, as would be expected, do not put a high priority on training for tendering and commissioning. The importance attached to training in this field increases from 21% for small to medium sized TSOs to 46% for the largest TSOs.
- Micro, small and medium sized TSOs tend not to place a high priority on *strategic management, business planning, managing staff and volunteers* and *financial management*. What is surprising is that larger (and more complex organisations) do not generally prioritise these areas of training. Indeed, fewer than a third of the largest organisations put a high priority on such training.

Figure 7.4 TSOs expressing high priority for a range of training objectives	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	Whole sample
Bidding for grants	40.7	50.4	46.7	38.6	44.2
Fundraising	39.3	49.1	45.7	39.0	43.4
Marketing and publicity	25.2	39.8	45.9	38.1	37.3
Tendering and commissioning	10.4	21.2	39.8	46.6	29.5
Strategic management	14.2	20.1	32.7	31.9	24.7
Business planning	11.3	21.3	34.3	30.7	24.4
Managing staff / volunteers	13.3	18.7	19.7	30.6	20.6
Financial management	11.3	19.3	20.9	19.4	17.8

These findings suggest that larger organisations put more priority on training which is focused on income generation than they do on building organisational capability. As argued in a recent paper for Northern Rock Foundation Third Sector Trends, this may be an error as chasing money as an end in itself may actually undermine organisational wellbeing – and especially so if the organisation has insufficient capability to deliver the services for which the money was given or contracted.⁶⁵

Figure 7.5 compares the income fluctuations over the last two years of TSOs which do or do not have a training budget.⁶⁶ TSOs have been divided into smaller

⁶⁵ See Chapman, T. and Robinson, F. (2013) *On the Money*, Newcastle: Northern Rock Foundation.

⁶⁶ It was not argued in *On the Money* that there is a direct causal relationship between having a training budget and organisational success. Instead, it was stated that well-governed organisations tend to invest in capability through such training while less well governed organisations do not. Furthermore, it was not claimed that rising or falling income levels over the last two years necessarily provides a concrete indicator of organisational success or failure. TSOs may have, for example, planned for anticipated significant changes to their budgets and managed that change successfully.

organisations, which do not generally employ staff, and larger organisations which do usually have employees. These data show that:

- 14% of smaller TSOs with training budget had significantly rising income compared with 9% which had no training budget.
- Only 11% of larger TSOs *without* a training budget had significantly rising income, compared with 15% which *did* have a training budget.
- 26% of larger TSOs with a training budget had significantly falling income compared with 39% which had no training budget.
- 17% of smaller TSOs without a training budget had significantly falling income, compared with 12% which did have a training budget.

These differences are not pronounced, but a clear pattern is nevertheless indicated and suggests that concentration on organisational capability may pay dividends.

Figure 7.5 Relationship between investment in capability and organisational income fluctuations	Smaller TSOs		Larger TSOs	
	Does not have a training budget	Has a training budget	Does not have a training budget	Has a training budget
Income risen significantly in last two years	8.9	13.8	11.4	15.3
Income remained about the same in last two years	74.0	74.1	49.3	58.4
Income fallen significantly in last two years	17.0	12.1	39.3	26.3
N=	358	58	140	353

8 Organisational foresight

Organisational foresight was defined in the NRFTST as follows:

'the organisation's capability to serve its beneficiaries effectively and to make a wider contribution to the community of practice within which it works, to the Third Sector in general, and to civil society broadly defined. Crucially, this involves the ability of the organisation to understand its impact and to be able to communicate this effectively to outsiders'.

Figure 8.1 presents a set of sub-definitions on the principal features of effective organisational foresight which was gained from a longitudinal study of 50 TSOs in North East England and Cumbria.

Figure 8.1 Features of organisational impact	
Communicates role and impact successfully to relevant audiences:	<ul style="list-style-type: none"> ■ the organisation adopts and maintains appropriate media to communicate its purpose, activity and successes; ■ the organisation prioritises the resources it commits to its communications strategy to maximise organisational benefit.
Beneficiaries are appropriately involved in shaping organisation's activities and development:	<ul style="list-style-type: none"> ■ the organisation ensures that it maintains awareness of its beneficiaries' changing needs; ■ the organisation ensures that beneficiaries have an appropriate role to play in shaping the organisation's strategic mission
Benefit to users is assessed and considered:	<ul style="list-style-type: none"> ■ the organisation adopts appropriate methods to record, monitor and report upon its impact; ■ the organisation acts upon its intelligence on user impact to maximise the benefits to the people who use its services.
Makes a positive contribution to the Third Sector:	<ul style="list-style-type: none"> ■ the organisation makes a positive contribution to its own 'community of interest' within the Third Sector; ■ the organisation makes a positive contribution to raising the esteem, impact and reputation of the Third Sector in wider terms.
Seeks to maximise impact on social well-being:	<ul style="list-style-type: none"> ■ the organisation has sufficient knowledge and understanding of its ability and potential to contribute to social well-being; ■ the organisation is driven primarily by its purpose to serve its beneficiaries.

