

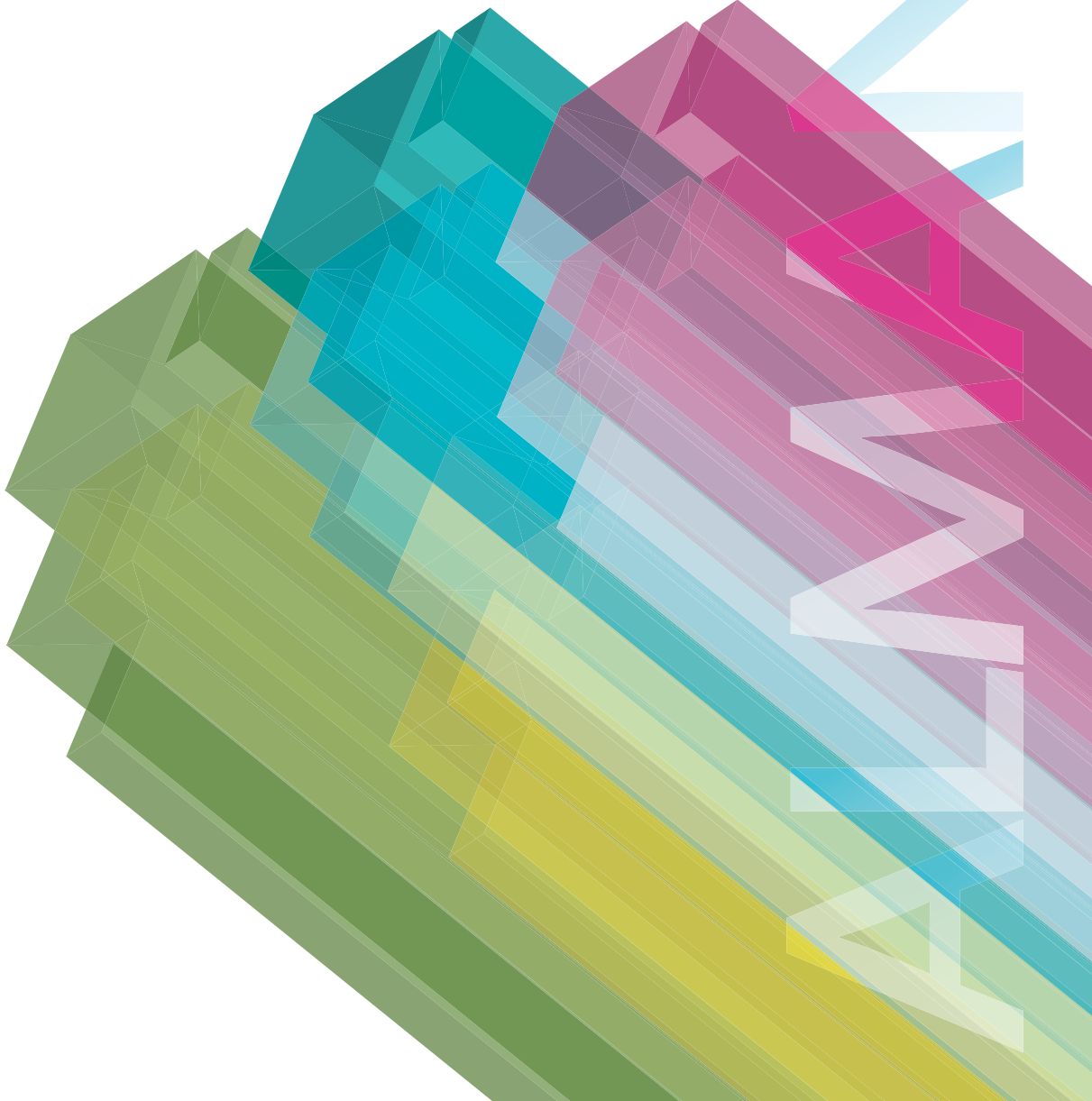


2006

ALMANAC

The UK Voluntary Sector Almanac 2006

The State of the Sector



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The upward growth curve of the UK voluntary sector is still very much in evidence, but overall increases in the size, scope, roles and responsibilities of voluntary organisations have not necessarily translated into more resources for all. While the operating environment – the background economy, public support, relations with the state – continues to be positive, the latest Almanac findings highlight a number of challenges for the sector and its partners. This report, using newly available data from GuideStar UK, presents the key findings of the Almanac.ⁱ

ⁱ) The estimates of the size and scope of the UK voluntary sector are derived from a sample of over 40,000 charities' annual reports and accounts held by GuideStar UK, together with data supplied by the Scottish Council for Voluntary Organisations (SCVO) and the Northern Ireland Council for Voluntary Action (NICVA).

