8 Expenditure of UK voluntary organisations

8.1 Introduction

For the voluntary sector to maintain levels of public confidence in its activities, it is important for it to account accurately and transparently for the expenditure of its resources. The scale and composition of UK voluntary organisations' expenditure is of interest to all the sector's stakeholders. It is arguably subject to more scrutiny than the resource inputs discussed in the preceding chapters. This chapter looks at the 'how much' and 'on what' questions so often asked. It moves to the next stage of the model illustrated by the ellipse in Chapter 1 and presents the latest data available for the expenditure of general charities.

This chapter illustrates the total expenditure of general charities, and reflects upon trends in relation to income over the last 10 years. This is followed by a breakdown of different categories of current expenditure, including grants and donations to other voluntary organisations. Expenditure on grants and donations is important, as it represents a circular flow of resources within the sector, and is in effect a double-counting of income. Finally, changes over time are shown for organisations in each of the four size categories.

8.2 Overall expenditure patterns

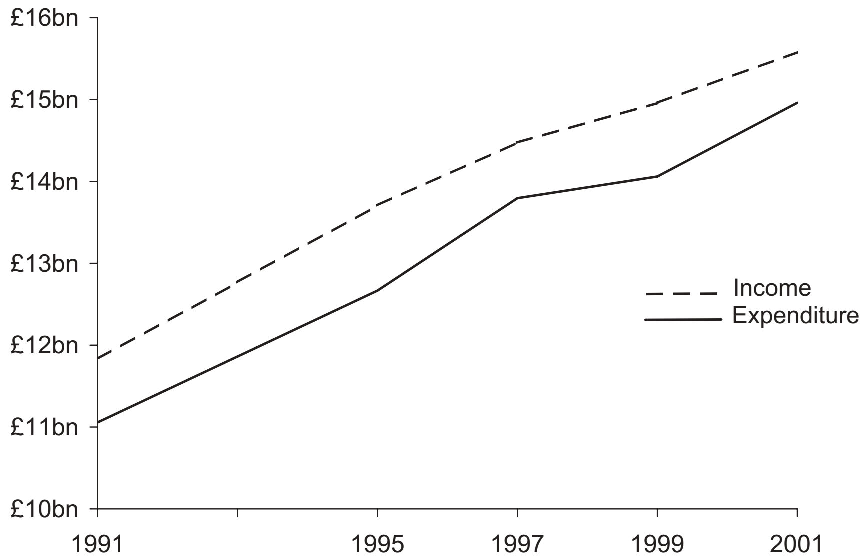
The total current expenditure of general charities was just over £14.9 billion in 2001 (Table 8.1). Current expenditure is concentrated, like income, in the largest general charities. Almost £9 out of £10 spent by the voluntary sector is accounted for by those organisations with annual incomes over £100,000, even though fewer than one in 10 general charities is in this category. Over one-third of the sector's monetary resources is expended by the largest general charities – those in the over £10 million income group.

The changes prompted by the SORP have not led to the kind of substantive changes in current expenditure that have affected income or assets. Between 1991 and 2001 total current expenditure increased by nearly £4 billion or 35.3% in real terms (Figure 8.1). However, this change has not been evenly distributed through the 1990s. Expenditure increased by 3.6% each year between 1991 and 1995, quickening to 4.5% a year from 1995 to 1997. The period 1997 to 1999 saw a relative pause as expenditure increased at a yearly rate of less than 1%. However, expenditure growth has again picked up. A yearly increase of just over 3% from 1999 to 2001 has seen growth in expenditure outpace growth in income.

Table 8.1: Total current expenditure by income band (£million)

	Under £100k	£100k–£1m	£1m–£10m	Over £10m	Total
Total current expenditure	£1,578.9	£4,169.6	£4,071.3	£5,141.4	£14,961.2
Percentage of total current expenditure	10.6	27.9	27.2	34.4	100.0

Figure 8.1: Total income and total current expenditure 1991–2001 (£billion)



While income has increased at an even pace over the last 10 years, expenditure as a percentage of income has been more variable (Table 8.2). Levels of income are the main determinant of current expenditure. For the sector as a whole, expenditure was equivalent to 96% of total income in 2001. In 1991 this ratio was 93.6%. The relationship between expenditure and income changes slightly between organisations of different size. Organisations in the lowest income group appear to have slightly more spare capacity – income is equivalent to 93.7% of their expenditure. This ratio narrows as organisations increase in size. Organisations in the highest income band spend the equivalent of 97% of their income. This ratio has narrowed across all income groups.

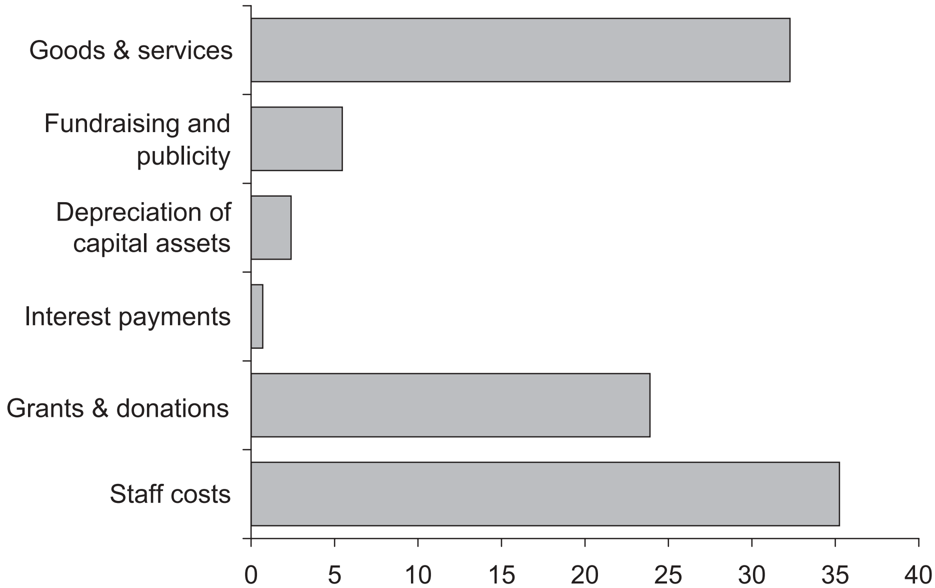
Table 8.2: Total current expenditure as % of total income

	Under £100k	£100k–£1m	£1m–£10m	Over £10m	Overall
1991	93.8	89.5	94.3	96.1	93.6
1995	89.8	89.5	90.8	97.8	92.4
1997	94.9	97.6	95.3	93.2	90.9
1999	91.5	94.7	92.1	95.9	94.0
2001	93.7	96.3	95.5	97.0	96.0

8.3 Categories of current expenditure

Current expenditure is comprised of five main categories:

Figure 8.2: Components of total current expenditure (%)



- staff costs
- goods and services
- fundraising and publicity
- depreciation of capital assets and interest payments
- grants and donations.

Figure 8.2 shows the relative importance of each of these categories in 2001. These categories are standard in other sectors, with the exception of grants and donations, which are specific to the voluntary sector. Staff costs consume over one-third of total current expenditure (35.2%), closely followed by expenditure on goods and services (32.3%). Grants and donations account for just less than a quarter of current expenditure (23.8%). The remaining categories each account for a relatively small proportion of the total: fundraising and publicity (5.5%); depreciation of capital assets (2.4%); and interest payments (0.7%) constitute the balance. The following sections discuss each of these categories separately.

8.3.1 Staff costs

The allocation of sufficient resources to pay staff and manage volunteers is essential for the successful pursuit of mission for the voluntary sector. In 2001, general charities had staff costs of £5.2 billion, equivalent to over one-third of current expenditure. This category of current expenditure comprises not only staff salaries but also all the costs associated with employing both paid and unpaid staff.

Clearly, only those organisations with substantial incomes can support paid staff, yet such organisations are increasing in number. General charities in the lowest income band spent

14.8% of their total expenditure on staff costs. Those with an income between £100,000 and £1 million have staff costs of £800.6 million, equivalent to nearly 40% of their total expenditure. In the two top income bands staff costs accounted for 38.6% and 35.7% respectively.

The previous Almanac pointed out that staff costs increased at a faster rate than income, which may have reflected the large increase in staff between 1995 and 1998. However, between 1999 and 2001, income and staff costs both rose at approximately the same rate (4.2% and 4.1% respectively). The rise in employment costs therefore appears to have levelled off as the growth in the voluntary sector workforce has slowed. Nevertheless, upward pressure on wage levels (and therefore costs) remains strong, particularly for London and the South East where much of the voluntary sector workforce is based.

8.3.2 Goods and services

The contribution of the voluntary sector as a purchaser of goods and services is rarely taken into account by policy makers, yet this is an important function of the voluntary sector economy. Expenditure on goods and services accounts for nearly one-third of current expenditure (32.3%), or £4.8 billion (see Tables 8.3 and 8.4). This category typically includes expenditure on building occupancy (such as rent); travel and subsistence; communications; professional fees and services; financial services and; miscellaneous (including paper, printing, stationery and computer consumables). Miscellaneous (38%), building costs (22%) and professional services (20%) were the most important categories, but these are likely to have changed as the way charities work has changed. (More details of the relative importance of these categories, based upon the 1994/95 ONS survey of charities, can be found in earlier editions of the Almanac.)

General charities in the lowest income band together spend £600 million on goods and services, yet this is a relatively important proportion of their expenditure at 38% of the total. As organisations increase in size the proportion of expenditure consumed by goods and services falls; those in the £10 million and over income band spend under 30% on goods and services. However, this reflects the broader scope and activities of these organisations and not their actual spending. Those in the £10 million and over income band spent £1.5 billion on goods and services in 2001.

8.3.3 Fundraising and publicity

Media attention has recently focused on the fundraising and publicity costs of voluntary organisations. In 2001, fundraising and publicity costs totalled £817.4 million, or 5.5% of current expenditure. This is almost double the proportion reported in the last Almanac, although as section 8.4 notes, this is likely to be a function of more transparent reporting. This issue highlights the fact that accurate comparison of fundraising costs between different voluntary organisations remains difficult, especially where the main source of information is published accounts.

Differences in fundraising and publicity expenditure between different sizes of organisation are again apparent in 2001. In the smallest organisations fundraising and publicity costs consume approximately 2% of total expenditure, which equates to £33.2 million. As a proportion of total expenditure, fundraising and publicity costs are higher for larger organisations, particularly for those in the £1 million to £10 million band. For these organisations 7.6% of total expenditure goes on fundraising and publicity. However, a combined spend of £321.9 million means that organisations in the £10 million and over income band account for the biggest share of this expenditure category.

8.3.4 Depreciation and interest payments

Interest payments make up less than 1% of organisations' total expenditure – almost £110 million in 2001. Almost half the sector's expenditure on interest payments (£54.6 million) is made by organisations in the £1 million–£10 million income band, equivalent to 1.3% of their current expenditure. As the rise in interest payments has occurred during a period of falling interest rates, this leads to the tentative conclusion that the use of loan finance is increasing.

Overall depreciation of capital assets was £356.4 million (2.4%), with a slight bias towards organisations in the £100,000–£10 million income bands. As already indicated in Chapter 7, these organisations hold the largest share of the sector's fixed capital assets (land and buildings), which explains their share of the depreciation bill.

8.3.5 Grants and donations

Grants and donations are a key and unique feature of the voluntary sector economy, and indicative of the sector's redistributive role. Grant-making to individuals and other organisations is itself a primary function of the sector and this is reflected by the Charity Commission's classification system, outlined in Chapter 3. At £3.6 billion a year, or almost a quarter of current expenditure (23.9%), it is also a significant category in monetary terms.

As a proportion of total expenditure, grant-making is a more important activity to organisations in the lowest income band. For organisations with incomes of £100,000 or less, grants and donations account for 43.1% of expenditure. The importance of this activity appears to decline in mid-sized general charities, where it accounts for less than 20% of current expenditure. In the very largest organisations it accounts for over 25% of current expenditure. Although grants and donations account for the single largest category in the lowest income band, the largest general charities account for much of the total value of grants and donations distributed. Those in the £10 million and over category account for the greatest share, with 39% of the total (Figure 8.3).

The recipients of this grant-making activity are illustrated in Figure 8.4. More than half of the voluntary sector's expenditure on grants and donations goes to other charities and non-profits (£2,090.4 million). This is not matched by the £1,379.7 million of grant income from charities/non-profits identified in the analysis of income (see Chapter 4). Therefore, there is an apparent leakage of £903.4 million from our definition of the voluntary sector. The explanation for this lies with the substantial number of general charities that support charitable institutions falling outside the general charity definition, e.g. the exempt and excepted charities in England and Wales, such as museums, grant-maintained schools and places of worship.

Figure 8.3: Share of expenditure on grants and donations by income band (%)

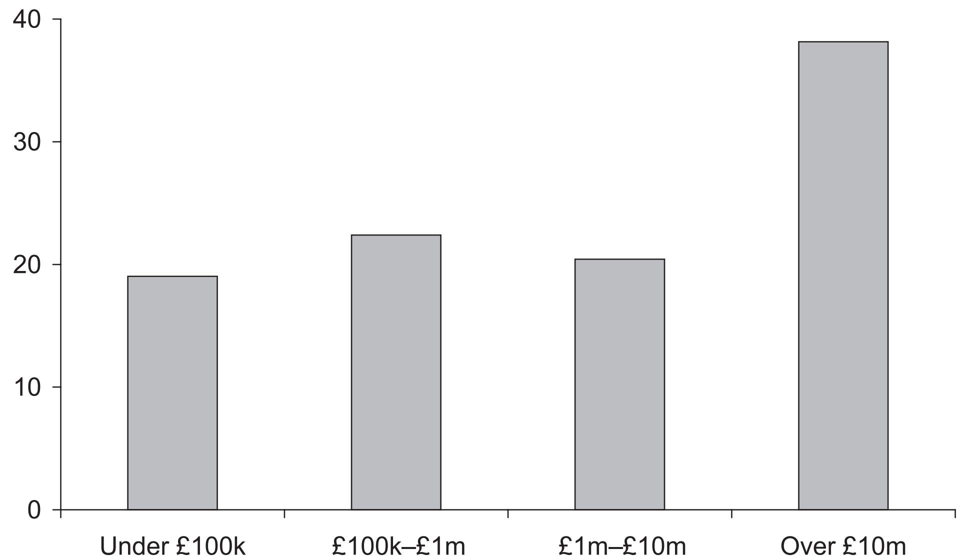
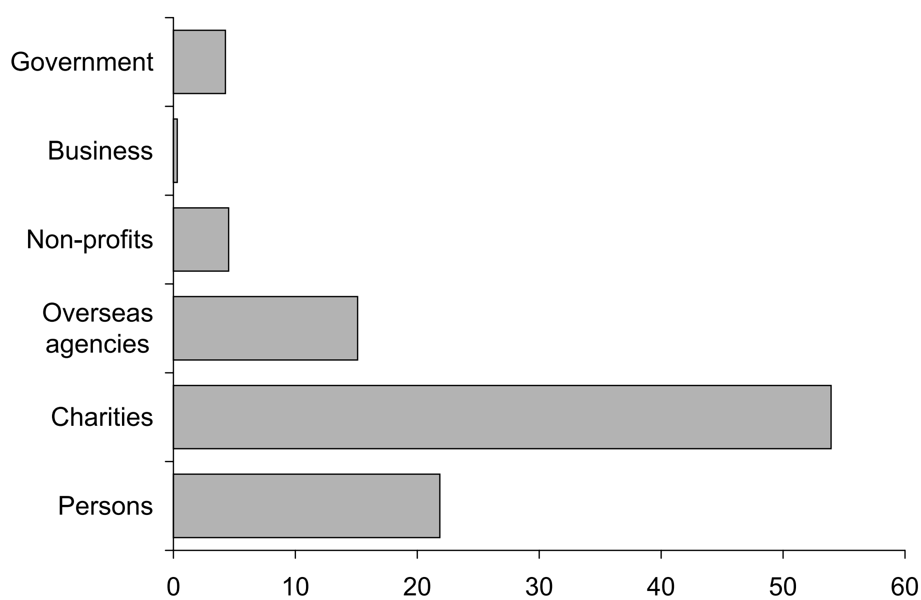


Figure 8.4: Share of grants and donations by recipient (% of total)



The next-largest group of recipients of grants and donations are persons (£781 million), who are most likely to receive grants from the smallest general charities. The latter gave grants and donations to individuals worth £259.3 million in 2001, more than organisations in any of the other income bands.

Of the remaining categories, £640.1 million is spent by the sector on grants to overseas agencies, much of which can be attributed to the very largest general charities. For these organisations, overseas agencies are the main recipients of their grant-making activities. Surprisingly, government and business are also recipients of funds from general charities. Grants and donations to government are likely to accrue to public service institutions such as schools and hospitals.

8.4 Trends in expenditure 1991–2001

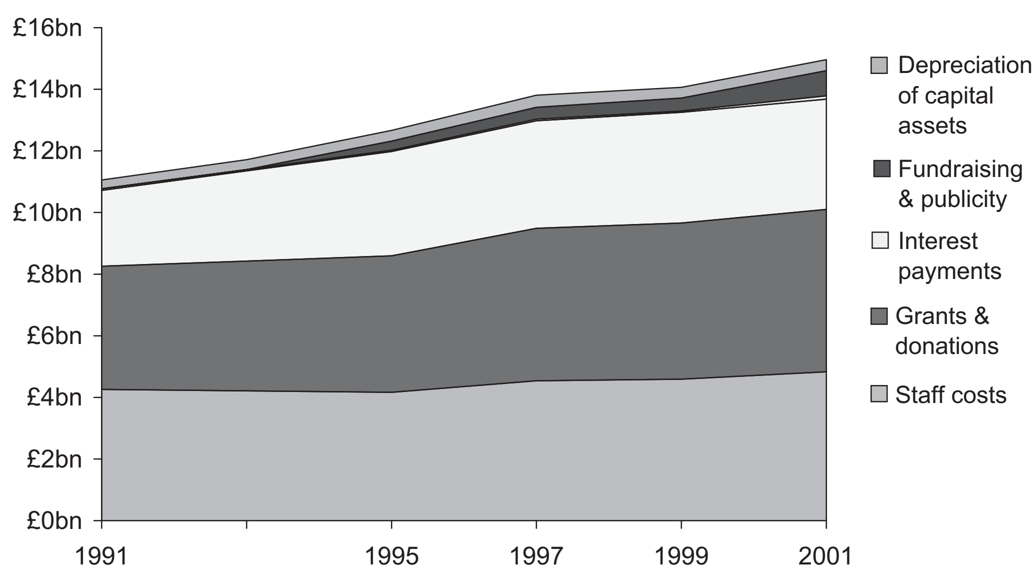
Figure 8.5 illustrates changes in total expenditure and its components over the period 1991 to 2001. Although all categories of expenditure increased over the last decade, they did so at different rates. As a result, some of the trends are not clear. An overview of changes in expenditure across the sector is followed below by a discussion of expenditure in each of the four different income bands.

8.4.1 Expenditure trends in all organisations

Overall, total expenditure increased by more than one-third (35.3%) between 1991 and 2001. In the case of goods and services, a slight decrease in expenditure between 1991 and 1995 was followed by an increase of 8.9% from 1995 to 1997. A further slowdown in growth between 1997 and 1999 followed the pattern of overall expenditure. The last two years under review saw an increase of 5.2% in expenditure on goods and services as overall expenditure picked up.