This final exploratory section of the report considers the expectations TSOs have about the future and what they are doing to prepare for change. The analysis which follows is divided into three sub-sections.

- Expectations about the future prospects of the Third Sector as a whole.
- Expectations about change for individual organisations.

- What organisations are doing to prepare for the future.

8.1 Expectations for the Third Sector as a whole

Figure 8.2 presents data on respondents expectations about what will happen in the next two years across a wide range of issues. To discriminate between the different perceptions, attitudes from organisations of different sizes have been presented. It should be remembered, though, that differences in expectations by organisational size refer to attitudes about *the prospects for Third Sector as a whole*, not organisations with particular characteristics.

The data refer to the percentage of respondents who believed the sector would become 'much more reliant' on each of the resources listed. 40% of TSOs believe that the Third Sector will become much more reliant on volunteers to deliver front line services: small and middle sized organisations had the highest expectations (41% and 44% respectively).

- 33% of TSOs believe that reliance on volunteers to help with fundraising would increase substantially: micro and small TSOs were more likely to believe that this will be the case (36% and 38% respectively).
- 20% of TSOs expect that the Third Sector will become much more reliant on local infrastructure bodies to support them: small and middle sized TSOs are more likely to believe that this will be the case (around 25%).
- 32% of TSOs expect that the Third Sector will become much more reliant on grants from charitable foundations to support them: small and middle sized TSOs are more likely to believe this (around 36%).
- 20% of TSOs expect that the Third Sector will become more reliant on the general public to give money: small TSOs are the most likely to believe this to be so (24%).
- 17% of TSOs believe that the Third Sector will become much more reliant on free support from their local authority: small TSOs (21%) and medium sized TSOs (18%) are the most likely to believe this to be the case.
- 19% of TSOs believe that the Third Sector will become much more reliant on the public sector to meet organisations' core operating costs: small and medium sized TSOs are a little more likely to believe this to be the case (around 21%).
- 16% of TSOs think that the Third Sector will become more reliant on public sector contracts over the next two years to deliver services: medium sized and larger TSOs are more likely to believe this to be the case (21% and 23% respectively).
- 12% of TSOs think that the Third Sector will become much more reliant on private sector businesses providing professional support in the next two years.
- 13% of TSOs believe that the Third Sector will become more reliant on the private sector for funding and 9% on contracts from the private sector: such views are undifferentiated by organisational size.

These estimations of future levels of sector reliance may indicate that the Third Sector is somewhat over optimistic about the future – especially with regard to dramatic rises in volunteer support and local authority support. But only time will tell.

Figure 8.2

TSO future expectations for the Third Sector as a whole over the next two years? (percentage who agree or strongly agree)

	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	Whole sample
Much more reliant on volunteers helping to deliver front-line services	35.0	41.0	43.9	30.0	37.9
Much more reliant on volunteers helping with fundraising	35.8	38.1	32.8	26.0	33.4
Much more reliant on free support from local CVSs/VDA's to help organisations	17.1	24.6	23.8	14.0	20.3
Much more reliant on grants from charitable foundations to support organisations	26.3	35.4	37.3	26.8	31.9
Much more reliant on money given by the general public	16.7	23.9	21.3	16.4	19.9
Much more reliant on free support from the local council to help organisations	14.6	20.9	18.4	13.2	16.9
Much more reliant on grants from the public sector to support our core costs	17.9	20.9	22.1	16.4	19.4
Much more reliant on contracts/sub-contracts from the public sector to deliver services	9.6	12.3	20.5	23.2	16.4
Much more reliant on free professional services from people in private sector business	11.7	13.4	14.8	12.0	13.2
Much more reliant on funding from private sector businesses	12.1	13.4	13.9	11.6	12.8
Much more reliant on contracts/sub-contracts from private businesses to deliver services	9.2	9.3	9.4	10.8	9.7

8.2 Expectations of change for individual organisations

Figure 8.3 provides summary data on TSOs expectations about what will happen to their own organisation over the next two years. The data are divided into two sections, the first considers the more optimistic TSOs. Percentages refer to TSOs which believe that numbers will 'increase' or 'increase significantly' in the next two years.