The UK voluntary sector: key statistics

In the continuing absence of a clear operational definition of the broader voluntary and community sector, our focus on 'general charities' ⁱⁱ (which excludes, amongst others, housing associations and independent schools) continues to provide a recognisable map of the sector. Key statistics for 2003/04, the latest available, indicate that the sector:

- has an income of £26.3 billion;
- derives 38% of its income from statutory sources;
- has an operating expenditure of £24.9 billion;
- has total assets of £66.8 billion; and
- has a paid workforce of at least 608,000.

The long-term expansion of the sector is continuing

There has been a significant expansion in terms of numbers, roles and responsibilities since the establishment of the first benchmark of general charities in 1991. This is most visible in the increase in active general charities in the UK from 98,000 in 1991 to 169,000 in 2004. More recently, since 2000, the sector has seen a net increase of 28,000 organisations.

While some of this growth inevitably reflects more accurate public registers, it is clear that real growth is both significant and current. It continues to be the case that over three-quarters (78%) of UK general charities are based in England, though long-term growth and expansion are evident in all the UK nations and regions.

Small charities continue to grow in number

Any definition of the broader voluntary and community sector or estimates of its size will need to take account of the thousands of small community-based groups that are under the radar beam of regulators. Nevertheless, small charities constitute the vast majority of the voluntary sector population and much of the growth since the 1990s. It is still the case that over half (56%) the voluntary sector has an annual income of less than £10,000.

ii) Our definition of general charities includes organisations registered by the Charity Commission in England and Wales, plus organisational lists maintained by SCVO and NICVA in Scotland and Northern Ireland. It excludes housing associations, independent schools, government controlled charities (such as NHS charities and non-departmental public bodies), and organisations whose primary purpose is the promotion of religion.

Number of general charities 1995-2004

	Under £100k	£100k-£1m	£1m-£10m	Over £10m	All
1995	109,384	10,164	1,331	121	121,000
2000	126,219	12,838	1,701	206	140,964
2004	146,963	19,064	2,930	290	169,249

Source: NCVO/GuideStar UK; SCVO; NICVA

The number of large charities has more than doubled

A 40% increase in the number of general charities since 1995 masks a much bigger increase in the number of large charities. Those with incomes of over £1 million have more than doubled in number in the last decade, as a result of both organic growth (small charities getting bigger) and the inclusion of new entrants that begin life with significant resources. While some of these new entrants reflect significant new resources coming into the sector (such as new charitable foundations) others reflect the ‘charitisation’ of the public sector (examples include the emergence of leisure trusts).

The sector’s income is rising...

The sector’s total income was £26.3 billion in 2003/04, an increase of just over £1 billion from 2002/03. This growth in income was mainly due to an increase in the number of charities – the new entrants mentioned earlier. England, Wales and Scotland all saw increases in income between 2002/03 and 2003/04, but Northern Ireland saw a slight decrease in total income from £592.6 million to £585.3 million.

Total income by size of organisation, 2002/03 and 2003/04 (£million)

	Under £10k	£10k-£100k	£100k-£1m	£1m-£10m	Over £10m	All
2002/03	290.8	1,845.2	5,541.1	7,656.4	9,939.2	25,272.7
2003/04	298.2	1,736.6	5,882.8	8,171.7	10,233.2	26,322.6

Source: NCVO/GuideStar UK; SCVO; NICVA

Although total income increased between 2002/03 and 2003/04, the total amount generated by organisations with incomes between £10,000 and £100,000 fell. This was despite an increase in the number of charities in this group.

...but organisations' incomes are static at best

Our evidence shows that the sector's income is increasing, but this is largely due to an increase in the number of organisations in the sector. Individual organisations would appear to be doing less well as average incomes for all organisations in the sector were either static or falling.

