



Voluntary Sector trends: Gateshead Health and Wellbeing Board July 2017

This paper summarises current trends within the voluntary and community sector. It draws upon several sources, most of which are reports published during the first half of 2017 that offer national, regional and local perspectives on the state of the sector.

The voluntary sector makes a significant economic impact contributing £12.2bn to the UK economy; this is similar to the GDP of Cyprus. Registered charities employ a workforce of 853,000, while civil society as a whole (other not-for-profits such as social enterprises, housing associations and mutuals) employ 2.2 million paid staff, equivalent to 7% of the UK workforce.

Across the North (North West, Yorkshire and Humber and the North East) voluntary organisations employ more people than the area's financial and insurance sector. The voluntary sector's value in the North East (measured by salaries) is £750 million. The workforce is relatively stable with 37,500 full time equivalent employees, though a 10% rise between 2010 and 2016 to 45% of staff in part-time work shows a shift in working patterns.

Volunteering also makes a significant economic and social contribution. Nationally, the economic contribution of formal volunteering is estimated at £22.6bn. In the North East 150,000 volunteers deliver 10.8m hours of work at a value of £78m to £131m. 62% of the region's voluntary organisations report that many of their volunteers are currently, or have been, service users.

The Newcastle CVS report, *Doing Good in Gateshead 2017*, found only 11% of organisations responding used fewer than four volunteers. Indeed 6% had 100 or more volunteers. Gateshead Council's website notes *"Volunteering is one of our greatest assets, with 34% of Gateshead residents regularly taking part in an activity"*.

Grant aid remains the most important source of income, especially for the region's small and medium sized voluntary organisations. Contracts remain a significant income stream for larger organisations (incomes above £500,000) but grants are regaining importance and creating more competition within the sector. The most recent North East Third Sector Trends study continues to find social finance and borrowing of marginal interest to the sector. Less than 3% of respondents reported borrowed money to be important and only 9% of the larger organisations was planning to borrow money in the next three years.

The national picture finds 81% of earned income from the public sector is from contracts or fees. The largest slice of this (42%) goes to major charities (incomes between £10m -£100m). It is worth noting the 61% growth between 2008 and 2015 of 'super-major charities' with incomes above £100m, whose share of public sector funding grew by 9% in 2013 - 2015. However the NCVO UK Civil Society Almanac reports individual donations as the largest source of income for the voluntary sector. These comprise donations, legacies, as well as membership fees, income from shops and trading.

In the North East, 42% of large voluntary organisations earn more 61% of their income. This compares to medium sized organisations earning 30% of their income, and small organisations 21% of income. The most recent North East Third Sector Trends study finds the voluntary sector resilient and not about to *'fall off a cliff'*. However it does find distribution of income within the sector is changing though as larger organisations begin to look to grants becoming a more significant part of their income stream.

A consistent theme across many recent reports on the state of the voluntary sector is of a squeezed middle as medium sized organisations face increasing competition for grant aid from larger and smaller organisations. The House of Lords Committee on Charities reported medium sized organisations having *'problems bidding for contracts, from increasing scale of contracts to reduced focus on quality and payment by results mechanisms that disadvantage smaller providers'*.

The Third Sector Trends Study indicates 32% of medium-sized voluntary organisations in the region have used reserves for essential costs. 83% of Gateshead respondents said that without additional income they would use all their reserves up in less than 12 months. The House of Lords (HoL) Committee describes charities as the *'eyes, ears and conscience of society'*. However it also makes clear that *'the environment in which charities are working is altering dramatically'*.

Some of the challenges facing the voluntary sector are down to its own mixed performance, for example in the take up and use of technology and digital platforms. Another area highlighted for improvement is the diversity of trustee boards. Additionally the HoL Committee states more support is needed to increase the ability of trustees to provide the leadership and direction necessary for a sustainable future.

The HoL Committee report claims that against a background of lost income (since 2009/2010) small and medium charities are struggling to adapt to changing circumstances. The Road Ahead (NCVO) and Facing Forward (Lloyds Bank Foundation) both look at the challenges for the sector and what voluntary organisations can do to adapt and respond to them.

Facing Forward is concerned specifically with small and medium voluntary organisations. It lists ten trends to watch including Brexit, a slowing economy, changing public sector and public services, digital technology, social division, public trust in charities and the Government's vision for civil society. It includes seven steps to help organisations prepare for the future include diversifying funding streams, collaboration, better use of technology and planning for the future with care. This last step means asking questions about how organisations can best meet their charitable aims with options including merger or closure.

The Road Ahead focuses on a number of structural factors some of which directly affect voluntary organisations, for example funding and charity regulation. Others have wider impact on beneficiaries and communities. These include rising prices, stagnant incomes, Brexit, political (and economic) uncertainty and the sector's relationship with Government. NCVO calls for a resetting of the voluntary sector relationship with (central) government. It notes that anti-voluntary sector rhetoric from the Government and its supporters, the Lobbying Act, anti-advocacy clauses in contracts have led to an all-time low in the relationship between the Government and the sector.

The final report from the Independence of the Voluntary Sector Panel highlights a drop in trust among the general public, largely as a result of poor fundraising practices among some very large national and international charities. The Panel also cites uncertainty about the Government's intentions towards the sector and asks whether Theresa May's ambitions to create a Shared Society and to tackle burning injustices will have more substance than David Cameron's Big Society; questions that have all been thrown into the air as a result of June's General Election.

Sources

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Third Sector Trends in North East England 2016 (key findings), Chapman et al for Community Foundation (Tyne, Wear and Northumberland), 2017

The Road Ahead : a Review of the Voluntary Sector's Operating Environment, NCVO, 2017

Stronger Charities for a Stronger Society, House of Lords Select Committee on Charities, 2017

A Shared Society, the Independence of the Voluntary Sector in 2017, Civil Exchange, 2017