From a base of £2.5 billion, grants and donations increased by 37.7% between 1991 and 1995. This growth slowed down considerably over the next four years, and by the period 1999 to 2001 expenditure in this category actually fell slightly in real terms. As discussed in section

Figure 8.5: Expenditure trends 1991–2001 (£billion)



8.3.1, growth in staff costs was concentrated in the years 1991 to 1997, when the average yearly increase was nearly 6%. This contrasts with the period 1997 to 2001 when the total increase in staff costs amounted to only 6%.

As interest and depreciation costs are a relatively small proportion of total expenditure, small changes in these categories show up as big proportional changes. The increase in interest payments was concentrated in the last four years. This suggests that organisations are increasingly making use of their assets as a security for loans to increase their income. Expenditure on depreciation increased between 1991 and 1997 and decreased between 1997 and 1999. A small increase between 1999 and 2001 was then recorded.

The separate categorisation and reporting of fundraising and publicity expenditure in charity accounts is a result of the introduction of the charities SORP, and this became apparent in analyses from 1995 onwards. It is difficult to disentangle what proportion of change is due to actual growth, and what is caused by the increase in reporting. Assuming that the largest organisations have been complying with the SORP for several years now, it seems reasonable to assume that at least part of the growth in fundraising and publicity expenditure is real. In turn, this is likely to reflect increasing competition in fundraising, and increasing use of professional marketing techniques including direct marketing and advertising campaigns.

8.4.2 Expenditure trends in organisations with income under £100,000

Expenditure in this income band increased by more than a quarter (26.5%) between 1991 and 2001 – less than the sector average (Figure 8.6). Expenditure on goods and services in the smallest organisations increased steadily at an average yearly rate of 3.3% between 1991 and 1997, after which growth slowed down to just 1% a year. The sharp decrease in staff costs

Figure 8.6: Expenditure trends 1991–2001 in income band under £100,000 (£billion)

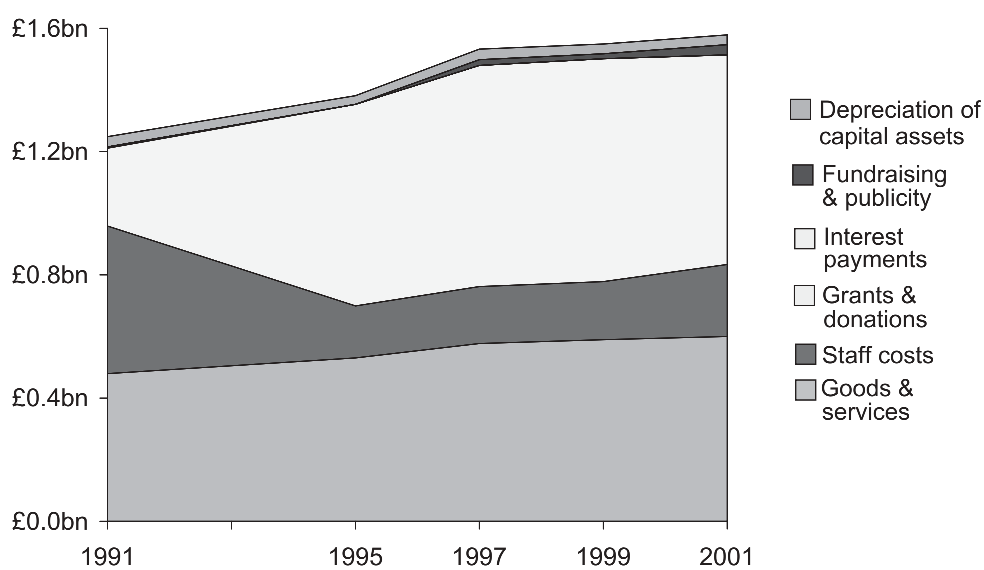
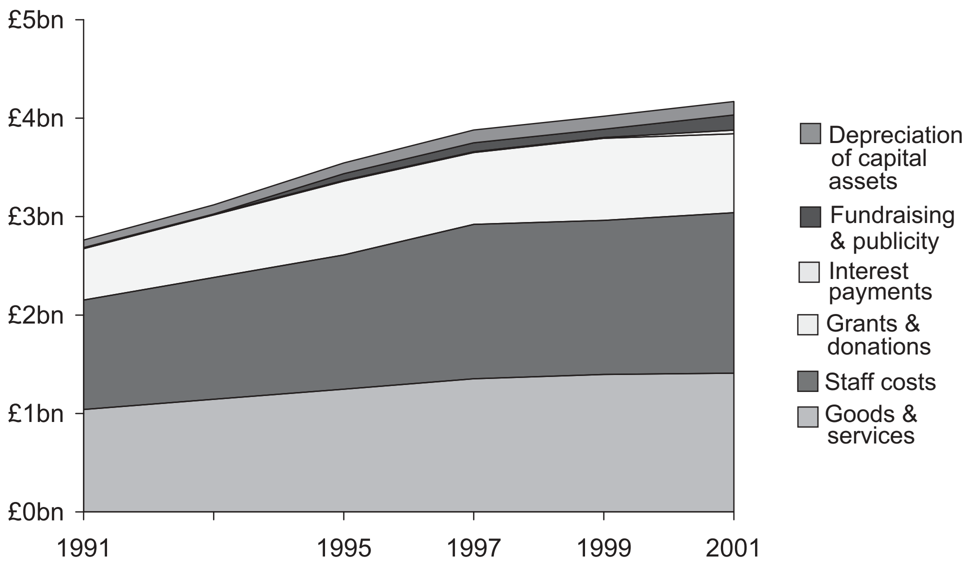


Figure 8.7: Expenditure trends 1991–2001 in income band £100,000–£1 million (£billion)



coincided with the decrease in earned income, as discussed in the previous chapter. This coincided with an increase in investment income and expenditure on grants and donations, suggesting a shift of focus in this group from service provision towards grant-making.

8.4.3 Expenditure trends in organisations with income between £100,000 and £1 million

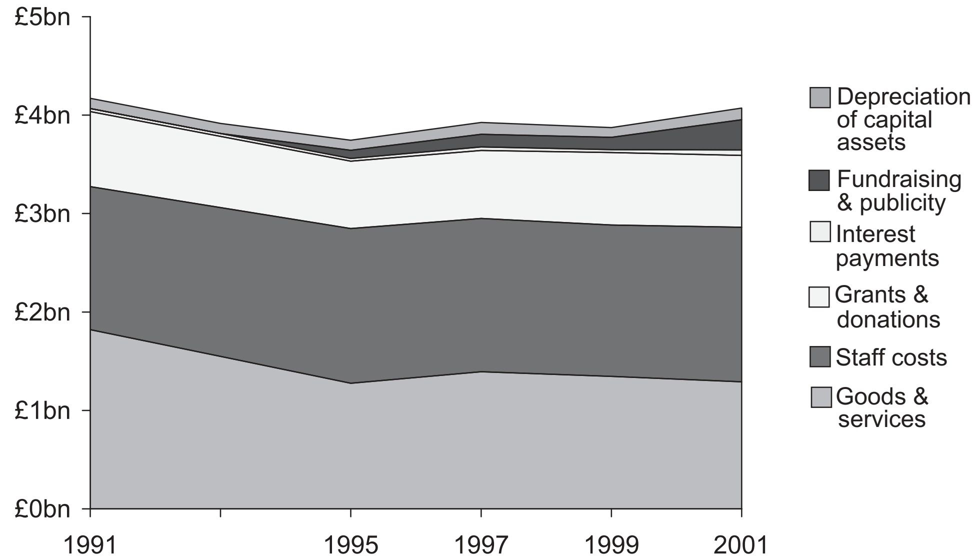
Expenditure in this income band increased by over a half (51%) between 1991 and 2001 – more than the sector average (Figure 8.7). This growth is split into two periods. Expenditure increased at an average rate of 10% a year between 1991 and 1995, followed by a much slower growth at under 2% a year between 1995 and 2001. All major components showed this rapid increase in the early 1990s, although this was most marked in expenditure on grants and donations. The growth in expenditure on goods and services continued to decline until it came to a halt between 1999 and 2001. Staff costs did not grow over the 1997 to 1999 period, but increased again between 1999 and 2000.

Increases in expenditure on grants and donations were more staggered. The initial increase between 1991 and 1995 was followed by a decrease between 1995 and 1997. An increase between 1997 and 1999 was followed by another decrease over the period 1999 to 2001. This produced a 53% increase in expenditure on grants and donations over the decade. In contrast, interest payments grew steadily across the decade; the biggest increase was shown in 1999 to 2001, suggesting that this group took advantage of the low interest rates to borrow money against assets.

8.4.4 Expenditure trends in organisations with income between £1 million and £10 million

As with income, this is the only group of organisations in which total expenditure fell between 1991 and 2001 (Figure 8.8). In 2001 this group spent 2.4% less than in 1991. The main

Figure 8.8: Expenditure trends 1991–2001 in income band £1 million–£10 million (£billion)



decrease took place between 1991 and 1995. A fall in expenditure on goods and services and on interest costs was the principal driver, as staff costs actually increased in these years. Although expenditure on goods and services increased again between 1995 and 1997, staff costs levelled out from 1997 onwards. Grants and donations showed an increase only between 1997 and 1999. The main source of growth in expenditure between 1999 and 2001 was fundraising and publicity costs.

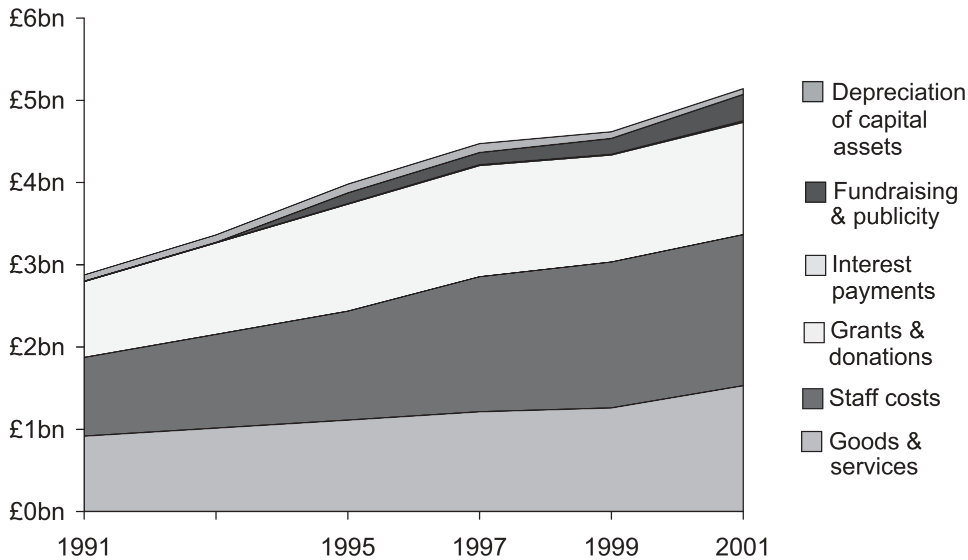
8.4.5 Expenditure trends in organisations with income over £10 million

Expenditure in this income band showed a substantial increase of 78.7% over the 1991 to 2001 period (Figure 8.9). This is much higher than the sector average of 35.3%. However, the three main components showed different patterns. Staff costs and goods and services increased between 1991 and 1995, whereas expenditure on grants and donations fell. Whilst staff costs increased over the decade as a whole, the rate of increase slowed by the end of this period. Growth in goods and services slowed between 1995 and 1999, but increased again between 1999 and 2001. Grants and donations comprised the only component where the increase was biggest in the overall slow years of 1997 to 1999.

8.5 Capital expenditure and financial transactions

The analysis of accounts undertaken to update estimates did not provide sufficient consistent information on capital expenditure. It is therefore not possible to provide an accurate estimate of current levels of capital expenditure and financial transactions. The analysis from the ONS survey of charities has been reproduced below to provide a guide to the likely level and type of

Figure 8.9: Expenditure trends 1991–2001 in income band over £10 million (£billion)



capital expenditure and financial transactions of the charitable sector. However, these categories are quite volatile, reflecting the nature of capital expenditure. In 1995 the overall level of capital expenditure was estimated at £443 million and comprised:

- new building work, 38%
- land and existing buildings, 28%
- vehicles, 11%
- plant and machinery, 23%.

An analysis of a small selection of large charities suggests that over recent years capital expenditure has been growing ahead of inflation. Over the last three years the average annual growth in capital expenditure at current prices for 10 charities with annual incomes over £10 million was 9%. An analysis of 40 charities with annual incomes between £1 million and £10 million showed an average annual decline of 2% in current prices. Given that the overall weight of capital expenditure lies with the largest organisations it is therefore reasonable to estimate that capital expenditure has grown in real terms by 3% a year over the last three years.

Table 8.3: Breakdown of expenditure by income band (£million)

	Under £100k	£100k–£1m	£1m–£10m	Over £10m	Total
Staff costs	**233.6**	**1,631.6**	**1,569.9**	**1,837.4**	**5,272.6**
Grants and donations	**680.4**	**800.2**	**730.5**	**1,364.2**	**3,575.3**
Persons	259.3	256.1	200.7	64.8	781.0
Charities	251.3	331.6	428.7	917.1	1,928.6
Overseas agencies	71.6	84.5	73.6	310.4	540.1
Non-profits	33.2	48.4	19.9	60.4	161.8
Companies	0.0	4.0	7.4	0.0	11.5
Government	64.9	75.6	0.0	11.7	152.3
Interest payments	**0.0**	**37.5**	**54.6**	**17.8**	**109.8**
Depreciation of capital assets	**31.8**	**137.2**	**117.3**	**70.1**	**356.4**
Fundraising and publicity	**33.2**	**154.2**	**308.0**	**321.9**	**817.3**
Other goods and services	**599.9**	**1,408.7**	**1,291.0**	**1,530.1**	**4,829.7**
Total expenditure	***1,578.9***	***4,169.6***	***4,071.3***	***5,141.4***	***14,961.2***

Table 8.4: Breakdown of expenditure by income band (% of total)

	Under £100k	£100k–£1m	£1m–£10m	Over £10m	Overall
Staff costs	**14.8**	**39.1**	**38.6**	**35.7**	**35.2**
Grants and donations	**43.1**	**19.2**	**17.9**	**26.5**	**23.9**
Persons	16.4	6.1	4.9	1.3	5.2
Charities	15.9	8.0	10.5	17.8	12.9
Overseas agencies	4.5	2.0	1.8	6.0	3.6
Non-profits	2.1	1.2	0.5	1.2	1.1
Companies	0.0	0.1	0.2	0.0	0.1
Government	4.1	1.8	0.0	0.2	1.0
Interest payments	**0.0**	**0.9**	**1.3**	**0.3**	**0.7**
Depreciation of capital assets	**2.0**	**3.3**	**2.9**	**1.4**	**2.4**
Fundraising and publicity	**2.1**	**3.7**	**7.6**	**6.3**	**5.5**
Other goods and services	**38.0**	**33.8**	**31.7**	**29.8**	**32.3**
Total expenditure	***100***	***100***	***100***	***100***	***100***

9 From outputs to impact

9.1 Introduction

The model of the voluntary sector economy presented in Chapter 1 identifies the need to measure outputs, outcomes and ultimately impact in order to assess the overall contribution of the voluntary sector. As the development of public policy, and the allocation of scarce resources, increasingly relies on the identification of 'what works', the need to provide evidence of the voluntary sector's impact increases. This chapter reviews the evidence, and reports upon the evolution of tools to measure impact at sector level.

So what, and why, do we need to measure? The changing nature of the voluntary sector in recent years has resulted in an increased demand for performance measurement. With many voluntary organisations relying on contracts and grants as a major source of income, organisations are forced to prove their worth as they compete for resources. With a wide range of voluntary organisations to choose from, donors are becoming more discerning about whom they give to. Voluntary organisations increasingly want to show that they are using funds efficiently and meeting their output targets, so there is also a demand for performance measures from within the sector.

Best value has become a driving force in the measurement of outcomes and impacts, and in particular the move away from the straightforward counting of inputs and outputs. The idea behind best value is to make a positive difference to the services received from a local authority. While there is still a need for analyses of inputs and outputs in order to establish efficiency, the emphasis is on outcomes for local people. In order to meet the demands of best value, organisations involved in local public-service delivery have to meet the local authority's monitoring and evaluation requirements. These may vary from authority to authority; indeed, some organisations work with several different local authorities and may have to supply a different set of indicators to each. In response to this, some voluntary organisations have found that by adopting their own comprehensive self-evaluation procedures, or one of the performance standards designed specifically for the sector, they are able to satisfy the evaluation needs of all their funders. Clearly, best value provides further motivation for outcome and impact measurement, on the part of both organisations competing for local authority funding and local authorities that want to show that local public services offer value for money.

Research has shown that the relationships between the public and charities have shifted from being trust-based to being confidence-based (see section 5.4). These findings suggest a greater awareness of charities' activities on the part of the public. For example, donors want to see not only how their donation is being spent, but what the outcomes of the organisation's activities are, in order to be reassured that their expectations are being met. Thus, demand for impact measurement comes from the general public as well as from within organisations and from government and grant-makers.

What an organisation measures will depend upon what it is trying to achieve. For example, an organisation that wants to prove its worth to funders will use a different set of indicators from an organisation aiming for accreditation of a quality charter mark, like Investors in People or Quality First.

Measurement of the sector's value can take many forms, ranging from the measurement of its economic contribution to that of outcomes and impact. It can use both quantitative and qualitative methods and can be applied to different types of organisation, from small community groups and organisations with no paid staff to large national charities. Most measurement is undertaken at the organisation level. However, impact methodologies are now being developed that can be applied to groups of organisations, with the aim of going some way towards measuring the impact of the sector as a whole.

This chapter begins by discussing the voluntary sector's contribution to Gross Domestic Product (GDP), how this can be measured and the limitations of these kinds of measures. It then looks at the wider, non-economic measurement of outcomes and impact, with a definition of the relevant terms. Secondly, it discusses some of the issues to be considered when devising a framework for voluntary sector performance assessment. This is followed by a review of some of the existing methods of performance measurement, including a number of quality standards. Finally, the chapter introduces the 'systems approach', which looks at the voluntary sector as a whole and takes account of how organisations interact and deliver impact collectively, and the relationship between sectors. The increase in the delivery of public services by the voluntary sector and also in partnership working means that it is no longer so easy to think of the voluntary sector as separate and removed from the public and private sectors. It is becoming more important to think about the relationship between both organisations and sectors, and how they communicate and work together to deliver services.

9.2 Economic contribution of the voluntary sector

Although voluntary organisations are not excluded from the ONS's measures of GDP, there is no separate estimate of the sector's contribution. The 1994/5 ONS survey of charities was carried out in response to this need, and allowed estimates of the sector's contribution to GDP to be calculated.

In order to calculate the sector's contribution to GDP based on the 1994/95 survey results and in subsequent years, ONS constructed a measure of final current expenditure (FCE) that recognised that general charities are both producers and consumers. The estimates for 2001 using the ONS method show the sector's contribution to GDP as over £5.4 billion (see Figure 9.3). The ONS definition is presented in Figure 9.1.