The £10,000 to £100,000 band saw the largest decrease from £37,156 in 2002/03 to £33,791 in 2003/04, a fall of almost 10%. Organisations with incomes between £100,000 and £1 million saw an increase in average income of 2.4%. Overall, average income for the whole sector increased from £154,067 to £155,526. These average incomes are broadly comparable to those recorded in our 2001/02 survey, suggesting that individual organisations have struggled to increase revenues beyond the rate of inflation.

Average income by size of organisation, 2003/04 (£)

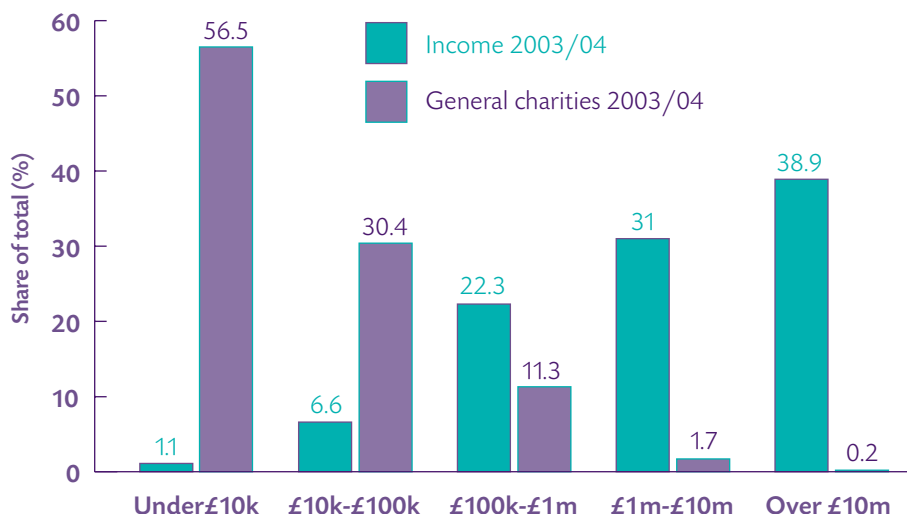
	Under £10k	£10k- £100k	£100k- £1m	£1m- £10m	Over £10m	All
2002/03	3,127	37,156	301,415	2,825,549	35,459,748	154,067
2003/04	3,121	33,791	308,590	2,789,259	35,251,216	155,526

Source: NCVO/GuideStar UK; SCVO; NICVA

Large organisations account for a greater share of income

The sector's income continues to be heavily concentrated in a relatively small number of organisations. Over two-thirds of total income is now generated by approximately 3,200 organisations, equivalent to 2% of the sector.

The distribution of income and organisations, 2003/04 (%)



Source: NCVO/GuideStar UK; SCVO; NICVA

Most starkly, we are also seeing the emergence of a small group of what might be called ‘super-charities’: 14 organisations, mostly household name brands, with an annual income of over £100 million. Together, they generate 10% of the sector’s income. These organisations have been particularly successful in securing public donations and legacies or delivering public services under contract to government. Some have managed both. These organisations are likely to increasingly shape public perception of the sector as a whole while being responsible for an increasing proportion of the public services delivered by the sector.

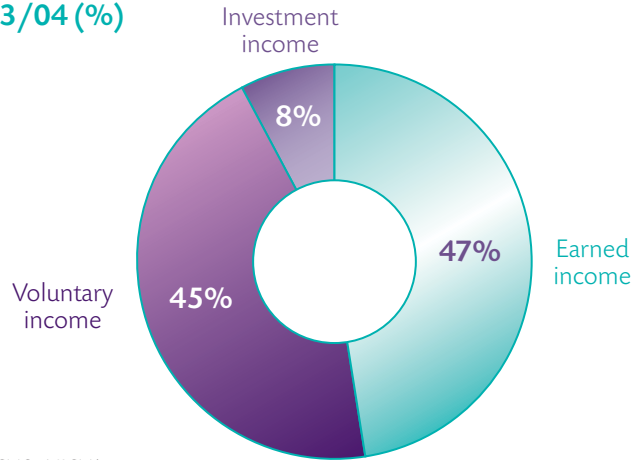
At the other end of the scale, the vast majority (87%) of organisations have incomes of less than £100,000, but they generate less than 8% of the sector’s income. Our evidence suggests that this concentration of resources is becoming more acute over time.

