

The UK Civil Society Almanac 2008

Oliver Reichardt
David Kane
Belinda Pratten
Karl Wilding

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CONTENTS

Foreword by Phil Hope,
Minister for the Third Sector v

1. Civil Society: An Overview

1.1. Civil society	2
1.2. General charities	2
1.3. Wider civil society	4
1.4. Looking ahead	5

2. Civil Society Organisations in the UK

2.1. Introduction	7
2.2. How many civil society organisations operate in the UK?	7
2.3. Data sources	11
2.4. Conclusion	12

3. The Voluntary Sector: Population and Distribution

3.1. Executive summary	14
3.2. Analysis	15
3.2.1. Overview	15
3.2.2. Geographical distribution	15
3.2.3. Charities and need	17
3.3. Data summary	18

4. Income

4.1. Executive summary	21
4.2. Analysis	22
4.2.1. Overview	22
4.2.2. Regional variations	26
4.2.3. Voluntary sector income streams	28
4.2.4. Types of income – earned income	29
4.2.5. Types of income – voluntary income	29
4.2.6. Types of income – investment income	30
4.2.7. Sources of income	31
4.2.8. Sources of income – public sector	32
4.2.9. Funding levels of individual charities from government	33
4.2.10. Funding from different parts of government	36
4.2.11. Legacy income	36
4.3. Data summary	37

5. Expenditure

5.1. Executive summary	42
5.2. Analysis	43
5.2.1. Overview	43
5.2.2. Fundraising and publicity	44
5.2.3. Investment management costs	44
5.3. Data summary	47

6. Individual Giving

6.1. Executive summary	50
6.2. Analysis	51
6.2.1. Gender and giving	51
6.2.2. Marital/cohabiting status	51
6.2.3. Other background factors	51
6.2.4. How giving to different causes clusters together	53
6.2.5. Methods of giving	53
6.2.6. Methods and tax-efficient giving	53
6.2.7. Conclusion	54
6.3. Data summary	55

7. Workforce

7.1. Executive summary	59
7.2. Analysis	60
7.2.1. Introduction	60
7.2.2. The voluntary sector's workforce has greatly increased	60
7.2.3. Part-time work is a significant part of voluntary sector employment	60
7.2.4. Most of the voluntary sector workforce is female	61
7.2.5. Voluntary sector employees are highly qualified and mainly work in professional occupations	62
7.2.6. Huge expansion in voluntary sector workers employed in social work activities	62
7.2.7. Voluntary sector employees are concentrated in small workplaces	63
7.3. Data summary	64

CONTENTS cont

8. Volunteers and Trustees		12. Independent Schools		16. Housing Associations	
8.1. Executive summary	68	12.1. Executive summary	102	16.1. Executive summary	129
8.2. Analysis	69	12.2. Analysis	103	16.2. Analysis	130
8.2.1. Introduction		12.2.1. Overview	103	16.2.1. Number	130
8.2.2. What volunteering is most likely to involve	71	12.2.2. Pupil numbers	103	16.2.2. Income	130
8.2.3. 'Intensity' of involvement	73	12.2.3. Assets	103	16.2.3. Assets and liabilities	130
8.2.4. Conclusion	74	12.3. Data summary	105	16.3. Data summary	132
8.3. Data summary	75	13. Trade Unions		17. Social Enterprise Activity	
9. Assets		13.1. Executive summary	107	17.1. Introduction	134
9.1. Executive summary	78	13.2. Analysis	108	18. Other Civil Society Organisations	
9.2. Analysis	79	13.2.1. Overview	108	18.1. Introduction	136
9.2.1. Overview	79	13.2.2. Membership	108	18.2. Museums	136
9.2.2. Asset type	80	13.2.3. Assets and liabilities	110	18.3. Faith groups	137
9.2.3. Tangible fixed assets	81	13.2.4. Conclusion	110	18.4. Other excepted charities	139
9.2.4. Investment assets	81	13.3. Data summary	111	18.5. Charitable incorporated organisations	139
9.2.5. Liabilities	83	14. Political Parties		18.6. Sports clubs	140
9.3. Data summary	84	14.1. Executive summary	113	18.7. Informal organisations	141
10. Introduction to Civil Society		14.2. Analysis	114	Appendices	
10.1. Defining civil society	87	14.2.1. Income and expenditure	114	Appendix 1: Methodology	143
10.1.1. Association life	87	14.2.2. Membership	115	Appendix 2: Glossary	148
10.1.2. The 'good society'	88	14.2.3. Assets and liabilities	115	Appendix 3: Acronyms and abbreviations	151
10.1.3. The public sphere	88	14.2.4. Conclusion	115	Appendix 4: Further reading	153
10.1.4. Motivation	88	14.3. Data summary	118	Appendix 5: The authors	155
10.1.5. Relationship with the state	88	15. Co-operatives and FSA Registered Organisations		Appendix 6: Acknowledgements	157
10.1.6. Relationship with the private sector	88	15.1. Executive summary		A map of Civil Society Organisations	
10.1.7. Blurred boundaries	88	15.2. Analysis	122	Inside front cover	
10.2. Classifying CSOs	89	15.2.1. Overview	123		
10.3. Main types of Civil Society Organisation	91	15.2.2. Funds	124		
10.4. Conclusion	91	15.2.3. Conclusion	124		
11. Universities		15.3. Data summary	125		
11.1. Executive summary	94	15.4. Other organisations registered with the Financial Services Authority	126		
11.2. Analysis	95	15.4.1. Conclusion	124		
11.2.1. Income and expenditure	95				
11.2.2. Sources of income	95				
11.2.3. Assets and liabilities	95				
11.2.4. Conclusion	97				
11.3. Data summary	99				