- 44% of TSOs believe that the number of volunteers supporting their own organisation will rise in the next two years: The largest TSOs are by far the most optimistic (58%) followed by medium sized TSOs (47%). It is not known for sure if these expectations are unrealistic or not – but given current trends in volunteer numbers it seems unlikely that support will increase to this degree.
- 41% of TSOs think that the number of contracts to deliver services that their organisation holds will increase: organisational size does not seem to affect expectations in this respect – although the indications are that medium sized and larger organisations may be more realistic in their expectations.

- 35% of TSOs believe that their income will rise over the next two years. Optimism in this respect rises as TSOs become larger – but the differences are not dramatic from 27% for micro TSOs to 43% for the largest TSOs.
- 26% of TSOs believe that the number of paid staff that their organisation has will increase: expectations are similar across all organisational sizes. These expectations, in the current economic climate, appear to be optimistic.

The second section of Figure 8.2 considers the more pessimistic TSOs. Percentages refer to TSOs which believe that numbers will ‘decrease’ or ‘decrease significantly’ in the next two years. It is clear from these data that the Third Sector is divided in its expectation - with many TSOs expecting that their operating environment may deteriorate to some extent over the next two years.

- 23% of TSOs believe that their organisation’s income will fall over the next two years: the largest TSOs are most likely to believe that this will be the case (30%).
- 21% of TSOs think it is likely that the number of staff they employ will decline over the next two years: 30% of larger TSOs believe that this will be the case.
- 18% of TSOs predict that the number of contracts their organisation holds to deliver services will decline: an equal number of medium sized and larger TSOs believe this to be the case (20%).
- Only 10% of TSOs think that the numbers of volunteers working for them will fall over the next two years. Smaller TSOs are the most pessimistic in this regard (14%).

The analysis of Figure 8.2 shows that there is something of a mixed picture on sector attitudes about what the future will hold.

Figure 8.3					
Expectations about organisational situation over the next two years (for those TSOs to which the questions are applicable)					
	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	Whole sample
Optimism indicators					
Believe that number of volunteers will rise	33.8	35.6	47.4	58.1	43.9
Believe that contracts held will rise	43.6	43.8	38.0	40.9	40.6
Believe that income will rise	26.8	33.5	36.9	43.0	35.3
Believe that number of paid staff will rise	29.7	27.0	23.7	25.7	25.7
Pessimism indicators					
Believe that income will fall	13.1	19.9	26.2	29.7	22.5
Believe that number of paid staff will fall	10.9	9.8	22.9	29.7	21.2
Believe that contracts held will fall	12.8	11.2	20.1	19.4	17.9
Believe that number of volunteers will fall	12.6	14.4	9.6	6.0	10.7

Figure 8.6 analyses expectations about change in the external working environment

- 73% of TSOs believe that demand for their services will rise over the next two years. Medium sized and larger TSOs are more likely to expect that this will be the case (84% and 88% respectively). Few TSOs believe that demand for their services will fall.

- 67% of TSOs think that the expectations of statutory services on their work will increase: 72% of medium sized TSOs and 86% of larger TSOs believe that this will be the case. Less than 2% of TSOs consider that expectations will lessen.
- 64% of TSOs predict that they will be more likely to work in partnership in the next two years. Larger organisations are much more likely to expect this to be the case (74% against 44% of the micro TSOs). Few TSOs, of any size, think that partnership working will fall.

Figure 8.4

Expectations about change in the external environment affecting TSOs (for those TSOs to which the questions are applicable)

	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	Whole sample
Believe that need for services will rise	52.9	65.2	83.9	87.6	73.6
Believe that need for services will fall	1.6	1.6	1.7	0.8	1.4
Believe that statutory expectations will rise	44.9	51.9	72.8	86.0	67.0
Believe that statutory expectations will fall	1.5	1.6	3.6	0.8	1.9
Believe that working in partnership will rise	54.5	58.9	63.8	74.3	64.7
Believe that working in partnership will fall	2.4	4.0	6.9	2.9	4.2

Figure 8.5 considers the extent to which TSOs believe that their expenditure will increase or decrease over the next two years. It is clear from these data that

- The majority of TSOs think that expenditure will increase (53%), and particularly so amongst medium sized TSOs (58%).
- 10% of TSOs expect that their expenditure will fall over the next two years, 15% of larger TSOs consider that this is a likelihood.