Social enterprise activities are driving the sector’s economy...

Voluntary income – resources such as grants and donations that are ‘given’ – continues to distinguish the voluntary sector from other sectors, though it is now the case that voluntary income and earned income (derived from selling goods and services, which often includes activities to generate funds) are broadly similar in the funding mix. The

sector now generates £12.5 billion of earned income and £11.8 billion of voluntary income. The balance is made up by returns on investments of £2 billion, including dividends and interest payments.

Types of income, 2003/04 (%)



Source: NCVO/GuideStar UK; SCVO; NICVA

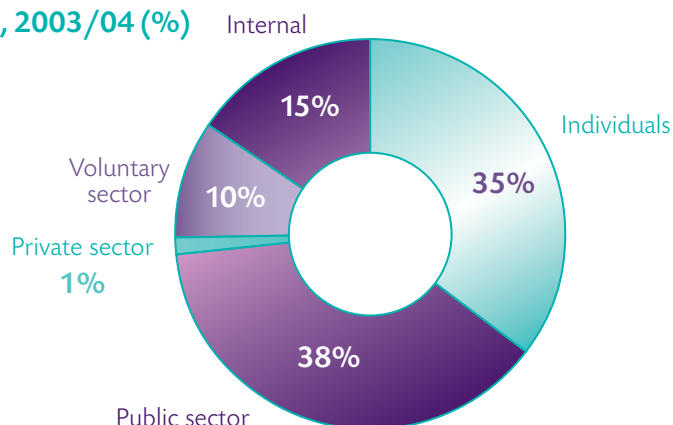
Over time, evidence suggests that the voluntary sector is becoming more like the private sector. It is earning more of its income (47% in 2003/04 compared to 43% in 2001/02 and 33% in 1994/95) and the biggest organisations are accounting for a greater share of revenues. Voluntary income has fallen slightly over time as part of the funding mix from 47% in 1994/95 to 45% in 2003/04.

Investment income – share dividends and interest on savings – much of which is earned by charitable foundations, has consistently been less important in the funding mix in recent years (8% in 2003/04 compared to 20% in 1994/95). This reflects lower stock-market returns and lower interest rates.

...as are statutory income sources

The increasing role of the voluntary and community sector in the delivery of public services has translated into an increasing transfer of resources from the statutory to the voluntary sector. We estimate this to be over £10 billion in 2003/04, a figure that includes income from lottery distributors and overseas government. This is almost £700 million more than income from the public.

Sources of income, 2003/04 (%)



Source: NCVO/GuideStar UK; SCVO; NICVA

As a proportion of total income, the state now accounts for 38% of revenues, a small increase on that recorded by our 2001/02 survey. The split between fee and grant income from statutory organisations has now tipped towards fee income, which is now 53% of statutory income. Although this split can often be artificial it illustrates a long-term shift from grants to contracts.

Charitable giving is widespread amongst the public

Figures from UK Giving 2004/05, published in 2005 by NCVO and Charities Aid Foundation, show that almost three-fifths (57.2%) of the UK adult population give to charity in a typical month. The average UK adult gave £14.17 to charity per month in 2004/05. This amounts to a donation of £170.02 per adult for the whole of 2004/05.

Medical research attracts more donors than any other cause, and is supported by just over a third of donors (34%). The other most popular causes were hospitals and hospices and young people's causes, both of which attracted 23% of donors.

The workforce increases by 10,000 every year

The voluntary sector is now a major employer. Evidence from the UK Labour Force Survey indicates that the sector employed 608,000 people in 2004, an increase of 45,000 people since 2000. This equates to 2.2% of the overall paid workforce.

UK employment by sector 1995-2004 (headcount, thousands)

	1995	2000	2004
Private sector	19,095	20,711	20,270
Public sector	6,042	6,246	6,842
Voluntary sector	478	563	608
Total	25,616	27,520	27,720

Source: Labour Force Survey.

Base: All people aged 16 and over

Total employment can also be expressed as full-time equivalents (FTEs), a more accurate indicator of the workforce capacity.ⁱⁱⁱ The sector now employs an estimated 488,000 FTE paid staff. This is an increase of approximately 37,000 since 2000 and over 100,000 since 1995. This is a smaller increase than that for total headcount, a reflection of the significant role of part-time work in the sector.

