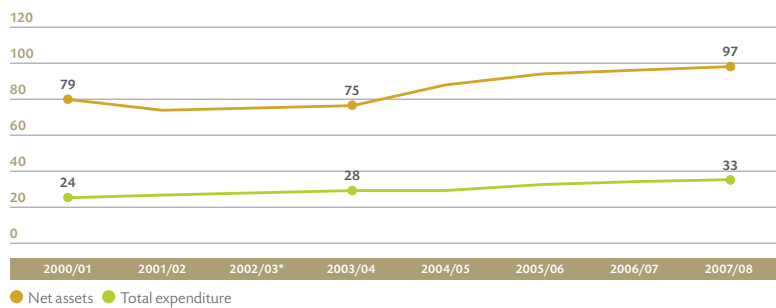


### Question 40...

## Has the net worth of the voluntary sector improved as it has grown?

Total expenditure and net assets, 2000/01 – 2007/08 (£ billions)

Source: NCVO, GuideStar Data Services  
Note: 2002/03 figures are inferred.



● Net assets ● Total expenditure

The sector's net assets have increased in value by over £17 billion since 2000/01, a period in which the sector has grown in terms of both the number of organisations and

the level of activity. As a result, net assets have consistently represented the equivalent of three years' total expenditure.

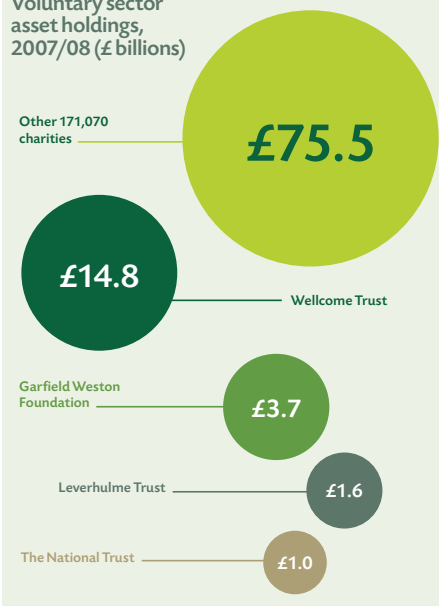
### Question 41...

## Is asset ownership in the voluntary sector widespread?

Like income, assets are concentrated in the largest organisations. Four organisations hold assets valued at more than £1 billion: the Wellcome Trust alone holds 15% of the sector's total assets by value. Fewer than 300 organisations hold 50% of the sector's total assets. However, in total more than 65,000 organisations (two-fifths of the voluntary sector) hold some sort of fixed asset.

Source: NCVO, GuideStar Data Services

Voluntary sector asset holdings, 2007/08 (£ billions)



### Question 42...

## How much does the voluntary sector hold as reserves?

# £46.7 BILLION

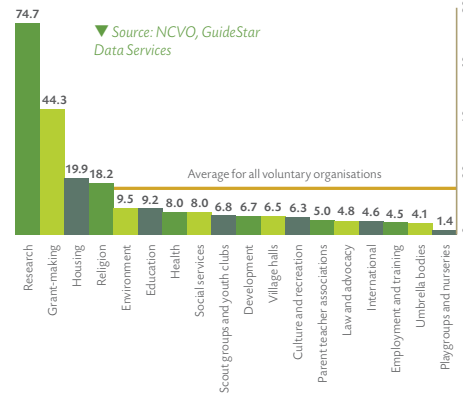
The voluntary sector's reserve level in 2007/08

We estimate that the voluntary sector held reserves worth £46.7 billion in 2007/08: a gradual increase after a post-millennium dip to £35.6 billion. This trend, and our estimates of total reserves, is broadly similar to figures published by the Charity Commission. The sector as a whole has the equivalent of 17 months' expenditure in reserve, an historically normal ratio. If statutory income sources disappeared – a purely hypothetical scenario – then the sector's reserves would cover current expenditure at current levels for approximately 18 months.

■ Number of months' expenditure (R/H axis)  
● Free reserves estimate (£ billions, L/H axis)  
Source: NCVO, GuideStar Data Services

The sector's average of 17 months in reserves is clearly influenced by the significant unrestricted assets held by grant-making foundations and research bodies (most of which are grant-makers). Conversely, umbrella bodies typically hold 4.5 months expenditure, playgroups and nurseries less than 2 months.

Reserves levels, 2006/07 (expressed as number of months' expenditure)

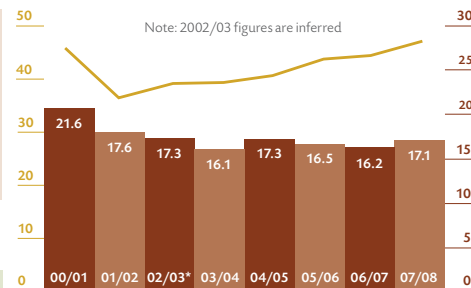


### What are reserves?

There is no rule about how much charities should hold as reserves. The recession has again highlighted the issue, though the focus of debate has shifted from whether organisations are holding too much in reserve to whether they are holding sufficient reserves. The Charity Commission defines reserves as "that part of a charity's income funds that is freely available". In practice, this means unrestricted funds, excluding funds designated for a specific purpose. Income funds that can only be realised by the disposal of fixed assets, and endowment funds, are also excluded.

Varying accounting policies and insufficient data hamper an accurate assessment of aggregate reserves. We have approximated reserve levels by subtracting tangible fixed assets from unrestricted funds, correcting anomalies where appropriate.

### Voluntary sector reserve levels, 2000/01 – 2007/08



### Reserves – a case of running on empty?

Rosie Chapman  
Director of Policy and Effectiveness,  
Charity Commission

With 2009 seeing the economy move from 'credit crunch' to a full blown recession, the pressures heaped upon charity reserves increased. The Commission's survey of charities in September 2009 showed that 10% of charities had drawn on their reserves, up from 6% in March 2009 with larger charities much more likely to do so. Given the anticipated reduction in public funding, especially from April 2011 when many existing three-year funding streams come to an end, the pressure on reserves may continue for some time yet.

Our research also shows that proper consideration of reserves remains a neglected area for charity trustees. This was one of the reasons why the Charity Commission launched Big Board Talk, in June 2009, a checklist for trustees, posing 15 key questions that all trustee boards need to consider to help them through the downturn. Giving thought to a charity's reserves policy is key to a charity's continued success.

### Find out more

Tell it like it is – the extent of charity reserves and reserves policies (Charity Commission, 2006)  
[www.charity-commission.gov.uk/publications/rs13.asp](http://www.charity-commission.gov.uk/publications/rs13.asp)