These findings are slightly puzzling. TSOs have been shown to expect that the demand for their services will increase (74%) which would make sense of the associated expectation that expenditure would increase. Similarly, there is a clear expectation amongst many organisations that income will rise (about 35% believe this to be the case). But the mis-match between these two percentages suggests that something is amiss in future expectations which can only be understood fully should future rounds of the Third Sector Trends study be undertaken in Yorkshire and the Humber.

Figure 8.5

The expected impact of internal and external change on organisational expenditure (for those TSOs to which the questions are applicable) change

	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	Whole sample
Believe that expenditure will rise	42.9	54.3	58.0	53.8	52.6
Believe that expenditure will fall	3.8	6.4	10.3	15.3	9.1

Figure 8.3 analyses expectations about change in the external working environment

- 73% of TSOs believe that demand for their services will rise over the next two years. Medium sized and larger TSOs are more likely to expect that this will be the case (84% and 88% respectively). Few TSOs believe that demand for their services will fall.
- 67% of TSOs think that the expectations of statutory services on their work will increase: 72% of medium sized TSOs and 86% of larger TSOs believe that this will be the case. Less than 2% of TSOs consider that expectations will lessen.
- 64% of TSOs predict that they will be more likely to work in partnership in the next two years. Larger organisations are much more likely to expect this to be the case (74% against 44% of the micro TSOs). Few TSOs, of any size, think that partnership working will fall.

8.3 Preparing for the future

The final set of data in this report considers what TSOs are doing to tackle the challenges of the future. Figure 8.6 compares TSOs' views on a range of issues. Percentages are presented for TSOs which are taking action now to address their future needs. Factors are ranked from the highest priority to the lowest priority.

The following observations on data which differentiate organisations by their size can be made:

- 42% of TSOs are taking steps now to increase earned income: TSOs are progressively more likely to be taking such steps as they grow in size - rising from 18% for micro TSOs to 64% for the largest TSOs.
- 31% of organisations are now working more closely with other TSOs: the largest organisations are the most likely to be doing so (46%) falling to just 17% for micro TSOs.
- 29% of TSOs are changing the way they run their services: 48% of the largest TSOs are taking action of this kind compared with just 34% of medium sized organisations.
- 21% of TSOs are taking action to increase the level of donations from individuals. Larger TSOs are the most active in this respect (29%) compared with 13% of micro and 19% of small TSOs.
- 8% of TSOs are taking action to change their legal form to meet their future objectives: smaller TSOs (9%) and medium sized TSOs (13%) are most likely to be doing this.

- Just 5% of TSOs are taking action to merge with another organisation: The largest TSOs are most likely to be doing so (10%) but are still small in number, fewer than 2% of micro TSOs are actively pursuing a merger.
- Fewer than 5% of organisations are taking action to take over a service from another TSO: larger organisations are the most likely to be doing this (11%) but remain small in number.

These data show that many TSOs are taking steps forward to prepare for the future. Clearly some actions are much more popular than others – there is virtually no interest, for example, in merging or taking services from other TSOs.

It is clearly apparent from these data that the largest TSOs are the most active in every aspect of change. It is perhaps surprising that medium sized organisations are lagging behind in this respect given the evidence in this report to suggest that they are under considerable (and perhaps more) pressure to tackle future challenges.

In fact, as shown in Figure 8.7, many medium sized TSOs are ‘planning’ (but not currently acting) to change the way they practice. But even so, they are only showing about the same level of activity as the largest TSOs (which have been shown in Figure 8.5 to be much more likely to have changed the way they do things already).