This formula is not ideal, however, as income from sales of goods and services is subtracted from gross current expenditure (staff costs plus expenditure on goods and services) to produce the estimate of the contribution to GDP. This means that any increase in income from sales of goods and services would result in a decrease in the contribution to GDP. An alternative method based on expenditure produces a higher estimate (see Figure 9.2). In addition to identifying the usual expenditure on goods and services, expenditure on grants and donations is deemed to be the purchase of goods and services. The argument is that objectives are being satisfied through transfer payments to other organisations.

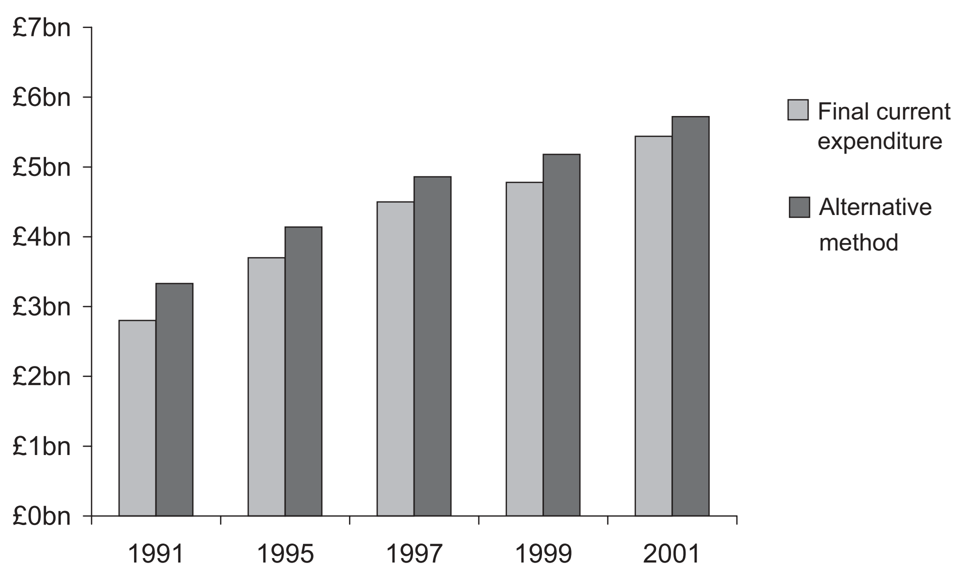
Figure 9.1: ONS method of calculating the sector's contribution to GDP

staff costs
plus
expenditure on goods and services
minus
income from sales of goods and services
equals
final current expenditure (FCE)

Figure 9.2: Alternative method of calculating the sector's contribution to GDP

total current expenditure
minus
expenditure on goods and services
minus
expenditure on grants and donations
equals
alternative estimate of sector's contribution to GDP

Figure 9.3: ONS and alternative methods of calculating the sector's contribution to GDP (current prices – £billion)



Throughout the last 10 years, estimates derived using this method have begun to converge with the official estimates, as shown in Figure 9.2.

A major limitation with both these measures is that they do not take account of the economic contribution of unpaid workers to general charities. In 2000 the notional value of the contribution of unpaid workers to general charities was in the region of £15.4 billion (see Chapter 6). These measures also fail to take into account the value of free goods and services and it is these characteristics that make the sector unique. So clearly there is a need for a type of measurement that looks beyond the economic resources and outputs of the sector towards less tangible, softer outcomes and impacts that relate to an organisation's (or the whole sector's) purposes and aims. This is where outcome and impact measurement come in.

The remainder of this chapter focuses on outcome and impact measurements at the level of both the individual organisation and the sector. It begins with a look at the commonly used terminology.

9.3 Outcome and impact measurement – definitions

Throughout the literature on performance and outcome measurement, there is a general agreement on the main terminology. In particular, inputs, activities/processes, outputs and outcomes are used frequently, and their meanings are well established.

- **Inputs** These are resources dedicated to, or consumed by, a project or organisation. They include money, staff (paid staff, unpaid volunteers, trustees), equipment supplies, gifts and facilities. They can be formal and easily measured, like paid staff and grants, or informal and less easily measured, like unpaid workers and gifts in kind.
- **Activities** or **processes** These are what a project or organisation does with its inputs to achieve its aims.
- **Outputs** These are the direct products of an organisation's activities. They are usually expressed in measurable units, e.g. the number of people treated or classes taught. They will usually be measurable within the lifetime of the project or programme.
- **Outcomes** These are benefits or changes to an individual during or after participation in activities. They may occur immediately or some time after the project is complete.

There is less agreement about the meaning of the term 'impact', and little consistency in the way it used. Throughout this Almanac and NCVO's current research on the impact of the sector the following definition will be used:

- **impact** Any effect resulting directly or indirectly from an organisation's activities or processes, whether it is short- or long-term, intended or unintended, positive or negative, and whether or not it is experienced by the intended beneficiary group.

The following 'production of welfare' model shows how these concepts fit together into a coherent whole in a way that is relevant to organisations that deliver public services. It is similar to the model of the voluntary sector economy already discussed in Chapter 1 (Figure 1.1) and shares some of the same features.

Inputs → Processes → Outputs → Outcomes → Impacts

This model is useful for assessing the performance of many different types of work within an organisation. It can be applied as easily to a project as to a service programme or policy. It is useful when thinking about economic and performance measurements, as different types of measurement are applicable to particular parts of the chain. As a general rule, measurement becomes more difficult towards the end of the chain, where the factors being measured become less tangible and the techniques for measurement are less well defined.

9.4 Review of existing methods of outcome measurement

Performance measurement began in the public sector, with the application of the three Es in the early 1980s (see section 9.4.1). Since then, performance measurement has been developed, resulting in a range of systems, methods and approaches, tailored to different aspects of performance and different kinds of organisation. Some are sector-specific and designed for voluntary organisations of a particular size; others can be applied more broadly.

A review of outcome measurement methods in use in the US voluntary sector is being carried out by Independent Sector (the Measures Project). It started out by reviewing the state of outcome measurement in a number of non-profit service organisations, and has published the results of this review, along with some recommendations for outcome measurement (Morley *et al*, 2001).

9.4.1 The three Es and beyond

Traditionally, voluntary and public sector organisations have not been subject to the same need for profit-making and competitiveness as the private sector. As a result, the quantifiable measures of performance used by the private sector, like profit levels and share prices, are not so relevant. This means that the public and voluntary sectors have to rely on other measures. It was for the purpose of performance measurement in the public sector that the three Es were developed.

The three Es of economy, efficiency and effectiveness (later joined by equity, environment and ethics) form the basis of the model which has been behind the Treasury's Financial Management Initiative (FMI) since the early 1980s. It has also been embedded in the Audit Commission's guidance to local authorities and health care organisations on assessing their performance. These measures, however, are primarily concerned with countable aspects of performance, so there is a clear need to devise more sophisticated measures to capture the less tangible elements of voluntary sector activity. Kendall and Knapp (1999) do just this. They have built on this established system to make it more relevant to voluntary organisations. They introduce the new criteria, or performance domains, as follows:

- **choice** This is the idea that the voluntary sector increases the range and diversity of services, and mechanisms for the delivery of services.
- **participation** A defining feature of voluntary sector activity is voluntarism and participation. Voluntarism not only helps the organisation by helping it to achieve its aims by offering free labour, but it is likely to offer benefits for the volunteer, like the chance to acquire new skills, and to meet new people.
- **advocacy** Like participation, campaigning might be considered to be an input, as a means of achieving the organisation's aims. At the same time, it is one of the organisation's aims and therefore an output.
- **innovation** This can be defined as the introduction of changes in production and can take a number of forms. Kendall and Knapp differentiate between service development, where changes occur gradually over a long period of time, and innovation, which is more likely to occur as a series of discontinuities in service design. Innovation can relate to the product (involving new goods and services), process (involving new technology) or organisation (involving a new internal structure or new sets of external relationships).

9.4.2 The balanced scorecard

The balanced scorecard approach was developed in the early 1990s by Kaplan and Norton, and stems from the belief that performance based exclusively on financial measures is inadequate. In order to balance the financial perspective it collects data on learning and growth, business process and customers. It emphasises the importance of creating value by investing in customers, suppliers, employees, processes, technology and innovation. It is applicable to the public and voluntary sectors as well as the private sector. The idea behind this is to allow managers to see their organisation more clearly, from different perspectives, and to make long-term decisions (Kaplan and Norton, 1996).

9.4.3 Social auditing

In the absence of any legal requirement for organisations to report on their social performance, the New Economics Foundation has developed a methodology for social auditing. It is a 'process by which an organisation can account for its social performance, report on and improve that performance' (Pearce, Raynard and Zadek). It is a means by which organisations can measure and improve on their non-commercial, social, environmental, cultural or other objectives. It is also a response to the fact that evaluation of non-governmental organisations tends to be project based and rarely involves beneficiaries in the definition of objectives. A standard for social auditing, AA1000, was issued in 1999 by the Institute of Social and Ethical Accountability (ISEA).

Social auditing is an ongoing process involving social bookkeeping and social accounting. Social bookkeeping is the ongoing collection of relevant information throughout the accounting period. It should reflect the views of all those involved in, or affected by, the organisation (the stakeholders). Social accounting is assessing and reporting on the information collected throughout the reporting period. The results of the social audit allow the organisation to compare its performance over time.

The most important feature of social auditing is that it is about measuring and improving social performance. However, although social auditing is a useful tool for assessing and improving social performance, it is not tailored specifically to the voluntary sector. Neither is it designed for the measurement of impact as a whole (although social performance is certainly an important part of impact), and it does not take account of any collective impact that groups of organisations – or even the sector as a whole – might deliver. Social auditing can be time-consuming and labour-intensive, and because of the qualitative and unregulated nature of the data collection, it is open to a degree of interpretation.

9.4.4 Lloyds TSB Foundation for England and Wales: first steps in impact assessment

The Lloyds TSB Foundation for England and Wales is a grant-making trust that makes donations to charities. Its mission is to 'support and work in partnership with charitable organisations which help people, especially those who are disadvantaged or disabled, to play a fuller role in communities throughout England and Wales' (Lloyds TSB Foundation website). In 2001 it embarked on a pilot programme, the aim of which was to devise a methodology for impact measurement, and to apply this methodology to measure the impact of its grant-making in the light of the outcomes it aims to achieve.

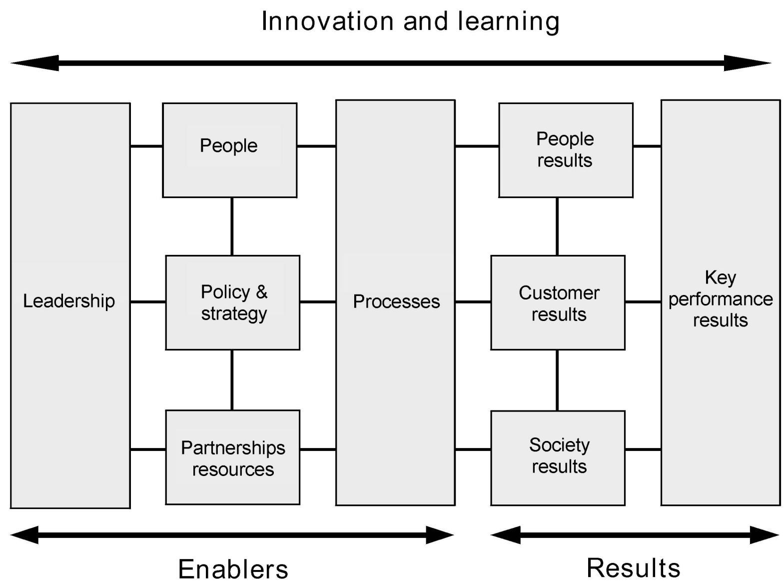
The research took the form of a questionnaire and was largely quantitative in nature. Seventy-one funded charities were assessed, spanning all three of the foundation's areas of special interest (family support, challenging disadvantage and discrimination, and promoting effectiveness in the voluntary sector). Respondents were asked to what extent the foundation's funding had had an impact, over a range of outcome indicators. This pilot stage of the research concluded that the questionnaire was a suitable means of measuring the impact of the foundation's grant-making. Furthermore, it was decided that the programme would continue in 2002 with a second pilot stage that will draw on the lessons learned from the initial pilot and which should not yet be viewed as a definitive methodology for impact measurement (Lloyds TSB Foundation for England and Wales, 2001).

9.4.5 The Excellence Model and other performance models

There are several performance measurement models. Their purpose is not specifically to measure impact. It is to assess the extent to which an organisation has achieved its targets and to help it to improve effectiveness. They also identify the processes within an organisation that contribute to desired outcomes. This is an important part of an organisation's and the sector's impact, and it is worth looking at quality systems and how they fit into the broader quality framework of the Excellence Model.

Three performance measurement models have been specifically designed for the voluntary sector. Practical Quality Assurance System for Small Organisations (PQASSO) was developed in 1997 and was originally designed for organisations employing fewer than 12 people i.e. the majority of the voluntary sector. The model was revised in 2000 and is proving to be a popular off-the-shelf system for voluntary organisations wanting a more formal approach to quality improvement. Two newer models are Quality First, which has been developed specifically for voluntary organisations that have no paid staff, and The Big Picture, developed in Scotland. All

Figure 9.4: The Excellence Model



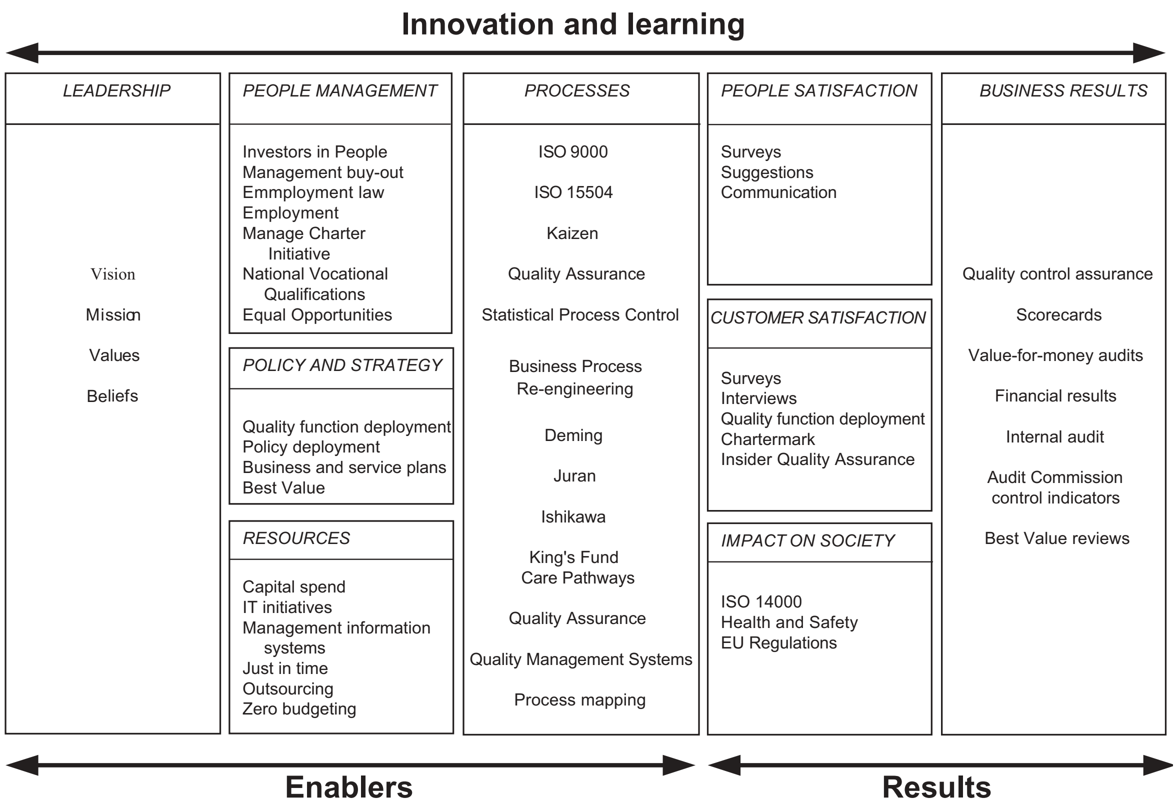
three provide systems for organisations to assess and improve their work. Research by the Quality Standards Task Group (Sauve and Bell, 2000) suggests that there has been a significant increase in activity among voluntary organisations with paid staff in developing, or using, quality systems and standards. The desire for accreditation may play some part, but there has also been a big increase in the use of self-assessment models such as PQASSO and quality frameworks like the Excellence Model, suggesting that a commitment to continuous improvement is taken seriously in the sector.

It can be helpful to use a broad quality framework to aid understanding of how different quality systems and models fit into the different aspects of an organisation. A good example is the Excellence Model, a broad framework for performance measurement that is used widely in the public and commercial sectors. While the Excellence Model is a non-prescriptive framework that recognises that there are many approaches to achieving sustainable organisational excellence, it can also be used in its own right as a structure for performance measurement. This discussion focuses on the model as a broad framework. As Figure 9.4 shows, it has nine elements, each of which can be used to assess an organisation's progress towards excellence.

Figure 9.5 shows how other recognised quality models and standards (generic, specific or sub-sectoral) fit within the quality framework and contribute to a coherent approach to quality management (see Sauve and Bell, 2000, for more detail on how other quality models link into the elements of the Excellence Model).

It is not intended that an organisation adopts all the quality models and standards shown in the diagram. Various specialist organisations and sub-sectoral groups will also be aware of other standards that are not shown, but which apply to their activities.

Figure 9.5: The quality framework



How then may the discussion in this Almanac fit into the Excellence Model? Developments in some of the human resources issues raised in Chapter 6, like accredited training, would address both the 'people management' and 'people satisfaction' elements. Measurements of economic contribution could be linked to 'key performance results', especially in the current environment where the sector is more and more recognised as an economic player in its own right.

9.5 Systems approaches

So far, performance measurement has tended to be organisation-focused. It looks at the outputs or outcomes of a single organisation. While a range of stakeholders may be consulted, it is rare that the relationship with other organisations and other sectors is taken into account. However, voluntary organisations do not operate in isolation. They are part of a whole system consisting of other voluntary organisations, public sector organisations like local government, health services and police, and private sector organisations, including local business. The system also includes local residents, customers, volunteers and beneficiaries. Taking account of the whole system, and the relationships between organisations, is becoming increasingly necessary given the recent surge in partnership working, and the importance placed on communication and co-operation between sectors.

Furthermore, as voluntary sector organisations move towards delivering more public services, the distinction between sectors may become less pronounced. This raises questions about the difference between sectors and whether there is anything unique about what the voluntary sector delivers.

Another difficulty with measuring the performance of organisations in isolation is that it gives no sense of collective outcomes or impact: that is, how a group of organisations might have (consciously or otherwise) some extra impact in addition to the sum of the impacts of the individual organisations.

This new emphasis on systems and partnerships demands a new approach to performance measurement. Relationships between the components of the system have to be taken into account, and the extent of the system needs to be established. Two new research programmes that address that problem are currently under way. The first, by The Institute for Philanthropy, suggests a number of principles for impact measurement using a systems approach. The second, under way at NCVO, applies some of these principles to a regeneration partnership in East London. These studies are discussed in more detail below.

9.5.1 Principles of the systems approach

The challenge of assessing the impact of voluntary organisations has always been complex, but is becoming more so due to an increasing emphasis on partnership working, particularly in relation to service delivery. This complexity cannot be ignored and is best accommodated using a systems approach. Moreover, it is important to recognise that is it not possible to capture in numerical terms every component of a system. A number of stages are proposed for using a systems approach.