Part-time staff are becoming a larger part of the workforce

The sector's fastest employment growth has been in part-time working. Over the last two years, the number employed part-time in the voluntary sector has increased by nearly 30,000 people, from 203,000 in 2002 to 231,000 in 2004. Alongside this, the number of full-time staff increased steadily from 366,000 in 2002 to 377,000 in 2004. Now, 38% of the voluntary sector workforce is employed on a part-time basis.

It is possible that staff (the majority of whom are women) are attracted to the voluntary sector by the flexible working hours that can contribute to a healthy work-life balance. However, evidence indicates that part-timers are working longer hours, with an average of 18 hours per week in 2004 (excluding paid overtime) compared to 17.5 hours in 2000 and 16.5 hours in 1998.

Formal volunteering is slowly increasing

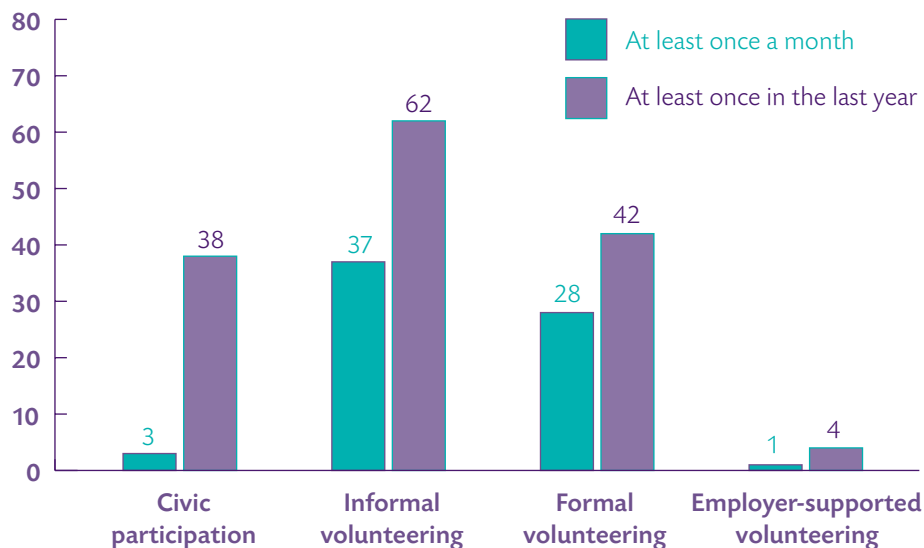
Volunteer input continues to underpin the sector. The 2003 Home Office Citizenship Survey (HOCS) estimates that 42% of the population of England and Wales volunteered formally at least once in the last 12 months, a slight increase since 2001 (39%). Here, formal volunteering is defined as 'giving unpaid help through groups, clubs and organisations to benefit other people or the environment'.

There is a large difference between the number of people who have participated at least once in the last 12 months and those making a regular monthly commitment. For the UK adult population as a whole^{iv}, this amounts to 20.2 million people formally volunteering at least once a year and 13.2 million formally volunteering at least once a month.

ⁱⁱⁱ) The FTE measure reflects the paid human resource available to the sector by converting hours worked by part-time staff into the equivalent number of full time staff.

^{iv}) Mid-year 2003 estimates, based on an England and Wales adult population of 42.4 million and a UK adult population of 47.8 million (source: ONS).

Participation in voluntary and community activities, England and Wales, 2003 (%)^v



Source: HOCS

Formal volunteers equate to double the paid workforce

An estimated 1.1 million full-time UK workers would be needed to replace formal volunteers, well over twice the number of full-time equivalent paid employees in the voluntary sector. This would be at a cost of approximately £25.4 billion (based on the national average wage).

Raising money is a key activity for formal volunteers

In 2003, 53% of formal volunteers in England and Wales reported that they raise or handle money or take part in sponsored events. Almost half (49%) help to organise or run an activity or event.

v) Alongside formal volunteering, as part of the heading 'active community participation', the HOCS also examines:

- civic participation: engagement in a range of activities such as contacting a local councillor or Member of Parliament, signing a petition and attending a public meeting;
- informal volunteering (giving unpaid help as an individual to people who are not relatives);
- employer-supported volunteering (volunteering through schemes set up by employers).