Figure 8.7

Extent to which medium and larger sized TSOs are planning to change the way they practice (percentage of TSOs which are planning to take action each of these factors)

	Medium £50,000 - £250,000	Largest £250,000 or more	Whole sample
Planning to increase individual donations	31.4	27.5	28.7
Planning to increase earned income	24.4	22.7	25.5
Planning change the way services or activities are run	21.7	20.6	18.9
Planning to work more closely with another voluntary/not-for-profit organisation	20.8	19.0	18.1
Planning to merge with one or more similar organisation	7.0	10.4	8.1

Figure 8.6									
Percentage of TSOs which are already taking action on the following issues to address their future needs									
	Micro £0-£5,000	Smaller £5,000 - £50,000	Medium £50,000 - £250,000	Largest £250,000 or more	West Yorkshire	South Yorkshire	Humber	North Yorkshire & City of York	Whole sample
Increasing earned income	18.3	32.5	50.4	64.1	40.6	41.5	40.9	47.0	41.9
Working more closely with another voluntary/not-for-profit organisation	16.5	23.0	35.1	46.4	31.8	30.9	33.1	24.0	30.6
Changing the way you run your services or activities	11.3	23.1	34.0	47.6	28.4	34.5	25.8	24.2	28.9
Increasing individual donations	13.3	18.7	22.4	28.7	19.8	22.1	21.0	20.8	20.8
Changing your organisation's legal status	3.3	9.0	13.1	4.8	6.6	10.1	6.8	8.1	7.8
Merging with one or more similar organisations	1.7	3.4	6.1	10.4	6.3	7.0	1.2	4.0	5.3
Taking over a service or project from another voluntary/not-for-profit organisation	0.4	2.2	4.9	11.2	4.1	8.5	3.7	1.3	4.8
N=	240	268	245	251	413	258	162	149	982

9 Conclusions and implications

The purpose of this research was to assess the contribution the Third Sector currently makes to the social and economic wellbeing of Yorkshire and the Humber and assess its potential to do so in the future. In so doing, it sought to gain a better understanding of the structure and dynamics of the Third Sector in the region so that policy makers and practitioners within and beyond the sector are better informed about what can be achieved for beneficiaries and the economy more generally.

Furthermore, a solid understanding of the structure and dynamics of the Third Sector in the context of social, political and economic change will help policy makers, philanthropists and private sector businesses, independent charitable foundations, local authorities and government departments to make better judgements on when, where and how to invest in and work with the Third Sector.

The wellbeing of the sector as a whole

In spite of the current fiscal squeeze, the Third Sector in Yorkshire and the Humber continues to be a force to be reckoned with socially and economically. There are over 10,600 registered TSOs operating in the region (and as many as four times as many more very small organisations and groups that sit 'below the radar' making a contribution to communities of place and interest).⁶⁷

The sector's income is substantial and has risen from £1.56bn in 2006-7 to £1.62bn in 2010-11 and its assets have risen from £2.32bn to £3.22bn over the same period. Conservative estimates suggest that the number of full-time equivalent employees in the Third Sector number between 68,000 and 105,000 and the number of volunteers in the range of 234,000 and 362,000. The estimated 'actual' financial contribution to the economy of Third Sector employees' salaries is about £1.2bn per annum – and the 'nominal' contribution of voluntary time is estimated in the range of £106.5m- £164.3m. There is evidence to show that sector as a whole is, nonetheless, under financial pressure: 30% of larger TSOs, which usually employ staff, have experienced significantly falling income over the last two years. But it is not all bad news: 14% of TSOs which employ staff enjoyed rising income.

Most smaller groups and organisations which rely entirely on voluntary contributions of time and effort because they employ no staff, have experienced financial stability (74%), And while 9% of smaller organisations have enjoyed rising income: 16% of these organisations have seen their income fall significantly in the last two years which may be a cause for concern. While these findings show that parts of the Third Sector are suffering from declining financial resources – the overall picture is one of relative stability and a strong sense of resilience.

⁶⁷ Estimates of the ration of below the radar organisations (BTRs) and registered organisation vary significantly. Mohan, *et al.* (2010) estimate that the range is between 1:0.33 to 1:4 BTRs – depending largely upon the relative affluence or deprivation of the area under scrutiny (where richer areas have a lower ratio than poorer areas).

Just using a big picture perspective can be a problem, this report has shown, because much of the fine detail on how different parts of the Third Sector work can be lost. One of the clearest distinctions is the difference between the activity of smaller organisations, which do not generally employ staff to help them with their work, and those larger organisations which do. The current situation and future outlook for each of these two sub-sectors are now discussed separately.

The smaller organisation that run on an entirely voluntary basis

Many smaller organisations may be ‘hunkering down’ during a period of austerity, but the indications are that they are not in a crisis – and a lot of them are clearly continuing to do very well. The resilience and strong sense of independence of these smaller organisations should be taken as a sign of the strong contribution they make to the social wellbeing in their communities. They are not much interested in growing or working closely with other organisations. Most are not thinking about, interested in or in a position to take on contracts to deliver services.