Reducing the complexity

Realistically, it is possible to undertake performance assessment only if the degree of complexity has been limited. This involves focusing attention on a particular problem within a tightly defined geographical area.

Mapping stakeholders and building networks

The next step is to identify all relevant stakeholders and consider the nature of the indicators that can be constructed to measure their level of satisfaction. All stakeholders can be described through the roles they perform, their attributes, their resources, their values and identity, and their relationships with other stakeholders. This provides the basis for building a network map, or diagram, for the system.

Concept and framework construction – the multi-disciplinary perspective

In building the system a range of indicators and methods will be required. Some of these may overlap but many will be specific to the type of stakeholder. Consideration of the problem-setting and stakeholders will highlight the multi-disciplinary nature of the concepts and assessment frameworks required. It is important that there is multi-disciplinary input to the process of constructing concepts and indicators.

Developing a baseline of data and indicators

It is likely that a body of data already exists that may provide a sound foundation for building a baseline for performance assessment. An audit of data sources and indicators should therefore be undertaken and include all stakeholders. Statutory agencies are likely to hold the most data – especially at the service-system level – and indicators constructed for best-value purposes. Relevant programmes and partnerships should be reviewed. Particular attention should be paid to their stated objectives and the indicators that have been formulated to assess their performance in relation to these objectives. A key element for assessing the performance of partnerships is supra-organisational goals – the impacts or outcomes that can be achieved only through collaboration, and not by an individual organisation. It may be necessary to construct indicators that differentiate between individual organisational goals and partnership goals. There may also be evidence of a qualitative nature that should be reviewed and used in the construction of the system.

The audit and reviews provide the basis for assessing the contribution of existing concepts and indicators, and identify gaps that need to be filled by new ones. The concepts are then attached to the relevant system components and this then constitutes an integrated system for data and indicators.

Monitoring performance indicators and attaching them to system components

Many of the relevant performance indicators will have existing processes for updating, most probably on an annual basis, e.g. best value. Maximum use should be made of these processes and where possible existing data collection mechanisms used to fill gaps (e.g. citizen panels or market research surveys). Otherwise specially designed surveys will have to be used. This may be a resource-intensive option but may be the only way to develop indicators of a sufficient quality.

Compare over time

The updated indicators will provide the basis for comparison with the baseline data. The comparison over time provides the basis for assessing impact by tracking changes in the attributes and resources of key system components and the system as a whole.

Attribution of impact

The attachment of indicators to system components for both the baseline position and subsequent updates also provides the opportunity to attribute changes or impact to specific system components or groups of components. Such an approach is superior to other methodologies that provide only whole-system impact assessments. Impact attribution becomes increasingly powerful as additional time periods are added and the changes in attribution are observed, analysed and explained. For public policy it is proposed that this system-based methodology offers the potential to model the resource requirements and projected impacts of policy interventions. This can be done by the hypothetical removal, addition or replacement of system components in the system model in order to assess what changes would occur to other system resources, processes, indicators and the overall impact.

Generalising, learning and informing policy

The cost of undertaking such in-depth performance assessment may limit the use of such a method. However, where the method is used it may be possible to correlate the bespoke indicators with more common indicators and construct 'proxy measures' – such as linking community-level indicators with delivery system-level indicators. This may be most relevant for the linking of process indicators to impact measures. Such an approach will allow for generalisation and wider learning. Proxy measures should be validated on a regular basis, especially where important policy decisions are being formulated.

The bottom line is that this method offers the potential to identify what works, for whom and why, and to put it into practice.

9.5.2 NCVO's impact measurement project

NCVO is currently undertaking a research project to look at the impact of a regeneration partnership in East London. The research applies some of the principles presented above, and takes into account the interaction of the different sectors in the regeneration process. The research has three main aims:

- to define and measure the social and economic impact of the regeneration partnership, as opposed to the more commonly measured outputs and outcomes
- to see whether there is any additional or collective impact that results from organisations working together as a partnership, over and above the sum of the impacts of the individual organisations
- to devise an impact measurement methodology which can be adopted by other individual organisations, groups of organisations, or partnerships that want to measure their impact/ collective impact.

The first stage is to identify a specific system defined by function and location. In this case the function is regeneration and the location is a specific area in East London. This means that boundaries can be defined, making it easier to identify the extent and sources of impact. The next step is to establish the members of the system within the selected function. This encompasses the organisations directly involved in the function (which may represent public, private and voluntary sectors) and stakeholders (including residents, volunteers and beneficiaries, local businesses and other local organisations).

The members of the system, both organisations and individuals, have varying degrees and types of involvement in the work, and different levels of interest in its outcomes. They also have different perceptions about the impact of the regeneration work. So it is important to select a wide range of people from whom to gather data. When conducting interviews and questionnaires to establish the nature of the impact it is important to ask similar questions of different stakeholders, to get an overall picture of the impact and to see how the views of stakeholders differ.

9.6 Conclusion

While previous chapters have talked about the contribution of the sector in terms of resources and expenditure, this one has been concerned with measuring the less tangible elements of the sector's activity. Despite the strengths of each of the methods described, they all fail to do one important thing: to measure the collective outcomes or impact of the sector, as opposed to that of individual organisations.

Impact measurement has a long way to go. There is as yet no tried and tested methodology for groups of organisations to measure their collective impact, and measurement of the impact of the whole sector seems a long way off. With a continued emphasis on partnership working, and a growing need for the sector to prove its worth as it competes for funding, the demand will grow. As a result we are likely to see significant developments in collective impact measurement over the next few years.

10 Sub-sectors within the UK voluntary sector

10.1 Introduction

The introductory chapter to the Almanac argued that recent developments in the sector necessitate a discussion of BME organisations and, post-devolution, the sector in Scotland, Wales and Northern Ireland. Such a discussion should arguably be integral to the preceding chapters, although it could equally be argued that the sub-sector would then not get the individual attention it deserves. Our recognition of the latter, together with the difficulties of producing estimates that comply with the general charities definition, is the reason for the separate analyses in this chapter.

Each of the following reports has been written either by, or with the co-operation of, the relevant sectoral umbrella body. Section 10.2, an overview of the BME voluntary sector, is based upon data supplied by the Council for Ethnic Minority Voluntary Sector Organisations (CEMVO). Sections on the voluntary sector in the UK nations have been written by NCVO's sister councils: Wales Council for Voluntary Action (WCVA), Northern Ireland Council for Voluntary Action (NICVA), and the Scottish Council for Voluntary Organisations (SCVO).

It is important to note at this point that each of the following sections is distinct in terms of method and definition to the preceding chapters. The evidence is indicative of the state of each sub-sector, though not directly comparable with the estimates presented for general charities used in the remainder of the Almanac. As such, they are standalone summaries. Readers are encouraged to contact the relevant umbrella bodies for further, more detailed information and research findings.

10.2 The black and minority ethnic voluntary sector

The BME voluntary sector remains relatively under-researched, and as a consequence there is only a limited amount of information available on its size, scope and attributes. Recent attempts to build an evidence base have suffered from some confusion over traditional research questions, and in particular definitions of the sector. For example, research undertaken for the Joseph Rowntree Foundation (McLeod *et al*, 2001) into the role and development of the BME voluntary sector in England and Wales included black housing associations. This had the effect of increasing average annual turnover of the BME voluntary sector, and possibly overstating the degree of institutional formalisation and the longevity of organisations in the BME voluntary sector. The BME sector is increasingly implicated in a range of government policies designed to tackle social exclusion and lay the foundations for neighbourhood renewal. The need for detailed and comprehensive information on the BME sector is thus becoming ever more acute, making the information below especially timely.

This section shows that black and minority voluntary organisations undertake work across a whole range of activities in the UK, that they work with and for people from diverse communities, and that the BME voluntary sector comprises organisations of all sizes, many of which have been set up since the mid-1980s. Under the auspices of the CEMVO, the Ethnic Minority Foundation (EMF) was established in 2000, with the aim of building an endowment fund of £100 million to provide a dedicated source of funding for the black voluntary sector.

Questions that have regularly been raised about the existence or otherwise of a voluntary sector in any substantive sense have particular resonance in relation to black and minority ethnic voluntary organisations. This is partly due to the relatively recent funding and development of infrastructure bodies in the BME voluntary sector. It is not, however, the purpose of this section to dwell on such issues, merely to note that they remain the subject of current debate. The aim here is to map out the size and scope of the BME voluntary sector in the UK.

10.2.1 Sources of data

The CEMVO database contains the contact details of around 10,000 BME voluntary organisations across the UK. This analysis is based on around 8,000 organisations for which data are available over and above contact information. Indeed, the database is still being developed, and consequently some of the results will stem from both the nature of the sample and from the fact that some variables have fuller coverage (e.g. region) than others (annual income). Despite this, the data are the main source of detailed information on the UK BME voluntary sector.

10.2.2 Where are BME voluntary organisations located?

Figure 10.1 presents regional data on where BME voluntary organisations are located. It also shows the pattern of ethnic minority communities as a percentage of the total population in each region. Black and minority ethnic voluntary organisations are located across the whole of the UK, although a distinct geography is evident. While the percentages are different, the regional profile of BME organisations tends to mirror regional population patterns. BME voluntary organisations are concentrated in London (44% of the total), West Midlands (12%) and East Midlands (9%). Likewise, these are the regions with the largest proportion of ethnic minority populations; 26% of the total in London, 10% in the West Midlands and 4% in the East Midlands. Similarly, those regions with relatively small numbers of BME voluntary organisations, such as Scotland and Wales, also have proportionately small ethnic minority populations.

London needs to be treated differently from the other regions, since this will be the base for many national organisations. For example, NCVO's analysis of London's general charities showed that more than 60% of these organisations worked outside London. Figure 10.1 suggests a similar pattern for the BME voluntary sector.

Evidence suggests that not only do BME voluntary organisations work with a broad geographical constituency, they also work with a broad range of beneficiaries (Figure 10.2). The main ethnic group benefiting from BME voluntary sector organisations is the South Asian community, which accounts for 20% of beneficiaries. This is followed by those working for all ethnic minorities (18%) and black African communities (11%).

Figure 10.1: BME voluntary organisations and BME population by region (%)

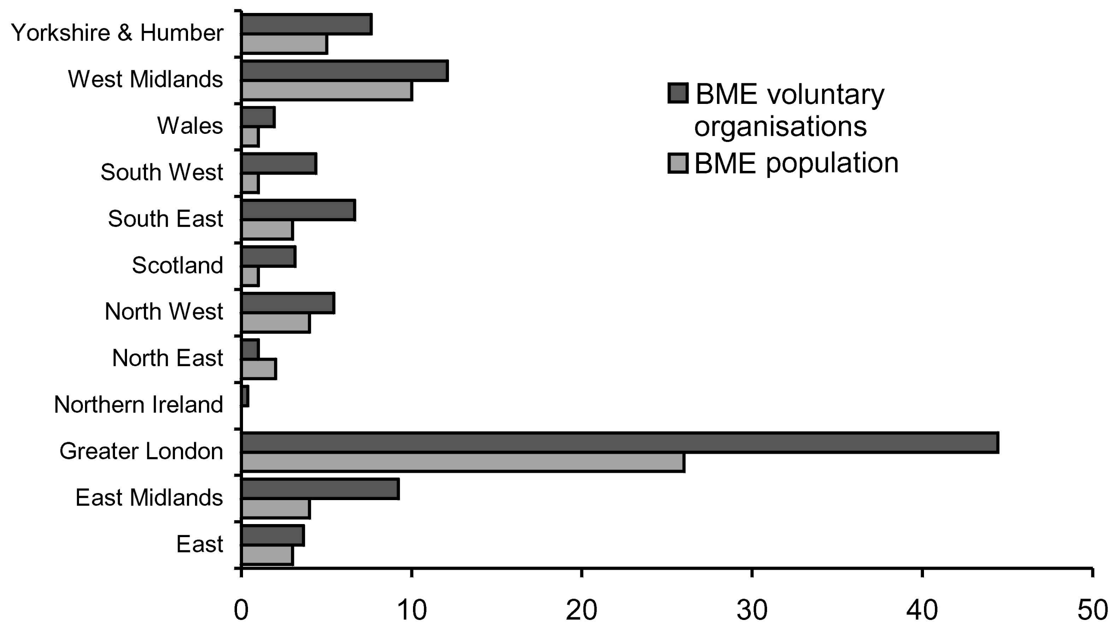


Figure 10.2: Percentage of organisations by ethnicity of beneficiary

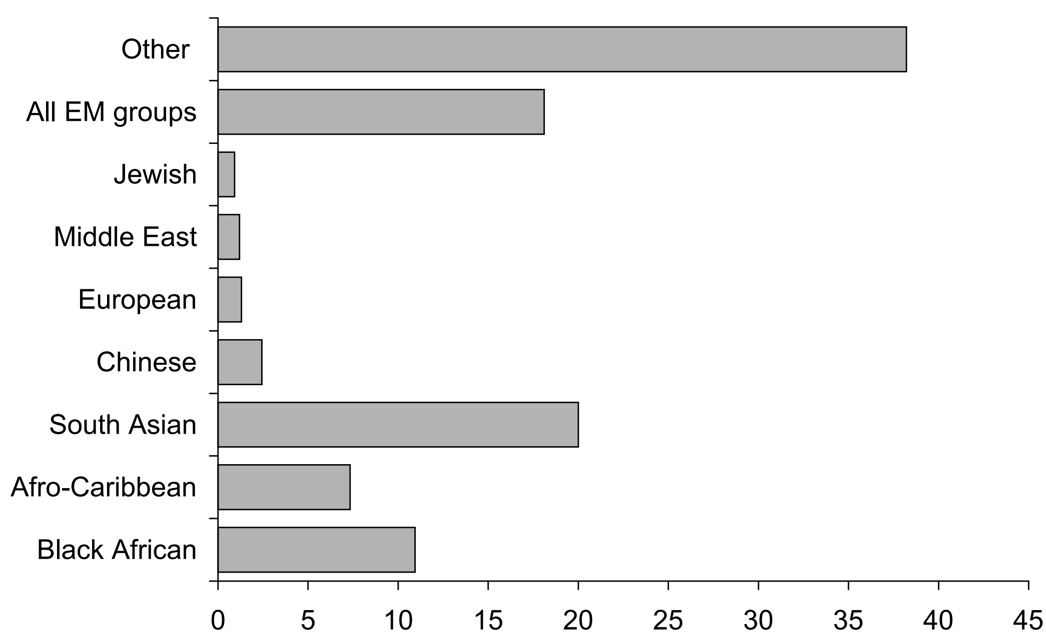


Table 10.1: Percentage of total organisations by primary activity (%)

Sub-sector	% total *
Faith	29
Community development	13
Education	8
Community care	7
Social welfare	7
Arts	5
Health	4
Elderly	3
Employment and training	3
Immigration	3
Legal advice and advocacy	3
Youth	3
Housing	2
Child care	1
Sports	1
Children up to five years old	<1
Environment	<1
Single parents	<1
Others	9

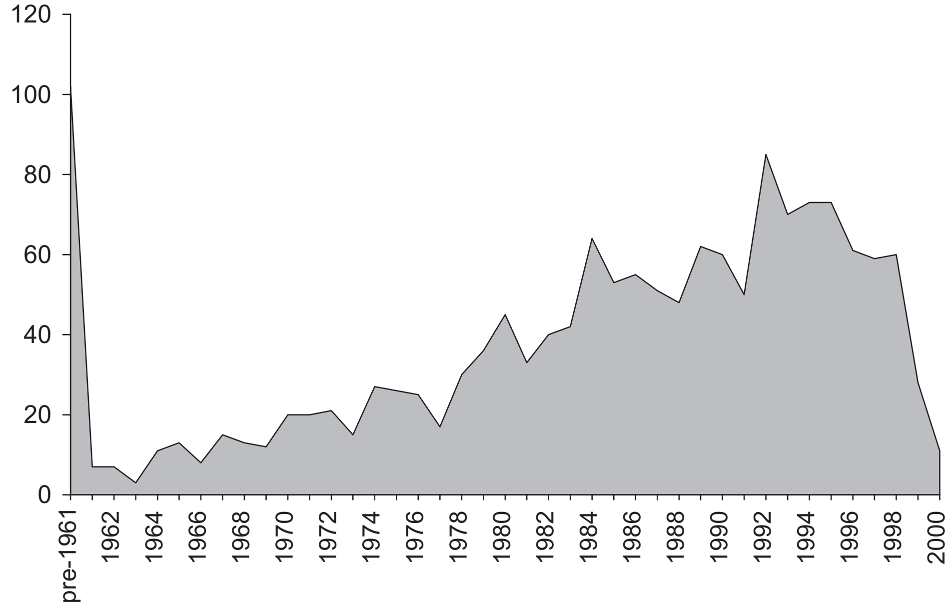
*based on 6,000 cases

10.2.3 In which sub-sectors do BME voluntary organisations operate?

While many BME voluntary organisations work in more than one sub-sector, they are requested by CEMVO to specify their primary area of activity only. As Table 10.1 shows, organisations undertake work in a wide range of activities, with the most significant being faith (29%), community development (13%), education (8%), and community care and social welfare (both 7%). While the BME voluntary sector shares some significant activities with general charities (such as education and social welfare), there are also differences. The importance of community development for example indicates activities that have typically been at the edges of the general charities definition.

Across the database, only 14% of organisations are registered charities, which is an indication of the limited overlap between the CEMVO data and the general charities data detailed in the rest of the Almanac. The relatively low proportion might be explained in part by the fact that the database is still being developed and the number is likely to increase. It is also an indication of the broad range of activities that BME voluntary organisations undertake, some of which would not have fallen under the auspices of registered charity status. This is likely to change

Figure 10.3: Number of organisations by year of establishment



following the recent announcements from the Charity Commission that it has extended charitable objectives to include tackling poverty, community development and employment generation. Likewise, such organisations may not be eligible for recognised status in Scotland and Northern Ireland.

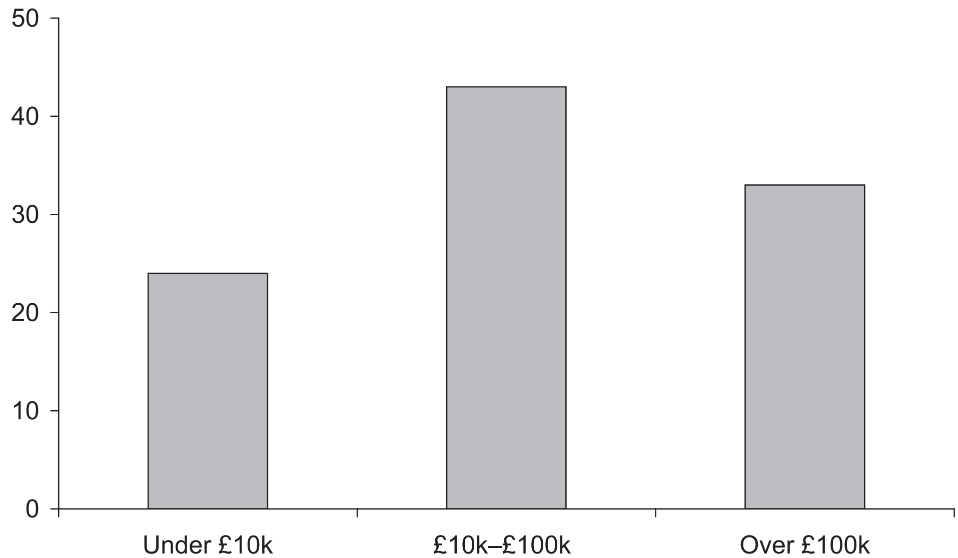
There is variation in the proportion of registered BME charities across the UK, with a relatively large proportion in Wales (24%) and the South West (16%). London is also slightly above the national average (15%), which could be a reflection of a longer-established and more formalised BME voluntary sector in the capital.