The value of total assets has continued to fall

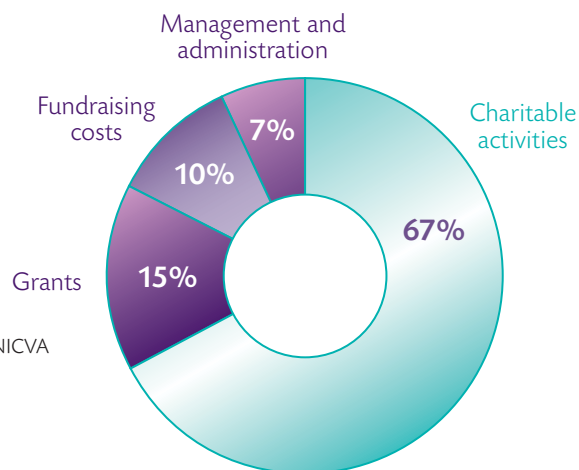
In contrast to the 4.2% increase in total income between 2002/03 and 2003/04, the value of the sector's assets has fallen slightly, from £68 billion to £66.8 billion. This is a long-term trend that may reflect the imbalance between income and expenditure reported in previous Almanacs. Organisations with incomes between £10,000 and £100,000 were worst affected, with a decline of almost 16% in the value of their assets. Those with incomes over £1 million also saw a fall in the total value of their assets.

Income is almost all accounted for by current expenditure

Evidence suggests that income is largely consumed by expenditure on current operations (such as staff costs and buying goods and services), leaving little for capital expenditure. The sector had operating expenditures of £24.9 billion in 2003/04: a rise of 2.6% compared with 2002/03. This is a smaller increase than income and mainly reflects the large endowments received by a number of new charities. For the sector as a whole, operating expenditure represented 94% of income in 2003/04, a proportion in line with recent years.

Expenditure on charitable activities continues to account for the largest proportion of expenditure. If grantmaking is added, our data show that 83% of the sector's expenditure is accounted for by the direct delivery of mission. The balance, 17%, is spent on fundraising, management and administration. This ratio is almost unchanged from that reported in 2001/02.

Total current expenditure by category, 2003/04



Source: NCVO/GuideStar UK; SCVO; NICVA

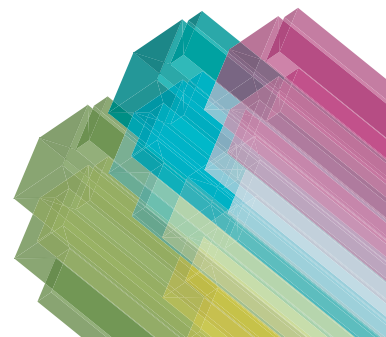
Looking ahead: the sector in the second half of the decade

The increasing expectations being placed upon voluntary and community organisations of all shapes and sizes are being played out in much of the evidence outlined here. In particular, the greater emphasis on delivery of public services and the drive to increase active citizenship are leading to a larger, more visible sector, but one where competition for resources remains fierce.

The voluntary sector economy in particular will face some difficult challenges in the medium term: the aforementioned competition will be heightened by a government increasingly seeking value for money; the rationalisation or withdrawal of key income streams (such as EU structural funds) will hit parts of the sector harder than others; and fragile consumer confidence may limit the ability or willingness of individual donors to support the sector. Nevertheless, the sector continues to enjoy widespread public and political support, while renewed regulatory and development infrastructures seem likely to build sector and organisational capacity. The key challenge will be to embed this change right across the sector.

Want to know more?

The *UK Voluntary Sector Almanac 2006* will provide the most up-to-date, comprehensive analysis of the sector available. Compiled from a range of different sources including the GuideStar UK database, the Almanac brings together the latest available evidence on how the sector is changing. As well as in-depth analysis of issues such as public services, human resources and charitable giving, the Almanac will present more evidence on long-term trends in the sector. Together with estimates for the UK regions and nations, plus analysis by sub-sector, the 6th edition of the Almanac will be a valuable reference tool for funders, policy-makers, researchers and those working in the field.





This publication can be made available in large print and alternative formats on request.

Please contact NCVO on 020 7713 6161 for more information.



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