There is a structural problem though. These smaller organisations tend to be concentrated in the wealthier rural areas (76% of TSOs in rural areas are smaller organisations compared with just 29% in inner city areas) where they mainly offer people in the locality a focus for arts, cultural sport, leisure and community activity. If this is what the Big Society is about – there is more of it in the richer areas. And so policy makers may need to think hard about how to help tap the latent energy or under-used people resources in those inner-city areas where times are hard and community resilience is more likely to be threatened by circumstances beyond their own control.

The larger TSOs which employ people and draw upon voluntary contributions of time and effort

Organisations that have a resource mix of paid staff and volunteers do not all operate in the same way. Part of the explanation for this derives from the kinds of practice they are involved with and the beneficiary groups they serve. About 45% of larger TSOs are involved with the delivery of direct services to beneficiaries (such as training, social care, providing accommodation). These organisations are most likely to do contract work. Another 35% of TSOs are mainly involved with the provision direct support, advice, information and guidance to beneficiaries – such work is financed by a mix of mainly grants and some contracts. The remainder provide indirect services such as campaigning, research, grant giving or supporting other TSOs.

The kind of work TSOs do, clearly distinguishes organisations from each other, but there are other factors too, such as the size of organisations and the geographical scale of their operation. Organisations are also differentiated, this report shows, by their ‘ethos’. The majority of larger TSOs say that their ‘values’ are most closely associated with people in the community (81%) rather than those of people in the public sector (17%) or the private sector (8%).

When it comes to their approach to practice and planning, wider differences emerge. In Yorkshire and the Humber 30% of larger TSOs say that they share the ethos of people in private sector business compared with just 20% sharing the ethos of people in the public sector. Those larger TSOs which associate with people in the private sector may be in the minority – but it shows that an ‘enterprising’ approach to organisational planning is quite

common. It is these organisations (but not exclusively so) which are more likely to be involved with working to contract for the public sector to deliver services.

Delivering contracts and payment by results

There is much talk about the 'contract culture' in the third sector now. The last government invested heavily in capability and capacity building to encourage TSOs to do precisely this kind of activity. Alongside this, pressure was also put on TSOs to work in partnership or consortia in order to 'scale up' their activity and impact. Sometimes an impression was given that this is what the whole of the third sector should be like.

The reality is that only 15% of TSOs are delivering public services by contract (and a further 8% are submitting tenders to do so). Amongst the *largest* TSOs (which have income above £250,000 a year) 41% are delivering contracts and 18% are bidding to deliver contracts). It should be noted that these TSOs can make a tremendous contribution to their communities through the delivery of services by contracts (many of which, arguably were once delivered in much the same way using grants).

Proportionality is vital here: 33% of all TSOs (and 11% of the largest) are aware of such opportunities but say that they are not relevant to their organisation's mission. Amongst the largest TSOs, 18% say that contracts are not attractive to them because they see barriers to success and a further 10% say they could not do it without more information or support. This maybe helps to explain why 40% of the largest TSOs expect that their participation in contract working will increase over the next two years – providing that is, that they get information and support and do not see barriers to participation.

The extent to which larger TSOs earn income through their own business endeavours appears to be growing. This may become even more important in the future as public sector funding through grants and contracts may reduce in volume. But the key message of this research is that TSOs, large or small, rarely rely on just one source of income. Instead, they have a mix of grants, contracts, earned income, subscriptions, giving and in-kind support. Even most of those TSOs which are heavily engaged in contract working continue to rely on grants for aspects of their work – and expect to continue to do so.

What is clear from this report is that the asset base of an organisation affects its ability to plan successfully when making decisions about the future. Those TSOs which have a strong asset base are better at planning – whilst those which work with few reserves or assets find this harder. It is understandable that TSOs which are working 'from hand to mouth' find it more difficult to prioritise strategic planning, financial management, people management and so on, rather than focusing on the very pressing demand to bring in money to pay their staff and do their work. But this report shows that good planning is not just a luxury for the TSOs with the strongest assets – and indeed, many of the organisations which do have a strong asset base are less interested in strategic planning than perhaps they should be.