10.2.4 When were BME voluntary organisations established?

Figure 10.3 illustrates the year of establishment of BME voluntary organisations. All those established up to, and including, 1961 – the year the Charity Commission launched its register – have been added together. From then, the figures illustrate the annual start-up rate. In general the trend is one of increasing numbers year-on-year up to the end of the 1990s. The number falls off in the last two or three years. It is possible that some new organisations have yet to come into contact with CEMVO, making these past few years an underestimate.

As well as annual growth, there is a marked point of expansion – 1980 – since which date the number of start-ups grew more rapidly than in the previous 20 years or so. Two peaks occur in the increase in the number of organisations. The peak in the mid-1980s reflects the first big policy shift designed to hollow out the state, whereas the peak in the early 1990s reflects the advent of contracting relations between local authorities and the independent sector of which BME voluntary organisations are a part.

Figure 10.4: Percentage of total organisations by income band (%)



10.2.5 Is the BME voluntary sector economy skewed?

It was shown in Chapter 4 that the UK voluntary sector economy is heavily skewed, with a very small number of agencies accounting for the vast majority of financial resources. It is difficult to ascertain whether or not the same holds true for the BME voluntary sector, since there are financial data for only 1,000 organisations. Figure 10.4 should be viewed with this in mind.

Three income bands have been developed, based on the 1,000 organisations with annual income data. Twenty-four % of these organisations have an annual income up to £10,000, 43% between £10,000 and £100,000, and the remaining 33% have an annual income above £100,000.

10.3 The voluntary sector in Wales

The definition for voluntary organisations in Wales has been widely adopted by many bodies, including the National Assembly for Wales (NAfW). The voluntary sector in Wales comprises organisations that are:

- informal or formal (i.e. with or without an adopted governing document)
- independent (not controlled by a for-profit organisation or the state, with a majority of non-statutory bodies, appointees or representatives on the board of trustees, and a majority of non-statutory members)
- self-governing
- non-profit-distributing, and primarily non-business
- benefiting from a meaningful degree of philanthropy, i.e. gifts in kind or time (e.g. volunteers, unpaid trustees)
- established for public benefit.

For the most part registered charities are included unless they do not comply with any of the above criteria. The following organisations are included: housing associations, community groups (informal and formal), self-help and mutual-aid groups, sports groups with community benefit, religious groups with social benefit, campaigning non-political groups, community businesses and credit unions. Groups may specifically benefit Wales, or they may be branches or affiliates of wider-than-Wales organisations. Organisations that are excluded are: places of worship, organisations promoting and supporting religion, independent further education colleges and schools, and professional associations.

This section describes the size and composition of the Welsh voluntary sector, including income sources, volunteers and paid staff. The information reported here on income and people derives mainly from *The Wales Voluntary Sector Almanac 1999*. The next compilation of facts and figures will be published early in 2002.

10.3.1 Voluntary activity

WCVA holds a database containing manifestations of voluntary activity, as groups, branches, sub-offices, projects and community halls. There are currently at least 25,000 entries on the database, although this is likely to be an underestimate as many organisations are yet to be recorded. Voluntary groups are involved in a very wide range of issues and activities. All groups on the WCVA database have been classified by interest area and by geographical area. The vast majority of groups (91%) are county-based or local groups, 6% are regional organisations that cover more than one county, and 3% are national organisations.

WCVA developed a classification for interest areas which comprises 21 forum/sectoral headings, covering all aspects of the sector. Groups may be classified under more than one of these headings. Sport and recreation groups form around 25% of all organisations, and community organisations, including community development, community halls and community enterprises, form around 17% of all organisations. The smallest categories are intermediaries (voluntary sector support organisations) and criminal justice groups.

10.3.2 Income

The total annual income of the sector in 1997/98 was nearly £600 million and is expected to have grown since then. During the mid-1990s, there was a 16% decrease in the total income of

Table 10.2: Components of income and their contribution to total income (£million and %)

	£ million	%
Voluntary income	422	75.4
Goods and services	86	15.4
Investments	12	2.1
Legacies	2	0.4
National Lottery	38	6.8
Total	**560**	**100**

the sector in real terms, accounted for mainly by the decrease in government grants to housing associations and a decrease in individual giving by the public. Excluding housing associations, the sector experienced a real-term decrease of 12% over these years. More recent indications are that the decrease has steadied and is now probably reversed.

Recent local government funding figures indicate that funding of the voluntary sector by local government increased fairly steadily over the 1990s (£29 million or £10 per head in 1998/99). The rate of increase, around 15% a year, was caused only to a small degree by an increase in general funding to the sector. The main cause was increased involvement by the voluntary sector in the provision of statutory services, leading to a steep increase of income around local government reorganisation in 1996. Local government funding has shown wide variation between counties, leading to differing experiences by voluntary organisations.

Local government funding of the voluntary sector across the UK in 1989/90 was three times that in Wales. It is accepted that the lower funding by local authorities in Wales, compared with England, goes back a long way. There was an ideology in Wales of councils undertaking activities themselves, with little room for the sector; conversely the sector made few demands on local authorities. More recently the ratio has changed from three times to two-and-a-half times. This reflects a greater awareness of the contribution of the voluntary sector in government incentive projects such as the Urban Programme and its successor the Strategic Development Scheme. It also reflects the work of WCVA and the Welsh Local Government Association in maintaining the level of contribution of local authorities to the sector, particularly during local government reorganisation. However, the voluntary sector in Wales still plays a much smaller role in the provision of (contracted) statutory services to social services departments than across the UK (Garfield, 2001; CAF, 2000).

10.3.3 Volunteering

The voluntary sector benefits from the efforts of over 80% of the adult population in Wales – 1.9 million people – who volunteer on average nearly four hours a week of voluntary time. There are 1.1 million formal volunteers, and 1.7 million informal volunteers assisting neighbours and their communities outside formal organisations (based on UK National Centre for Volunteering research). The first-ever survey of volunteering in Wales, currently being undertaken by the National Assembly, including both adults and young people, is nearing completion.

10.3.4 Contribution to the economy

The total annual income of the sector (nearly £600m) is equivalent to 2.2% of the GDP of Wales. The total value of volunteering is estimated at £3.4 billion. Including the value of volunteering, the contribution of voluntary organisations and volunteers is equivalent to 15% of the GDP of Wales, the same contribution as education, social work and the health services put together. In addition, the sector employs nearly 13,000 employees; over 6,300 full-time and over 6,500 part-time staff, equivalent to over 11,000 full-time equivalent employees.

Including housing associations, for every £1 of statutory funding the voluntary sector contributes another £2.3 from other sources. Excluding housing associations but including the value of volunteering, the voluntary sector contributes the equivalent of £40 for every £1 of statutory funding.

10.3.5 Registered charities

The number of charities registered with the Charity Commission for England and Wales that are specific to Wales is nearly 8,000, with a total annual income of £436 million. The number of general charities, according to the definition in Chapter 3, specific to Wales is estimated at 7,700, with an annual income of £326 million. The number of voluntary organisations which are also registered charities specific to Wales, is around 7,000 with an annual income of around £300 million.

The total annual income of these 7,000 organisations has increased by nearly a half (45%) over three years in the late 1990s. Part of this increase at least was the result of a significant increase in the income of organisations with an income of over £50,000 a year whose income increased on average by 60%. Smaller organisations with an income of less than £10,000 saw a significant decrease of 30%.

Reasons for these differences are as yet unknown. At least a part of the increase for the larger charities could be explained by a change in accounting procedures, but not all. There is anecdotal evidence that larger charities have better opportunities to access funding, with professional knowledge of available funding and better applications for it. The overall ratio of expenditure to income – 93% – is consistent over the years and similar to that across the UK. However, charities below £1,000 show expenditure a quarter higher than their income. There are therefore serious concerns for the future of smaller charities, which already face real difficulties in obtaining funding.

> The role of small community-based charities is vital to the success of major policies in Wales such as Communities First, community planning and community regeneration through Objective One [i.e. of the European Social Fund]. Building the capacity of small charities, and strengthening the support available to them through the county voluntary councils and local community support agencies, must be a priority if these policies are to succeed.
>
> P. Jarrold, Assistant Chief Executive WCVA, Network Wales, September 2001

The number of charities starting up in Wales since the beginning of 2000 has dropped to 140 a year, from nearly 300 prior to 2000. Although this could reflect an end to the surge of the 1990s, it could also reflect recent reports that the Charity Commission is tightening up on charity registration. If the latter is the case, this causes serious concerns about the difficulty of setting up legitimate new charities.

10.3.6 Local area studies

As part of a research project by the four national voluntary sector sister organisations in the UK, funded by the then (1998/2000) NLCB, WCVA carried out a survey among local voluntary organisations in three counties in Wales. The results are summarised in Table 10.3.

Overall, the local area studies confirm that the sector is flourishing and diverse. The future

Table 10.3: Results from local area studies

	Carmarthenshire	Conwy	Rhondda Cynon Taff
Population	169,000	119,000	240,400
Known voluntary organisations	1620	780	1365
Total annual income	£23m	£23m	£45m
FTE staff	550	690	700
Volunteers within organisations	22,000	17,700	16,000
Trustees	13,000	5,500	8,000
Volunteering (hrs/week)	110,000	120,000	120,000
Total value of voluntary activity	£55m	£50m	£55m

looks promising, and organisations are on the whole confident. However, they do need to take care to ensure that, despite an apparent increase in productivity in recent years, they acquire sufficient resources to meet any anticipated demand for their services and activities.

10.3.7 Policy analysis 2001

Knowledge about the dimensions and contribution of the voluntary sector is essential to inform policy-makers; assist in planning; help in monitoring the sector (particularly of available resources); and to put the sector into perspective within the context of Wales as a whole. This has been particularly important since the advent of the National Assembly for Wales. Being able to show the dimensions and the worth of the sector has established its place in Wales in many different ways, with many benefits.

National Assembly for Wales

The Government of Wales Act 1998 enshrined in legislation a duty, unique in the UK, on the NAfW to establish a scheme setting out how it would promote the interests of the voluntary sector.

The ensuing Voluntary Sector Scheme/Cynllun y Sector Gwirfoddol, developed in full consultation with the sector, was adopted in 2000. It embodies commitments to shared values; partnership; consultation; volunteering; community development; good funding practice; and considering the interests of the voluntary sector at all levels of NAfW work.

In pursuit of this, the NAfW has established the Voluntary Sector Partnership Council, comprising Assembly members and representatives of 21 sectoral interest areas, covering every aspect of voluntary sector activity in Wales. Through a cycle of regular meetings, the sector has been able to raise important issues, including Assembly funding to the sector, adequate funding for partnerships, concerns with service delivery etc., and it is working to shape policies as well as being involved in their implementation. The challenges are many but there is a strong commitment on both sides.

Europe

Objective One is a funding programme from the European Social Fund, which gives priority to community regeneration, community capacity-building (providing communities with the skills and tools to build up community activity) and the social economy (see section 3.12). Decision-making processes require representation from the public sector, the voluntary sector, and employers plus unions, on an equal partnership basis. Objective One status has been obtained for large parts of west Wales and the Valleys of south Wales, with £1.2 billion of additional expenditure. The Objective One programme, The Social Risk Fund, match-funded by the NAfW from the Local Regeneration Fund, is a small-grants scheme for a wide range of groups with an income of less than £100,000 a year. It provides grants of up to £10,000 for a wide range of activities.

Communities First

Communities First is a major programme from the NAfW with £90 million available for 120 communities. Its aim is to provide long-term funding to some of the most disadvantaged communities in Wales in a way which is genuinely community-led. Consultation has been widespread and the voluntary sector has an important role in the process. There has been some concern about domination by local authorities in some areas, but the NAfW has confirmed that the programme must be genuinely within the voluntary and community sector.

General environment

Recent research shows the voluntary sector becoming more a creature of government than previously. The sector does see that it has increased its influence on government and on policy-making, but finds itself under greater pressure to be involved in the delivery of public services. The sector is seen to be more professionally, and better, managed and more effective in delivering key policies, but finds itself becoming more entangled in red tape and regulation. A general feeling of optimism, both at a national and local levels, has emerged from recent surveys, although there is some concern about the expectations of organisations with resources growing at a slower rate than the demand for their services.

Directives from the Welsh Office and the NAfW have resulted in compacts between the voluntary sector and government, which are now in place in most counties in Wales. Compacts are also being developed between health authorities and the sector, and between Assembly-sponsored public bodies and the sector. Involvement in partnerships is causing some concern, however: 'The breadth of voluntary sector participation may have grown in recent years, but the depth of acceptance of its contribution may not have developed to the same degree or at the same pace' (Drakeford and Green, in *Next Steps in Voluntary Action*, 2001).

10.4 The voluntary sector in Northern Ireland

In the absence of a Charity Commission in Northern Ireland, NICVA holds a database of charities in Northern Ireland. Criteria for entry are similar to those of the Charity Commission and therefore the definition of the voluntary sector used in the section is comparable to that of registered charities as described in Chapter 3. Charities are under no legal obligation to provide information on their accounts, and consequently data on the financial situation of the sector is piecemeal. The collation of, and access to, accounts often relies on the goodwill of individual organisations. Given this limitation, analysis of the financial state of the sector can at best produce only estimates, since there is no centralised resource containing accounts for all organisations across the sector.

Information on charity accounts in this section is derived from two main sources: accounts as published in annual reports of individual organisations and accounts provided by the organisations themselves on request from NICVA. In recent years, NICVA has undertaken research on charity accounts, culminating in the reports *State of the Sector 1* and *2*, which where published in 1996 and 1998 respectively.

The current analysis is based on information available to NICVA in July 2001. Gross estimates have been calculated to project the current figures for sector income, expenditure, assets and liabilities. Where possible, comparisons are made throughout the analysis with 1997 figures (NICVA, 1998).

10.4.1 Income

The environment in which voluntary organisations operate in Northern Ireland is going through a period of substantial and rapid change. These changes have come about partly as a result of increasingly large amounts of money available to the sector. The National Lottery, the International Fund for Ireland's Communities in Action Programme and Belfast Regeneration Office have all contributed to the growth of the sector.

Internationally, between 1994 and 1999 European funding as allocated under the auspices of European Special Support Programme for Peace and Reconciliation in Northern Ireland (SSPPR or Peace 1) was innovative in allocating European funding to the sector through District Partnerships. Since these partnerships comprised one-third voluntary sector representation, the programme increased the visibility of European funding to the sector, initiated a great response from the sector and had a huge impact in highlighting the role and work of the sector. Moreover, it provided both recognition and substantial resources which have allowed the sector to develop a substantial human resource capacity.

The second phase of SSPPR (Peace 2) is only now being implemented in Northern Ireland and consequently the interval between the phasing-out of Peace 1 and the implementation of Peace 2 has resulted in a funding gap across the sector. In response, the Northern Ireland Executive has provided funding to alleviate the consequent financial pressures on the sector. However, the full repercussions and effects on the sector's resources and activities may not be apparent for some time yet. The estimated total income for the sector is £657.1 million. Table 10.4 shows the breakdown of total income per income band across the sector.

Organisations with incomes in excess of £1 million account for 64% of overall income across the sector, even though they make up only 5% of all organisations. Organisations with incomes of between £100,000 and £1 million make up nearly a quarter (24%) of all organisations, and between them account for 28% of total income. Around 70% of organisations operate on a yearly income of £100,000 or less, accounting for 8% of total income.

Table 10.5 shows sources of income across the sector. The highest source of income is

Table 10.4: Total income, share of total income and percentage of organisations by income band (£000 and %)

	£000	% of income	% of organisations
Under £1k	785	0.1	16
£1k–£10k	3,798	0.9	22
£10k–£100k	43,845	7	33
£100k–£250k	45,811	7	12
£250k–£500k	62,423	9	7
£500k–£1m	77,914	12	5
Over £1m	422,522	64	5
Total	**657,097**	**100**	**100**

Table 10.5: Components of income and their contribution to total income (£000 and %)

	£000	%
Sales of goods and services	151,132	23
Grants	216,842	33
Donations	151,132	23
Investment income	19,713	3
Legacies	19,713	3
Gains and losses	6,571	1
Other income	91,994	14
Total	**657,097**	**100**

grants (33%), followed by donations and sales of goods and services (23% each). This is indicative of the high dependence of the sector on revenue from government and other grant-making bodies, but also highlights the sustained availability of funding for the sector from these sources.

10.4.2 Expenditure

Total expenditure for the sector is £640.8 million, equating to 97% of total income. Table 10.6 shows the breakdown of expenditure by size of organisation.

Levels of expenditure by size of organisation are congruent with income as displayed in Table 10.4. Organisations with incomes in excess of £1 million account for 64% of overall expenditure, whilst organisations with incomes of between £250,000 and £1 million account for 22% of total expenditure. The remaining 14% of expenditure is concentrated amongst organisations with incomes of up to £250,000.

Table 10.6: Total expenditure and share of total expenditure by income (£000s and %)

	£000	%
Under £1k	205	0.03
£1k–£10k	2,668	0.97
£10k–£100k	38,989	6
£100k–£250k	44,293	7
£250k–£500k	67,023	10
£500k–£1m	77,378	12
Over £1m	410,280	64
Total	**640,836**	**100**

Table 10.7: Components of expenditure and their share of total expenditure (£000 and %)

	£000	%
Staff	147,392	23
Grants and donations	166,617	26
Interest payments	12,817	2
Depreciation of capital assets	6,408	1
Fundraising and publicity	19,225	3
Other goods and services	288,376	45
Total	**640,836**	**100**

Table 10.7 shows the breakdown of expenditure across the sector. Other goods and services (expenses accrued outside the remit of the designated categories) represent the highest source of expenditure (45%). Grants and donations (26%), followed closely by staff costs (23%), are the next-highest sources of expense, with the smallest category of expenditure being depreciation of capital assets (1%).

10.4.3 Assets

The estimated total assets of the sector are £1,663.5 million break down as shown in Table 10.8.

Fixed assets account for 60% of assets held, followed by cash at bank (20%) and investments (13%). Debtors account for 13% with both stocks and other assets accounting for only 0.5% each (Table 10.9).

Of fixed assets 39% are held by organisations with incomes no greater than £100,000. Almost one-third (31%) are held by organisations with incomes of between £100,000 and £500,000 and the remaining 30% is held by organisations with incomes in excess of £1 million. Almost half

Table 10.8: Components of assets and their share of total assets (£000 and %)

	£000	%
Fixed assets	998,112	60
Cash at bank	332,704	20
Debtors	99,811	6
Stocks	8,318	0.5
Investments	216,258	13
Other assets	8,318	0.5
Total	**1,663,519**	**100**

Table 10.9: Components of assets by income band (%)

	Fixed assets	Bank	Debtors	Stocks	Invest-ments	Other assets	Total assets
Under £1k	0	0	0	0	0	0	0
£1k–£10k	4	6	1	0	0	0	6
£10k–£100k	35	40	32	7	10	5	40
£100k–£250k	19	17	19	15	30	52	17
£250k–£500k	12	11	14	26	0	21	11
£500k–£1m	13	11	15	22	0	17	11
Over £1m	17	15	19	30	60	5	15
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

(46%) of monies held at the bank are distributed among those organisations with incomes of less than £100,000, with the remaining 54% fairly evenly spread between organisations with incomes greater than £100,000. The greatest disparity of assets is with investments, where 40% are held by organisations with incomes of between £10,000 and £250,000, and the remaining 60% are held by organisations with incomes in excess of £1 million. Overall, the majority of assets (63%) is concentrated within organisations with incomes of up to £250,000, with just over one-third (37%) held among groups with incomes in excess of this.

10.4.4 Liabilities

Total liabilities are £485.6 million, equating to 29% of overall assets. Table 10.10 below shows the breakdown of liabilities held across the sector. Creditors and accruals are the highest source of liability at 85%, with deferred income accounting for 12% of liabilities.

Table 10.11 shows liabilities held across the sector by size of organisation. Three-fifths of liabilities (60%) are concentrated in organisations with incomes of up to £250,000 and the

Table 10.10: Components of liabilities and their share of total liabilities (£000 and %)

	£000	%
Creditors & accruals	412,812	85
Deferred income	58,279	12
Loans	4,857	1
Other liabilities	9,713	2
Total	**485,662**	**100**

Table 10.11: Components of liabilities by income band (%)

	Creditors & accruals	Deferred income	Loans	Other liabilities	Total liabilities
Under £1k	0	0	0	0	0
£1k–£10k	4	0	17	0	4
£10k–£100k	36	46	33	52	38
£100k–£250k	18	17	0	19	18
£250k–£500k	13	11	17	14	12
£500k–£1m	13	9	16	6	12
Over £1m	16	17	17	9	16
Total	**100**	**100**	**100**	**100**	**100**

remaining 40% among organisations with incomes in excess of this. Organisations with incomes of £10,000 to £100,000 account for a fairly high proportion of liabilities (38%) compared to those organisations with greater incomes.

Creditors and accruals are fairly constant across organisations with incomes of £100,000 and upwards at between 10% and 20%, whilst again over one-third (36%) are held by organisations with incomes between £1,000 and £100,000. This trend is fairly consistent with regard to loans held. However, there is an anomaly where organisations with incomes between £100,000 and £250,000 have no loans.

10.4.5 The changing political climate in Northern Ireland

The political, social and economic environment in Northern Ireland has undergone a period of change, expansion and self-assessment. Change has become evident in almost every aspect of life but especially within the voluntary and community sector where the structures, mechanisms and principles that govern and drive policy relating to the sector are unrecognisable. Devolution has been the largest single event to have impacted upon the voluntary and community sector.

The opportunities for voluntary and community groups to engage directly with the institutions of government and to have a stronger voice in the development of policy have never been greater. Since devolution there has been a raft of new policy directives and initiatives, encapsulated in the *Programme for Government* document, which outlines the Northern Ireland Executive's intentions for the period between 2001 and 2004. The *Programme for Government* attempts to create a cohesive, inclusive and just society and it sees the diversity, experiences and vibrancy of the voluntary and community sector as an asset in the delivery of many of these objectives.

Through the Labour government's policy relating to the revitalisation of local democracy, and more accountable forms of governance, much change has occurred. The most notable manifestations of this policy, aside from the Assembly, have been:

- the creation of the Civic Forum, as a formally established and representative body alongside the Assembly
- consultative procedures that allow public comment on a huge range of policies and proposed legislation
- the creation of an Equality Commission and appropriate legislation (Section 75) that requires government departments to pay due regard to the needs of all sub-sections of society in policies and procedures
- establishment of the Human Rights Commission
- development of a draft Bill of Rights
- development of more formalised relations with the voluntary and community sector through the Compact Partners for Change.

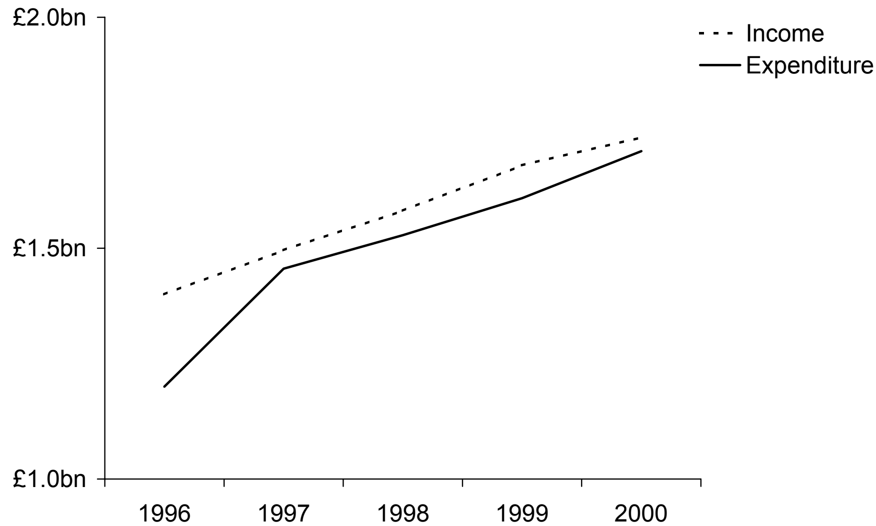
The voluntary and community sector has had a vital role to play in the development and subsequent direction of these mechanisms, policies and strategies.

The development of a New Measure of Deprivation in Northern Ireland and the publication of New Targeting Social Need (TSN) Action Plans have further enhanced the Executive's determination to create a socially inclusive society, where those in greatest need can be targeted effectively. New TSN amounts to an anti-poverty strategy for Northern Ireland. However, it is not underwritten with its own budget and the objectives and aims outlined by each of the 11 government departments in their action plans are based merely on the reallocation of existing resources to tackle social need. The New Measures of Deprivation underpin New TSN and it is hoped they will enhance the ability to target efforts in areas of the greatest social need using more sophisticated measures of deprivation.

One of the most striking developments since devolution has been a commitment to building stronger partnerships between government and the voluntary and community sector to work together as social partners to maximise benefits for society. This has been exemplified recently in the publication of the Partners for Change Strategy. Set against this is a growing recognition that community development and the ability to build capacity are exceptionally influential in effecting social change.

Social change and inclusion, which have been high on the agenda of the voluntary and community sector in Northern Ireland for many years, have now begun to permeate the thinking

Figure 10.5: Trends in income and expenditure 1996–2000 (£billion)



of government. Without a stable political environment, however, the aims of many of the policies outlined above may never come to fruition.

10.5 The voluntary sector in Scotland

This section presents statistics on the Scottish voluntary sector. The definition used is very similar to the general charities definition used throughout the Almanac, but with a heavier emphasis on the social economy. The number of organisations in the Scottish voluntary sector has been estimated by SCVO's current almanac programme to be 23,907. This and much of the statistics in this section are based on a survey carried out on a sampled panel from the Charities Register in Scotland (CRIS) database held by SCVO. The survey data has been combined with information provided by the BAM-Caritas survey of UK charities. The following trends have been estimated using a subset of this sample for which four years of data is available. The key changes in Scotland's voluntary sector workforce and individual donated giving have been derived from a range of research projects undertaken by SCVO since 1996. Finally, a breakdown of sources of income and expenditure offers an insight in the different ways in which changing funding patterns have impacted on voluntary organisations of different income sizes in Scotland. Throughout this section figures are presented in current prices, i.e. without adjustment for inflation.

10.5.1 General overview

There has been an overall increase in the estimated income of the voluntary sector in Scotland from £1.4bn in 1996 to £1.74bn in 2000. The growth in expenditure shows a similar trend, and the gap between income and expenditure that existed in 1996 narrowed considerably by 2000.

The increases in income and expenditure reflect the growing importance of the voluntary sector in Scotland over the past few years.

10.5.2 Growth of sub-sectors

The rate of change in sub-sectors of the voluntary sector, based on the organisations' field of work, varies considerably. Figure 10.6 shows how voluntary organisations involved in health services have experienced a large growth over the past four years and are now almost 70% larger by income than in 1996. This could be the result of an increasing number of service contracts being awarded by local government to health care organisations within the voluntary sector. There has also been a steady growth of income in the other sub-sectors. In the education field, growth in expenditure was lower than growth in income. In the other sub-sectors expenditure grew faster than income, particularly in environment and health sectors.

Figure 10.6: Changes in income and expenditure for sub-sectors 1996–2000 (%)

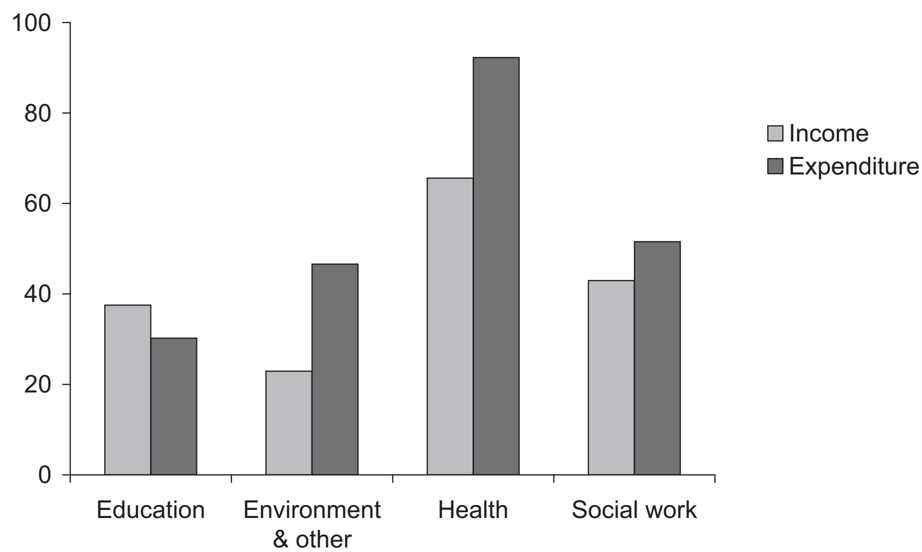


Figure 10.7 shows that a major operational increase in expenditure may be due to an increase in staffing costs. This is backed up by SCVO's research on behalf of the Scottish Community Foundation, which attributes 69% of voluntary organisations' expenditure to staff costs and suggests that organisations may be using their reserves to fund a greater expansion of operations.

10.5.3 Employment

A Scottish workforce survey conducted in early 1999 estimated there to be 59,806 paid staff or 48,996 FTEs in Scotland's voluntary sector. Figure 10.8 shows the percentage of the workforce in different organisational income bands. Nearly half of the paid workforce is

Figure 10.7: Change in employment costs 1996–2000 (% of total income)

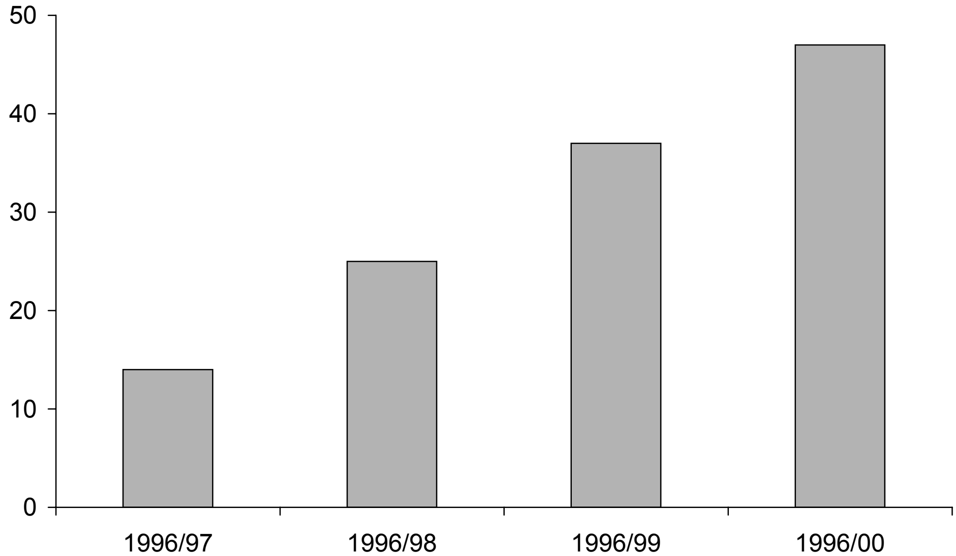
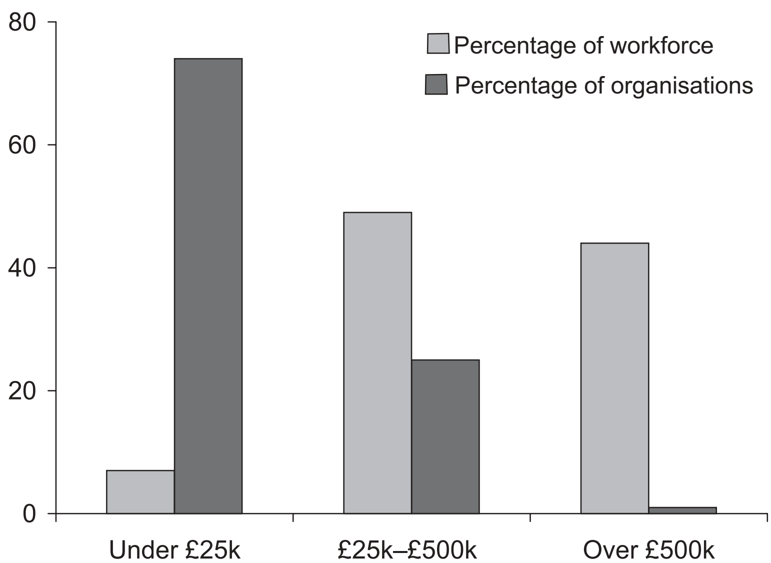
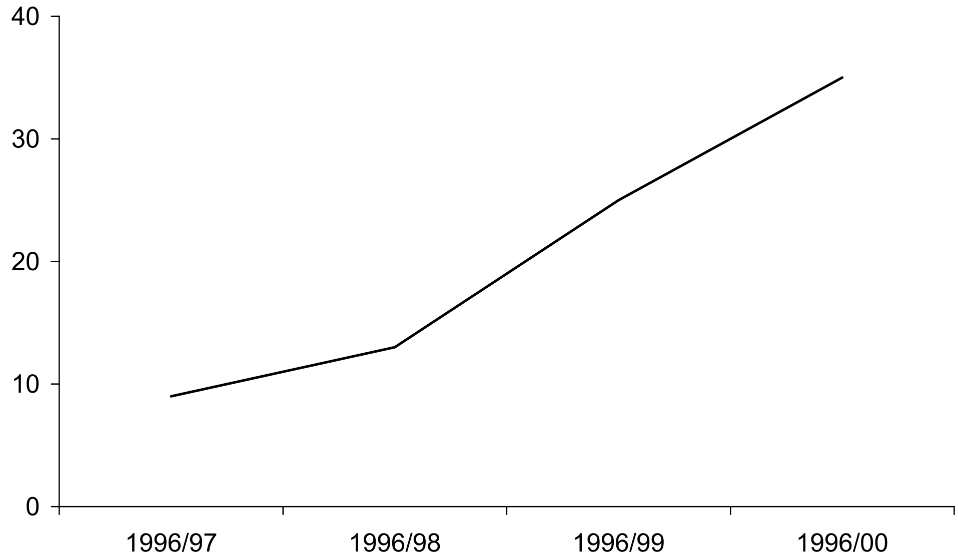


Figure 10.8: Percentage of organisations and share of workforce by income band (%)



employed by organisations that have incomes between £25,000 and £500,000, even though this income band represents only 25% of voluntary organisations. Moreover, 44% of paid employees work in the highest band (income over £500,000), which represents only 1% of the total number of organisations. The overriding majority of organisations employ very few people, if any.

Figure 10.9: Increase in staff costs 1996–2000 in organisations with income over £500,000 (%)



The highest concentration of employees in the sector is therefore found in organisations with incomes of more than £500,000. Figure 10.9 shows a steady but rapid growth of staff numbers in this part of the voluntary sector since 1996. This is in line with the increase in staff costs referred to earlier, but does not necessarily represent the increase in staffing in the mid- to lower range of organisational income bands.

10.5.4 Characteristics of the workforce

Table 10.12 shows the diversity of the voluntary sector workforce in Scotland. In organisations of all sizes the proportion of female employees is far higher than the proportion of male employees. The overall ratio of female to male staff in 2000 was 2:1. The smallest and the biggest organisations employ a higher percentage of employees with disabilities or from BME groups than the middle income bands. In the lowest income band this could be due to a concentration of BME organisations. The even higher proportion of BME staff in the largest

Table 10.12: Characteristics of the paid workforce 2000 (%)

	Under £100k	£100k–£1m	£1m–£10m	Over £10m	Total
Male	27	23	36	24	31
Female	73	77	64	76	69
Minority ethnic groups	2.0	0.5	0.4	2.5	1.2
Disability	1.0	0.7	1.5	4.4	2.4

organisations could be due to large organisations using their greater resources to implement equal opportunities programmes.

10.5.5 Funding the sector

Table 10.13 shows the distribution of income for the sector over the year 2000. Voluntary income, which includes donations from charitable trusts, companies and the general public, comprises 39% of total income in the Scottish voluntary sector. Self-generated income from trading, rents and investments comprises 24% of total income. Public and local authority grants accounted for 27% and Lottery income for 11%.

Table 10.13: Components of income and their contribution to total income (£million and %)

	£million	%
Self-generated income	414	24
Local authority grants	205	12
Other public sector grants	252	15
Donations from general public	387	23
Company giving	40	2
Charitable trust grants	232	14
National Lottery	187	11
Total	**1,716**	**100**

Figure 10.10 shows the breakdown of funding sources for Scottish voluntary sector 1996–2000.

Self-generated income (trading, rents and investments) has remained a sizeable proportion of voluntary sector income. The decrease in voluntary income stabilised over the past year, and is still the second-highest source of funding for the sector. National Lottery income reached a stable level of total income (10–11%). Public sector funding decreased by around 4% since 1996, though it is slightly higher now than in 1998. Some of this has been replaced by a slight increase in local authority funding.

10.5.6 Donated income

The estimated amount of donations by the general public to the Scottish voluntary sector in 2000 was £387 million (Table 10.14). Although this showed a moderate increase from £376 million in 1998, this was still below the £501 million for 1996.

Information about ways of giving from the Scottish public to the voluntary sector comes from a series of consumer surveys over a period from January 1997 to January 2000 (SCVO, 2000).