Questions surrounding social investment

These findings raise issues surrounding organisational foresight and capability which may need to be addressed by many larger TSOs in the Third Sector. The question is, should more money be pumped into the system by government and other bodies to help them do this? The likelihood is that such investment would not bear much fruit because, as noted above, TSOs are often clear about what they want to do and how they want to work – they work to their own agendas on issues that they think are important. Government cannot

shape the sector in an image of its choice. This is the sector's choice – or rather, that of the individual TSOs that compose it. Investment in capability is important, but probably needs to be demand led, rather than supply driven so that the greatest benefit is gained by those organisations which want to enter into particular arenas of work which somebody else is keen to pay for.

A case in point is the current government's interest in social investment. The ideas surrounding social investment are laudable and, on the surface at least, quite convincing. Essentially, the idea is that TSOs (or other non-profit organisations or private companies) are paid on the basis of the results they achieve.⁶⁸ To do this kind of work means that organisations need substantive free reserves to pay their staff and delivery costs up front until the work is done.

Relatively few organisations, as this report clearly demonstrates, have this kind of handy money in the bank and many, it may be presumed, will be reticent about taking the risk of releasing funds from their fixed assets. The government's response has been to encourage TSOs to enter the 'investment readiness' zone. This means that they are prepared to borrow money to do the work in the hope that they will get paid later if they achieve the required results.

There is neither much activity in this field just now nationally, nor in the Yorkshire and the Humber region. The findings from this report give some clear indications why that is so. Only 6% TSOs have borrowed money in the past two years (amongst the largest organisations, with annual income above £250,000, the percentage is just 17%). Furthermore, interest in taking loans in the future appears to be minimal: 92% of the smallest TSOs would not consider this option (the percentage for the largest organisations is 77%). In short, there is a long way to go, in practical financial terms and in organisational cultural terms, before more TSOs will be willing to take the risks required to engage in such work.

Running on empty?

A more general, but important finding from this research, is the extent to which TSOs have drawn on their reserves in the previous two years to work in new areas of activity. The research shows that 17% of TSOs drew on some of their reserves to do this and 4% drew heavily on their reserves to do so (the percentages for the largest TSOs are 21% and 7% respectively). This is an indication of the enterprising attitude of organisation and the evidence suggests that quite a large proportion of TSOs are willing to do this.

A more worrying finding, although it is not possible to discern from these data if this constitutes a trend, is the extent to which TSOs are dipping into their reserves to pay for core activities – whittling away at their asset base. The research shows that 22% of TSOs drew on some of their reserves while 9% drew heavily upon them for this purpose. The organisations that were most likely to have drawn on their reserves were the medium sized organisations (with income in the range of £50,000-£250,000): 31% of which had drawn on some of their reserves while 12% had drawn heavily upon them.

It would be unwise to produce alarmist conclusions about the wellbeing of the Third Sector on the basis of these data because it is not known whether TSOs are drawing more heavily on their reserves now than they did so in the past. The best that can be done, at this stage,

⁶⁸ Social investment is not limited to payment by results contracts, of course, other areas of investment are also considered – particularly through transfer of assets or the developing of new and innovative solutions (which may, ultimately, be extended or scaled up through contracts).

is to hazard a guess that this is the case (and circumstantial evidence supports this, such as the fact that 30% of larger TSOs have experienced a significant fall in income over the last two years).

Falling levels of income is neither a definite indication of a *crisis* for the sector as a whole nor for individual TSOs. It is recognised from this research (and in its sister project in North East England and Cumbria) that TSOs are very adaptable and can bend their shape to meet new circumstances – whether these constitute serious challenges or terrific opportunities (and often both of these things come at the same time). Neither would it be possible to argue that the Third Sector in Yorkshire and the Humber is in rude health. Instead, an impression is gained of a sector which is ‘hunkering down’ and being cautious about taking risks that might undermine its strengths further.

If this report was about an industrial sector of a similar size in the region which produced some product or service that people wanted to buy (or did not want to buy as much of in the current economic climate) – it would rightly raise concerns about the state of the local economy and the risk to local employment. This is a concern for the Third Sector too – because it employs many people and makes a valuable contribution to the local economy. But simply to *monetise* the value of what the Third Sector does rather misses the point. Its true value is gained in multifarious ways – most particularly through the value it produces for its beneficiaries and through the value gained from the enormous amount of voluntary effort that is provided by the people in the region.