Figure 10.11 shows the percentage of the population using five of the principal ways of donating to charity in the years 1998 and 2000. All of these methods showed decreases in the

Figure 10.10: Trends in components of income 1996–2000 (% of total income)

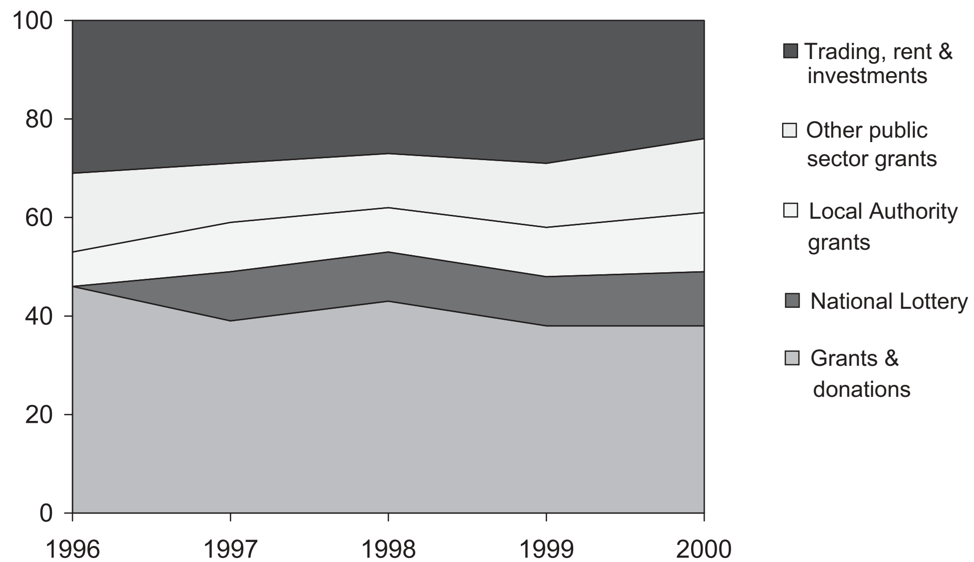


Table 10.14: Individual donations by income band (£000)

	Under £100k	£100k–£1m	£1m–£10m	Over £10m	Total
Legacies	2,137	14,083	15,952	13,525	45,698
Subscriptions and other donations	46,685	174,093	77,524	42,907	341,209
Total	48,823	188,176	93,476	56,432	386,907

proportion of the population they attracted. However, it was shown that traditional means of giving were preferred over new ways – in January 2000 only one person out of 1,002 surveyed had given via the internet.

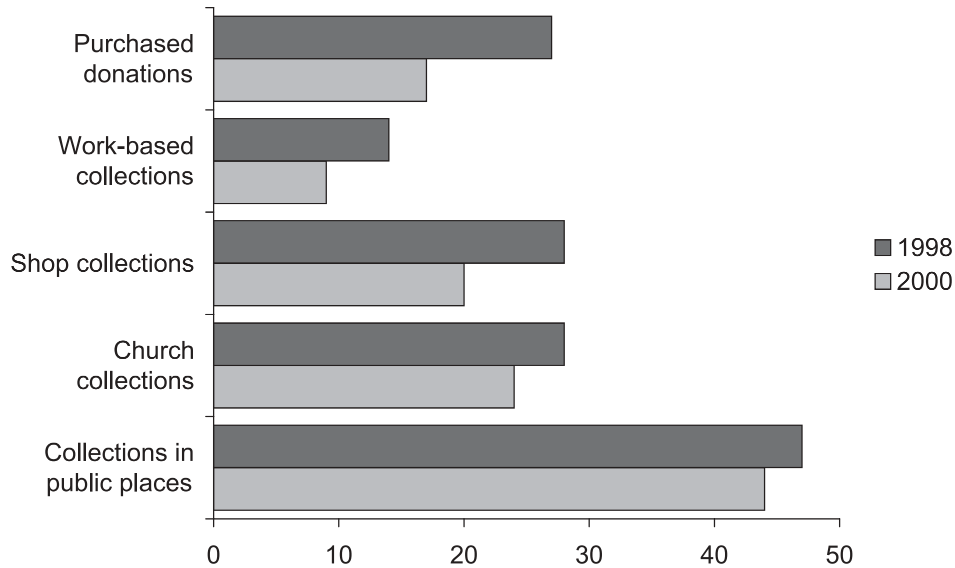
Although fewer people gave to charity in 2000, those that did gave higher amounts. For example, the average amount given by various collections (street, house-to-house and in shops) showed an increase from £8.82 per person in January 1997 to £11.09 in January 2000.

Church collections as a means of giving money to charity still attract nearly a quarter of the total population. However, the percentage of people who gave specifically for the benefit of religious organisations has dropped from 27% in January 1997 to 16% in January 2000.

10.5.7 Impact of devolution on the Scottish voluntary sector

Devolution has had an immediate and important impact on the voluntary sector in Scotland. This is due in no small part to the accessibility of the new decision-making structures for

Figure 10.11: Percentage of population giving to charity by different methods (%)



Note: a purchased donation is a donation from which the giver receives something in return, e.g. making a purchase in a charity shop or buying a raffle ticket.

voluntary organisations. There is also growing recognition by the Scottish Executive and parliament of the role of the voluntary sector in a variety of policy fields. The Scottish Executive's commitment to supporting the voluntary sector infrastructure has led to an increased role for a number of voluntary sector networking bodies. This can be seen at a local level: for example, in the support for established and new Councils for Voluntary Service, and at a national level with new infrastructure bodies allowing voluntary organisations to network within a number of policy fields. Not only does this include devolved matters such as health, but also reserved matters like international development.

At the level of the individual organisation, devolution can also be seen to have had an impact. Many UK-wide organisations have begun to look at their management and staffing structures, to allow them to address the different policy agenda and funding opportunities in devolved Scotland. As well as addressing decision-making mechanisms within their structures, voluntary organisations working in Scotland have started putting advocacy and parliamentary campaigning further up their agenda, recognising the importance of the Scottish Parliament for domestic policy issues.

Many of the early promises of devolution have yet to bear fruit for the voluntary sector. Reform of Scottish charity law; a government strategy for developing the social economy; and a clearer role for the voluntary sector in major government initiatives such as social inclusion and neighbourhood renewal all await clear policy leads from the Scottish Executive. Consequently, many of the changes that it was anticipated devolution would deliver are still in the future.

Figure 10.12: SWOT analysis of devolved government policy in the Scottish voluntary sector

Strengths	***Weaknesses***
Inclusive approach by Scottish Parliament Leading role for voluntary sector in debate on social justice Investments in infrastructure bodies Community empowerment Community capacity building Community regeneration Standards of care review Funding support for criminal record checks	Compact with other tiers of government than Scottish Executive Loss of Objective One status for European Social Funds
Opportunities	***Threats***
Scottish Executive's three-year direct-funding model New source of loan funding by Scottish Executive New regulatory body following McFadden Charity Review Commission recommendation	New water rates regulations Unsustainable rates of payment for care homes New regulation of the care field leading to costs of training, support and registration

Nevertheless, the Scottish Executive has demonstrated the political will to expand the social economy:

> We are examining the current contribution of the social economy to service provision and economic prosperity and the potential for social enterprise and the development of social capital. We will also consider what actions the Executive and others must take to grow that contribution.
>
> Jackie Baillie, Minister for Social Justice, 2001

11 Preparing for the future

11.1 Introduction

The UK Voluntary Sector Almanac 2002 is the latest publication from what is now a 10-year research programme to scope and understand the dynamics of the voluntary sector economy. Trend data for the period 1991–2001 are an invaluable resource for strategic analysis, whilst NCVO's Third Sector Foresight programme will continue to look further ahead. During a period of considerable uncertainty, strategic analysis and planning is fundamentally important for organisations to understand how they may be affected.

The first part of this chapter summarises the environmental analysis, undertaken as part of NCVO's Third Sector Foresight programme. A number of key policy issues that will drive the voluntary sector economy in the medium term are then highlighted: regulation; broader and deeper partnerships between the public, private and voluntary sectors, particularly in relation to public service delivery; and the performance of the UK economy. Analysis and debate of these issues will enable individual organisations and the sector to formulate strategic responses, while emphasising the need for consistent, robust research.

How the Almanac research programme will evolve in response to these issues is the focus of the second part of this chapter. The key development in our research programme is a planned shift in focus from general charities to the wider non-profit sector. This is the last Almanac to use the general charities definition. We have already highlighted in Chapter 3 the need for such a shift, and preparations are now well under way. Potential regulatory changes, plus consultations on charity law covering England, Wales and Scotland, have provided additional impetus for this work.

11.2 Environmental analysis

NCVO's Third Sector Foresight highlights how a number of key drivers are shaping change in the voluntary sector's operating environment. The main drivers, and their relevance for voluntary organisations, are summarised below.

11.2.1 Demographics

Shifting demographic patterns affect the need and demand for services, as well as the pool of potential paid and unpaid staff. A number of broad changes are already evident. Extended families are in decline (29% of households have only one person), whilst 39% of children are born to unmarried parents. Seven % of the British population are now from a black or minority ethnic background, with minorities projected to form the majority in some cities. Together, these indicate a more diverse, individualistic population that may rely upon voluntary organisations in place of traditional ties.

The UK population in general is living longer, with the number of people of pensionable age and over, currently 18% of the population, set to increase. As a result, the cost of providing hospital and community health services is expected to rise, whilst the government may seek to raise the qualifying age for the state pension. These changes have important ramifications for the potential pool of volunteers (Mensah-Coker, 2000). Long-term demographic trends are expected to place pressure on welfare expenditure, though they will not become significant for another two decades. The impact of an ageing population on the public finances will depend on the extent to which longer life expectancies shift health care costs to later ages, rather than extending the period of care. If the quality of care becomes inadequate, those with financial resources and voice will be able to lobby government or look to private sector alternatives. This will create a role for the voluntary sector to represent those communities without resources or voice.

Government and other agencies have invested a range of resources in trying to understand the implications of an ageing population. What is less clear is the impact of immigration on society and the voluntary sector. Of particular importance is the need to understand how immigration may solve the projected change in the workers:dependents ratio. New refugee-focused voluntary agencies and others with extended client groups could play a significant role in processing new immigrants. The scale of immigration suggests that associations will be established to promote the identity of, and represent and provide services for, specific ethnic, cultural, and religious groups. The way immigration is presented in sections of the media threatens to spark intolerance with both social and political implications. Voluntary agencies – especially faith-based groups – will be at the forefront of promoting diversity and values of equality and tolerance.

11.2.2 Social values

Changes in values lead to new or modified attitudes amongst the users and supporters of voluntary organisations. In recent years individuals have become less accepting of authority, as shown in the decline of confidence in institutions such as the police and the church (NCVO/CCS, 2000). Such shifts are manifesting themselves in changing behaviour among individuals and institutions, especially with regard to loyalty, trusted sources of knowledge, information and services. It is argued that such attitudes may also be leading to a decline in formal participation in voluntary and community groups (Putnam, 2000). Moreover, NCVO's research has highlighted a move from relations between the sector and the public based upon trust, to one based upon confidence.

Recent trends are pointing to a convergence of individual and business ethics. While 'typical' attitudes may not have changed, the scale of social responsibility being shown by some may now be sufficient to promote wider support from the general public and government. Such attitudes and values could lead to personal action such as recycling and environmental campaigning, and culminate in social investment, philanthropy and active citizenship.

In terms of business practice, SRI looks set to increase in response to these concerns. There is an argument that the companies that will grow consistently over the next few decades will be those committed to sustainable and ethical development. As for the public, there are currently around 50 ethical funds in the UK, valued at £2.8 billion. Ethical investors are often involved in other socially responsible activities e.g. recycling, and purchasing eco-friendly products. In general, people may become more willing to receive smaller returns for a positive social impact.

The converse of social responsibility is the pervasive effect of consumerism, and how this has affected attitudes towards the delivery of public services. Popular pressure for fast, efficient services has translated into the production of league tables. For the voluntary sector, this is likely to lead to a greater emphasis on quality standards and media-led pressure for 'value for money' league tables.

11.2.3 Technology

The majority of people in Great Britain have no confidence in the government keeping up with scientific advances, and feel they have insufficient information about controls on biological developments. They agree that human genome research should be used to treat illness, track down criminals, or test for paternity, and are willing to trust doctors, the NHS and the police with genetic information. However, they are suspicious of insurance companies and industrial scientists holding such information. There may be an increasing role for the voluntary sector in advocacy and campaigning on issues of exclusion from health care or financial services based on genetic information.

Information technology increasingly shapes the way we access and create information, although patterns of access, usage and skills remain uneven. The number of households with access to the internet is growing rapidly, although recent evidence suggests this may be slowing (OFTEL, 2001). However, the overall growth masks a digital divide between regions and also income groups. The voluntary sector has a role in promoting positive attitudes, and reducing the divide by facilitating access. This will require not only the rapid adoption of new technology but also active participation in regulating and monitoring usage of communications technology. New methods of access such as interactive television and mobile phones, offering access without the expense or complexity of a PC, may change attitudes and tackle the digital divide. In addition, the voluntary sector might need to consider how it can use ICT as a mechanism for further promoting and facilitating user involvement.

11.2.4 The environment

Environmental change is a long-term problem that sits badly with short-term electoral cycles. Non-elected bodies, including voluntary organisations, have a key governance role to ensure that responses to environmental change are long-term and embedded in lay experience. Changes in the natural environment have impacts at the local and global level. They highlight problems of securing international agreements, especially when the effects (and causes) are not equally distributed. At the national level, they also raise the question of how to balance the short-termism of the electoral cycle with necessary long-term action.

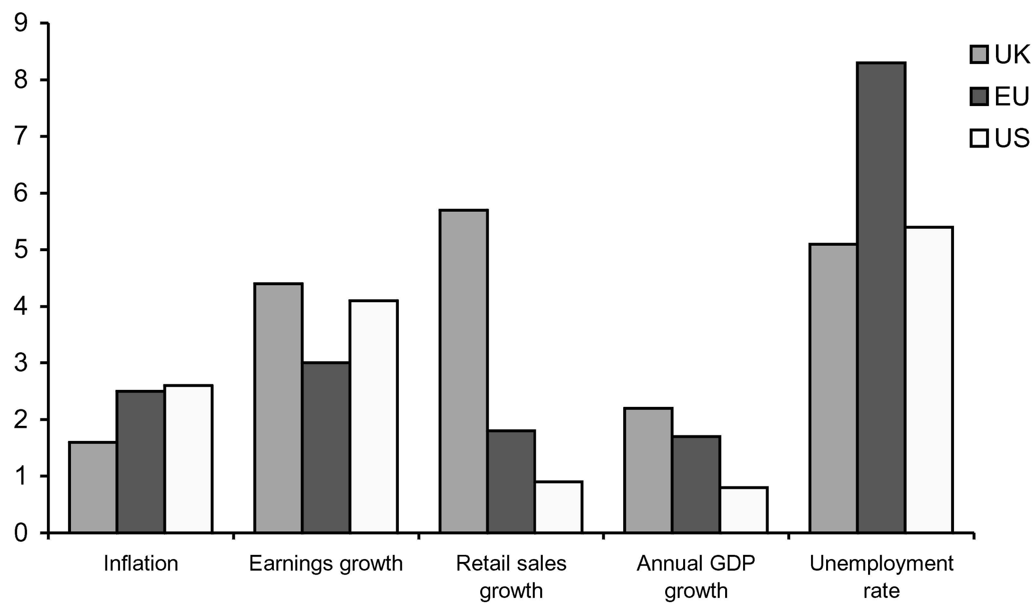
Climate change is expected to be complex and unpredictable, as media reports of global warming are recognised as too simplistic. It is likely to raise a number of challenges in the UK, such as flooding in low-lying and heavily populated areas and the ability of the infrastructure to withstand more extreme weather conditions. For communities in such areas, voluntary organisations are likely to play an important representative role in relation to government agencies and the insurance industry, which may seek to limit risk by withdrawing from affected areas. Public concerns over changes in the natural environment may re-ignite civil society and a sense of common purpose, as shown in the protest against trials of GM crops. For the sector in general, popular concern for the environment is likely to place emphasis further upon the sustainable use of resources and, as mentioned in the previous section, socially (and environmentally) responsible investment.

11.2.5 Economy

The increasingly globalised economy is overlaid by a small number of trading blocs such as the European Union. The implication is that the economic policies and actions of individual states such as the UK are less effective than previously. Also, regions are becoming more important as arenas for economic policy, a change already apparent in the UK, where RDAs are now established.

Following years of economic growth in both the US and the UK, economic circumstances are now changing. In the last year, GDP growth in the US has been declining and investment is at a standstill. Despite a rise in unemployment and a decline in industrial production, consumer demand remains buoyant. Traditionally it has been assumed that changes in the US economy drive those in the UK, though closer integration with the EU appears to be weakening this link (Figure 11.1). The UK economy is currently experiencing slowing growth, but is not expected to follow the US into outright recession, or at least not one of the same magnitude. In comparison with the EU, forecasts for Britain's economy look slightly more promising, as GDP, retail sales volumes and earnings are all currently above the EU average, whilst unemployment and inflation are below average. Although consumer prices are expected to be slightly above average, unemployment is expected to stay low. However, continuing regional imbalances in the economy continue to cause concern: only three of the twelve UK nations and regions have a GDP per head above the EU average.

Figure 11.1: Economic indicators, 2001



Predicting the impact of economic downturn in the US, the world's leading economy, upon the UK continues to be a complex science. However, the accuracy of these predictions has been severely diminished by the events of September 11 and subsequent international political actions.

11.3 Third Sector Foresight: key issues

The drivers of change outlined in the previous section indicate how the operating environment for UK voluntary organisations is likely to change in the medium-term. However, in the short term, two key issues are likely to have a more profound effect: reform of charity law and regulation, and increasing involvement in the delivery of public services. These are discussed below.

11.3.1 Charity law and regulation

Since New Labour came to power in 1997, government policy has been an important driver for the voluntary sector. It can be split into two areas: policies to enable the sector to deliver its core mission (charity tax review plus the Compact and its related codes) and a central role for voluntary organisations in the delivery of public services, including government programmes such as Sure Start and the New Deal for Young People.

These policies reflect the Government's view of the importance of the sector. However, there is a continuing need for a broader range of effective agents, including voluntary organisations, to deliver public services, and this is driving further reform. In addition, public and media pressure for greater openness and accountability in the sector is also contributing to the need for reform, particularly as the Government is a source of income for many voluntary organisations. There is also a need to respond to concerns that aspects of the legal and regulatory framework are outdated, and that they may be restricting the efficiency and growth of the sector.

The main agent for change is the Performance and Innovation Unit (PIU) of the Cabinet Office. The PIU's review, which is due to report in early 2002, will examine the regulatory framework covering the wider voluntary sector and, if necessary, recommend reform or rationalisation. Other reviews and consultations have also pressed for change (NCVO, 2001; DTI, 2001). While registered charities are monitored by the Charity Commission, non-charitable voluntary organisations have no single regulatory framework or regulatory body. As a result, non-charitable voluntary organisations are regulated only if they fall under the authority of a specific regulator. In contrast, some voluntary organisations are burdened by dual regulation whereby they have to comply with the reporting requirements of different regulators (e.g. charitable housing associations).

In response to these problems, the review aims to set out the principles for a reformed legal framework for the sector, including recommendations on the legal definitions concerning charitable status. This follows on from existing reviews by the NCVO Charity Law Reform group, and the McFadden Commission in Scotland. It has long been suggested that the current criteria for charity status are out of date and that change may encourage the development of new types of organisation more suited to the problems of today's society.

The potential implications for the sector are fundamental: a simplified regulatory environment; new organisational forms; and the removal of unnecessary legal restrictions on investment, entrepreneurial activities, and mergers and acquisitions. For the research community, methodologies to measure the implications of any changes, plus an understanding of the size, scope and topology of any 'new' sector, will be required.