Looking to the future

In the future, TSOs expect that demand for their services will rise: 73% of organisations expect this to be the case, and an even higher percentage of the medium sized TSOs (84%) and largest TSOs (88%). Furthermore, 67% of TSOs believe that the expectations of statutory organisations on their services will increase too: in fact 72% of medium sized TSOs and 86% of the largest TSOs expect that this will be the case.

With these factors taken together, in tandem with only a slim likelihood of increased resources for the sector, it seems reasonable to assert that TSOs can expect to be working in an increasingly competitive environment. Arguably, there could never be sufficient resources to meet the perceived needs of beneficiaries. But a period of austerity makes matters worse: as it is harder on one hand to scale up activity to deliver services to support beneficiaries, whilst on the other hand financial pressures are bearing down on fully-stretched organisations and further taxing the energy of its staff.

Should it, therefore, be a source of celebration that this report shows that more members of the Third Sector are optimistic about the future than those who are pessimistic? Or should we be *worried* that many people who run TSOs may be ‘misplaced’ in their optimism (and I cannot say whether or not this is true with much confidence without the services of clairvoyant or access to a crystal ball).

There will be winners and losers in the future. But my feeling is that the sector as a whole has sufficient resilience to carry on regardless – albeit with reduced financial resources for a period of time (and perhaps never attaining the kind of investment provided by the previous government). To do so means that organisations will continually have to think about new ways of marshalling and applying their resources of ideas, people and money to the problems they seek to address.

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Appendix

Glossary of terms and definitions

Size of Third Sector Organisations

The analysis uses two different approaches. In both cases the income of organisations in the previous financial year is used as the benchmark of its size.

The first delineation separates smaller from larger TSOs in the following way to discriminate between those organisations which do not employ staff and those which do.

- **Smaller TSOs:** have an income below £25,000 and do not generally employ any full-time or part-time staff they are led and run, therefore, by volunteers and can be considered as being more 'informal organisations'.
- **Larger TSOs:** have an income above £50,000 and generally employ part-time and/or full-time staff. As employing organisations they can be considered as more 'formal organisations'.

The second delineation discriminates between small, or 'micro' organisations, from small, medium and large TSOs. These definitions follow a similar analytical division of organisations by the NCVO.

- **Micro TSOs:** are defined as TSOs which had an income below £5,000 in the previous financial year.
- **Small TSOs:** are defined as TSOs which had an income of between £5,000 and £50,000 in the last financial year.
- **Medium TSOs:** are defined as TSOs which had an income of between £50,000 and £250,000 in the last financial year.
- **Large TSOs:** are defined as TSOs which had an income above £250,000 in the previous financial year

Main services functions of TSOs

- **Primary services:** organisations whose *main function* is to provide 'front-line' services to individual beneficiaries such as providing accommodation, delivering care services, community transport, providing specific training, and so on.
- **Secondary services:** organisations whose main function is to provide direct support services to individual beneficiaries such as advocacy, information, advice and guidance.
- **Tertiary services:** organisations whose main function is to provide services which may have a direct impact on beneficiaries, but this usually occurs through intermediaries. Three types of tertiary services are defined:
 - Provides indirect support services to beneficiaries (e.g. research, policy analysis, campaigning)
 - Provides grants to the voluntary and community sector as a Foundation or Trust
 - Provides infrastructure support to the voluntary and community sector
- **Other services:** many organisations did not allocate themselves to one of the above categories. Where enough information was available they were re-classified. Those which remained in this category were mainly small TSOs involved in community activities, arts, sports music and social or leisure activities (such as dance clubs, coffee morning groups, etc.)

Organisational ethos

- **Community driven ethos.** These are organisations that are not only *for* the community but also *of* the community. They are embedded in their community of place or interest, and reliant on its support. Many of these TSOs are quite small and they are often very reliant on volunteers; they may endure over long periods of time.
- **Public-sector driven ethos.** These TSOs are aligned closely with the public sector or at least are much shaped by public sector agendas. Their objectives may thus have been defined by others, particularly through the operation of funding regimes. They may struggle at first to find the flexibility to respond when public sector financial or policy priorities change.
- **Market driven ethos.** These TSOs are business-like in their practice – they are clear about what product or service they offer – but still remain strongly attached to their social values. Sometimes such organisations are described as social enterprises because they are 'value-led' and 'market driven'.⁶⁹ But many TSOs which operate with a market driven ethos do not like the term social enterprise.

Westall, A. (2001) *Value Led, Market Driven: social enterprise solutions to public policy goals*, London, Institute for Public Policy Research.