11.3.2 The voluntary sector and delivery of public services

As Chapter 3 has indicated, the increasing range and number of partnerships among the public, private and voluntary sectors reflect the realisation that each sector in isolation cannot solve its own or wider problems. This is resulting in closer relations between the sectors and, to a lesser extent, a blurring of boundaries and functions. This is particularly evident in the delivery of public services through the use of public private partnerships (PPPs).

PPPs involve the public sector working with either voluntary or private sector organisations to deliver public services. The implications for the voluntary sector are enormous. PPPs mean that the voluntary sector has the opportunity to receive funding to carry out public services, and to contribute to a growing public service sector made up of a mixture of public, private and voluntary sector organisations. In 2001, the Institute for Public Policy Research (IPPR) produced the final report of the Commission on Public Private Partnerships. Although it makes a number of recommendations, it focuses for the most part on the private sector and is therefore of limited relevance to the voluntary sector. In order to establish the implications of PPPs for the voluntary sector, and as part of the Spending Review 2002, NCVO is carrying out its own public service delivery consultation that will result in a submission to the Treasury in early 2002.

PPPs have been highly controversial, and the voluntary sector's involvement has so far been limited. However, the Government is keen to identify opportunities for partnerships that are open to all sectors.

The Spending Review 2002 will include two themes of high importance to the voluntary sector. These are 'delivery of high-quality, efficient and responsive public services' and 'spreading opportunity and prosperity more widely and tackling child poverty and social exclusion'. In addition, a cross-cutting review will look at the role of the voluntary sector in providing public services. The aims of the review are:

- to assemble a comprehensive view of the services currently provided by the voluntary sector
- to think about ways of measuring the quality and cost-effectiveness of service delivery through the voluntary sector
- to consider whether there are barriers to more effective working, and how they can be broken down or their effects minimised
- to recommend the most effective administrative structures for the Government's dealings with the sector.

This emphasis on PPPs and the wider contribution of the sector to public service provision is inherently linked with the requirement for delivery. Whilst this undoubtedly creates future opportunities for the sector, there is a concurrent risk that failure to match expectations or demonstrate outcomes will damage the sector and its stakeholder relations. This places a greater emphasis on quality and performance measurement systems for the voluntary sector.

The challenge for the research community is to develop basic benchmarks for the sector in relation to service delivery, and to measure outcomes and impacts at a sector or system-wide level. There are clear implications for impact measurement: it will become harder to single out the impact of individual organisations where work is undertaken in partnership, resulting in greater need for systems approaches (described in Chapter 9).

11.4 The 2002/3 Almanac research programme

NCVO's research objectives for the coming two years are shaped by the developments outlined above. With the recent government policies on service provision, another objective will be to measure the impact of these policies on the sector. Coinciding with the Almanac's coverage of a broader spectrum of voluntary organisations in the future are two projects: the PIU review (see above), and the ONS work on the economic contribution of the voluntary sector.

In addition, NCVO will continue to update other key benchmarks on the workforce and charitable giving, whilst expanding its research in relation to motivations for giving and the role of voluntary organisations in building social capital.

11.4.1 Resource benchmarks for the UK non-profit sector

From general charities to non-profits

The definition of general charities developed by ONS captures most of the economic activity of the voluntary sector, and hence accounts for the voluntary sector's contribution to GDP. In the absence of any centralised, all-encompassing database, the definition is practical to operate as it is based upon databases held by stakeholders including the Charity Commission, SCVO and NICVA. The need to adopt a broader definition of the voluntary sector for the future becomes more pressing in the light of the recent PIU review, and ONS's plan to increase its coverage of the voluntary sector. It is intended that the next Almanac will use a wider non-profit definition, informed by the results of the PIU review and the NCVO feasibility study.

Charting the UK non-profit sector

In 1995 ONS commissioned the UK Voluntary Sector Research Group (the research teams of NCVO and its three sister councils), Aston Business School, Glasgow Caledonian University and the PSSRU at the London School of Economics to carry out a study looking at the potential to expand the ONS data collection to all non-profit-making bodies serving persons (NCVO, 1995). NCVO is currently undertaking further research to build upon the earlier 1995 study. This aims to:

- establish the nature and extent of the wider voluntary sector
- establish data sources (particularly regulatory and umbrella bodies) for each category of wider voluntary sector organisation, the type of data available, and assess how easy it would be to collect them.

This research is under way and the results will inform NCVO's move towards a broader definition of the voluntary sector. The approach builds upon the core definition of general charities by identifying key industries (and their regulators) where non-profit activity is apparent. Importantly, this approach enables disaggregation of data for specific policy purposes, such as the identification of organisations involved in the delivery of public services.

Revised benchmarks for the UK voluntary sector

ONS estimates of general charities income and economic contribution for use in national accounts are based upon benchmark surveys in 1994/95. More recent estimates have relied upon a methodology to update these benchmarks without the use of large-scale original surveys. These are cost-effective, whilst minimising compliance costs for voluntary organisations. This methodology has used additional data sources, particularly charities' annual accounts, plus the 1997 Charities Income Research panel survey (NCVO, 2000), and published data from CaritasData's Top 10,000 Charities.

ONS and NCVO are now working on a methodology to update the 1995 benchmark. In anticipation of a further benchmark survey, efforts have been made to improve the coverage of the voluntary sector in the Inter-Departmental Business Register (IDBR). This is a database of UK businesses, and for the purposes of research into the voluntary sector it can act as a potential component of a population frame covering the wider non-profit sector. As such, it is currently used by ONS for drawing samples for surveys of the private sector. The IDBR is maintained by ONS and combines the former Central Statistical Office's (CSO) VAT-based business register and the former Employment Department's (ED) employment-statistics system.

In recent years the IDBR's coverage of non-profit organisations has been improved, with the monitoring and identification of companies limited by guarantee using a so-called 'non-profit flag'. Until recently use of this non-profit flag has not been complete or accurate enough to make the IDBR a suitable population frame for the sampling of voluntary organisations. It is hoped that work in 2002 will enable the IDBR to be used for this purpose. Parallel research with the register of charities to identify overlap will also be undertaken.

Monitoring change over time: UK voluntary sector panel survey

Whilst the concept of a broader sector is of obvious research interest, the need to monitor change over time within the core voluntary sector is still necessary. The UK Voluntary Sector Research Group (UKVSRG) is undertaking a project to monitor the income, expenditure, assets and liabilities of 3,500 UK voluntary organisations on an annual basis over the period 1991 to 2002. A panel survey such as this will greatly enhance the understanding of the dynamics of voluntary organisations and the sector as a whole, and will build upon the panel survey undertaken for the Home Office by the UKVSRG (NCVO, 2000).

Human resources

The current Almanac has taken an important step forward in its use of the LFS to benchmark the sector's paid workforce. However, in contrast to the public and private sectors, it remains the case that consistent, comparable benchmarks for the voluntary sector's paid workforce are limited in scope. NCVO will work with the VSNTO to develop benchmarks for the sector's workforce, particularly in relation to the identification of skills gaps and needs, and monitoring of training and development within the sector. Diversity also remains a priority: NCVO's research team will work closely with the recently established diversity project to establish and monitor understanding and take-up of diversity policies. We will also continue to work with trade unions in assessing different models of workplace relations across the sector, and developing models of best practice and advice services.

The voluntary sector in the English regions

Some of the estimates in this Almanac have, for the first time, been produced for the English regions. NCVO remains committed to undertaking local and regional studies, whilst it is our intention to build in the ability to produce English regional disaggregations in future UK research work.

11.4.2 Outputs, outcomes and impact

Chapter 9 reviewed the current state of output and outcome measurement and also NCVO's current research project that looks at impact measurement at both organisational and sector level. NCVO's research programme will respond to the growing demand for an impact measurement toolkit.

Our work on impact is scheduled to report in late 2002, although our commitment to this work will continue beyond this date. Outputs will include a conference on performance measurement in the voluntary sector, a review of existing outcome and impact methodologies, and a review of the methodologies used by the UKVSRG and their implementation. The latter will report case studies for clusters of industry-specific organisations in defined geographical areas.

11.4.3 Social capital

NCVO's work in this area will look at the relationship between indicators of social capital, and how these can be used by the sector to enable it to understand its role in building social capital. In particular, our work in this area aims to define in more robust terms the 'added value' of voluntary organisations in relation to their role in the delivery of public services.

11.4.4 Individual giving: motivations and barriers

NCVO has now been collecting extensive information about the public's giving behaviour since 1995. Over the next year, this data set will be used to investigate further who uses which methods of giving to donate to which causes. Laying bare these relationships and their changes over time will support the work on motivations of giving, which will focus on the role different mechanisms of giving play. In conjunction with the work on social capital this will further inform the debate about the function of giving in connecting people with and informing them about the voluntary sector and its activities.

11.4.5 Third Sector Foresight

This chapter began by drawing on the Third Sector Foresight programme. This will continue to provide the sector, and individual voluntary organisations, with the means to make informed decisions. The project will continue with the monitoring of all the relevant macro data on the external factors which are likely to impact on the sector. Planned developments include a quarterly survey of voluntary organisations' attitudes and confidence in relation to the economy, plus sub-sector specific interpretations of our generic analyses. Finally, in early 2002 Foresight will report on the potential of applying and using the cluster development model (an economic development tool) to the regional voluntary sector.

11.5 Conclusion

At a time of increasing interest in the activities and resources of the sector, it is of tremendous importance that benchmarks are in place to monitor macro-level change. Moreover, as the sector struggles to come to terms with changes in the economy and public policy, future monitoring of impacts in relation to a number of specific policy-led areas is necessary.

NCVO and its partners in government, academe and the UKVSRG will continue to take a lead in the identification and monitoring of the impact of changes in the operating environment of the sector. Continual feedback from users and other researchers will enrich our research programme, which ultimately aims to contribute to a more effective, informed sector. Finally, we next will report back the outcomes of our planned research programme in *The UK Voluntary Non-Profit Almanac 2004*.

Appendix: Methodology

This publication is based upon an extensive programme of research. This appendix provides details of the methods used to supply the information on general charities' accounts, as presented in Chapters 4, 7 and 8; on charitable giving by the general public as presented in Chapter 5; and on human resources as presented in Chapter 6.

General charities' accounts

The analysis combined information derived from charities' published accounts with the detailed estimates from the two postal surveys of general charities which constructed estimates for calendar years 1990 and 1991 and the period between June 1994 and May 1995. Both postal surveys collected information on current income and current expenditure; the most recent 1994/95 survey extended coverage to include capital expenditure, financial transactions and balance sheet information. A primary purpose of this research was to calculate general charities' total final expenditure, which is necessary for calculations of the contribution of general charities to GDP.

Sample design

The achieved sample is summarised in Table A1 below. A key difference from the ONS surveys mentioned above is the census of organisations with incomes between £1 million and £10 million – using the Caritas Top 10,000 Charities as a master list. This enhancement was a response to a recommendation from the original work which identified this income band as having the largest contribution to standard error and thus the greatest impact on the accuracy of the estimates. The sample was drawn from Charities Income Research data and the Charity Commission Register.

A progressive sample was used, as in the postal surveys, to concentrate resources on larger charities where the economic weight of the sector lies. The achieved sample and population are presented in Table A1.

The process of drawing samples was in line with the previous postal surveys i.e. random samples drawn on the basis of the sampling fraction using the random sampling function in the SPSS computer programme. However, the census of organisations over £1 million was drawn from Charities Income Research.

Charity accounting

The Statement of Recommended Practice (SORP) provides a comprehensive framework for financial reporting by charities. SORP was first recommended in 1998, and was updated in 1996 and 2000. Since 1995 SORP has been mandatory for charities with income over £250,000, but compliance is still varied (Palmer *et al*, 2001). As the implementation of, and compliance with, SORP has been a gradual process, analysis of changes in income over time starts by disentangling

Table AI: Achieved sample and population

Income band	Achieved sample	Population	Total income (£m)	Income surveyed (£m)	Effective response (%)
Under £100k	358	126,219	1,686.0	4.7	0.28
£100k–£1m	951	12,838	4,331.8	320.8	7.41
£1m–£10m	1,701	1,701	4,261.8	4,261.8	100.00
Over £10m	206	206	5,300.8	5,300.8	100.00
Total	**3,216**	**140,964**	**15,580.4**	**9,888.1**	**63.46**

the real changes in income from those driven by accounting regulation changes (Passey *et al*, 2000).

Analysis

Analysis was undertaken by qualified accountants with considerable experience of charity accounts and validation work, and by the research team at NCVO. A framework for analysis was constructed on a spreadsheet based on the amalgamation of two coding frames:

- the detailed categorisation of financial information required for the ONS surveys
- the more aggregated reporting requirements of SORP.

The main areas of divergence between survey and accounts information relate to the categorisation of income, assets and liabilities. With assets and liabilities the issue is primarily the level of detail (or aggregation) reported in accounts *versus* that required. The analysis team has, wherever possible, used the notes to the accounts. In many cases this has allowed a greater level of detail to be recorded including some of the categorisation used in the ONS surveys.

Income categorisation

The ONS survey analysis allows a detailed picture of income to be constructed matching sources of income to the type of transaction. In charities' published accounts the analysis is usually restricted to the following categories:

- voluntary income
- legacies (which forms part of voluntary income but is separately identified)
- returns on investments
- grants and fees (the component which relates to government is identifiable where it is significant)
- trading income
- National Lottery.

Translating SORP to ONS: ratio analysis

Where the notes to the accounts did not provide more detailed information, ratio analysis provided the means of translating SORP categorisation to ONS requirements. The ratios have been constructed from the ONS benchmark surveys, Caritas Top 10,000 Charities and the Barclays/NGO Finance Top 100 Index. The most recent analysis also raised concerns relating to changing accounting practice for legacies and large one-off income values for foundations (most probably relating to the introduction of new capital).

Charitable giving by the general public

Each month since October 1994 around 1,000 people have been interviewed by NOP in order to track charitable giving. Respondents are selected according to a systematic probability sample designed to be representative of all adults in Great Britain in terms of sex, age, social class and region. Social class groupings refer to the index developed by the Market Research Society and published in *Occupation Groupings: a Job Dictionary* (4th edition, 1993, Market Research Society). People are graded principally by their occupation, from A at the top which refers to the most senior managers and professional people down to E which refers to all those entirely dependent on the state in the long term, those unemployed for more than six months and casual workers.

Fundraising methods covered by the survey

The NCVO/NOP survey classifies charitable giving into three categories; philanthropic, purchases and planned. This categorisation is important when attempting to reconcile the estimates to those generated by accounts analysis or surveys of general charities – especially with reference to the income matrix categorisation of voluntary and earned income. Table A2 details the types of transaction that fall under each head. Philanthropic and planned donations are easily identified as voluntary income but for the transaction listed under purchases the donor does receive some benefit.

Human resources

The Labour Force Survey (LFS) is the most comprehensive survey of employment in the UK, and has included a question addressing respondent's sector of employment since the second quarter of 1993. It is representative of the whole population of the UK, sampling all persons resident in private households, NHS accommodation and young people living away from the parental home in a student hall of residence or similar institution during term time.

The sample design consists of about 60,000 responding households in Great Britain and approximately 3,250 responding households in Northern Ireland, every quarter. Each quarterly sample of 60,000 households is made up of five 'waves', each of approximately 12,000 households. Each wave is interviewed in five successive quarters, such that in any one quarter one wave will be receiving their first interview, one their second, and so on, with one wave

Table A2: Giving methods

Philanthropic	Purchase	Planned
Door-to-door collection Street collection Sponsorship Church collection Shop-counter collection Pub collection Appeal letter Television or radio appeal Collection at work Appeal advertisement Telephone appeal Buying goods for a charity	Buying raffle/lottery tickets Buying in a jumble sale/fête Buying in a charity shop Buying through a charity catalogue Attending a charity event Subscription/membership fee Affinity card	Covenant Payroll deduction Given through Gift Aid

receiving their fifth and final interview. Therefore, in each quarter approximately 12,000 out of the 60,000 households are new to the survey.

Pooling LFS data from different quarters

In order to carry out an extensive descriptive statistical analysis of sector employment (involving disaggregations by demographic characteristics, and by industry, and so on within each sector) data were pooled from the last five available quarters (winter 1999/2000 through to winter 2000/1). This gave an overall sample size for the working population of approximately 308,480, and 6,366 for the voluntary sector.

Weighting the LFS data

Grossing the sample serves two purposes. First, it enables population estimates to be produced, and, second, it compensates for differential non-response among different sub-groups in the population. The LFS weighting procedure allows for differences in non-responses by age, sex and region. Individual weighting fractions were adjusted to reflect the sample selection procedure described above; as five quarters were pooled together this meant dividing the original weighting by five.

Sector of employment (available only for main/first job)

In the LFS questionnaire, the sector identification is a two-stage self-classification process that follows on from the industry (SIC) identification. For the purposes of this analysis, responses to the survey questions were recoded into a sector variable defined as either: private, public, voluntary or other non-private organisation. The analysis in Chapter 6 concentrates on the first three sectors.

List of abbreviations

ACEVO	Association of Chief Executives of Voluntary Organisations
ACT	Advanced Corporation Tax
BME	black and minority ethnic
CAF	Charities Aid Foundation
CCS	Centre for Civil Society
CEMVO	Council for Ethnic Minority Voluntary Sector Organisations
CF	Community Fund
CIF	common investment fund
COIF	Charities' official investment fund
CRIS	Charity Register in Scotland
CSO	Central Statistical Office
DEFRA	Department for Environment, Food and Rural Affairs
DFES	Department for Education and Skills
DTI	Department of Trade and Industry
DTLR	Department for Transport, Local Government, and the Regions
ED	Employment Department
EFQM	European Foundation for Quality Management
EMF	Ethnic Minority Foundation
EPS	Employment Policies Survey
FCE	final current expenditure
FES	Family Expenditure Survey
FMI	Financial Management Initiative
FTE	full-time equivalent
GDP	gross domestic product
GLE	Greater London Enterprise
ICNPO	International Classification of Non-Profit Organisations
ICT	information and communication technology
IDBR	Inter-Departmental Business Register
IDS	Incomes Data Services
IPPR	Institute for Public Policy Research
IR	Inland Revenue
ISO	International Standards Organisation
ISEA	Institute of Social and Ethical Accountability
IT	information technology
JRS	Survey of Job Roles and Salaries
LETS	local employment and training schemes
LFS	Labour Force Survey
LSE	London School of Economics

LSP	local strategic partnership
MSE	micro-social enterprises
MSF	Management, Science and Finance union
MVA	master of voluntary sector administration
NAfW	National Assembly for Wales
NDPB	non-departmental public body
NJC	National Joint Council
NL	National Lottery
NLCB	National Lottery Charities Board
ONS	Office for National Statistics
PIU	Performance and Innovation Unit
PNPMB	private non-profit-making body
PPP	public private partnership
PQASSO	Practical Quality Assurance System for Small Organisations
PSSRU	Personal Social Services Research Unit
LFS	Labour Force Survey
RDA	Regional Development Agency
SIC	Standard Industrial Classification
SOC	Standard Occupational Classification
SORP	statement of recommended practice
SRI	socially responsible investment
SRB	Single Regeneration Budget
SSPPR	Special Support Programme for Peace and Reconciliation in Northern Ireland
SWOT	strengths, weaknesses, opportunities and threats
TGWU	Transport and General Workers Union
TSN	targeting social need
UKVSRG	UK Voluntary Sector Research Group
VSNTO	Voluntary Sector National Training Organisation

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