FOREWORD
PHIL HOPE MP



As someone who spent many years in the sector, and now as Minister for the Third Sector, I know only too well the value of the NCVO Almanac. Now in its eighth edition its contribution builds year upon year as our understanding of the third sector deepens.

The Almanac adds to that knowledge and is on hand not just for policy makers and researchers, but also fundraisers and senior managers within the third sector itself. Importantly, this year the Almanac is extending its focus to take a wider view of civil society, rather than just the voluntary sector, and I anticipate its value and impact to grow enormously as a result.

The Almanac gives us an extraordinary snapshot of this dynamic and diverse sector and its contribution to society.

Firstly, in the role that the third sector plays in transforming society. Huge changes throughout our history have occurred as a result of community and civic action demanding new rights and pressing for better policies. We want that to continue and are committed to supporting those in the sector who campaign and give a voice to the voiceless. We also want greater recognition of the multiple voices within and represented by the third sector, and to build a culture where Government understands and celebrates the right of third sector organisations to campaign.

The third sector is also important in strengthening communities, with local organisations, large and small, working to improve their neighbourhoods and bringing people together. We must cherish and support them in developing a thriving sector. And we must continue to highlight the benefits to individuals of getting involved and volunteering and recognise the work they do.

The way the sector can transform public services with its unique perspective and innovative approaches is crucial. The Almanac gives us a sense of the scale of the sector's involvement in public services. The challenge which remains to both government and the sector is to ensure that this involvement has a truly transformational impact: to ensure that it represents the sector – at its best and where it wants to – working with government to drive improvement in services for the benefit of those who use them.

And finally, what the Almanac is so good at doing is presenting hard facts about the sector. This is urgent and important work: to get the most from the sector, and to be as helpful as we can to the sector, we need to understand it better and we need to share the knowledge more widely. That is why we are committed to increasing our evidence base and why we are investing in the creation of a new third sector research centre. It is my hope that the centre will add to our body of accessible and practically useful information to enhance our understanding of the sector, and to complement existing sources like the Almanac.

I am honoured to be able to contribute to this volume.

Phil Hope is the minister for the third sector in the Cabinet Office

Civil Society: An Overview

The Civil Society Almanac represents our first attempt to identify the number, scope and value of the groups, societies and organisations that comprise civil society. This represents a significant shift from previous Almanacs, which focused on 'general charities', those organisations with charitable status that have traditionally been viewed of as the core of what is increasingly termed the third sector. The general charities definition remains at the core of this revised publication so as to enable a sense of continuity.

Civil society covers a much broader range of groups, societies and organisations than just those with charitable status. Moreover, the associational life mapped in the Almanac is, it has been argued, just one dimension of civil society. The inclusion of organisations with different traditions (such as co-operatives) or those at the boundaries (such as universities) will not find agreement amongst all readers, but we have sought to clearly identify each of the component parts to enable disaggregation.

The difficulty of covering such a broad range of entities, with no clear boundaries with the market and the state, inevitably means that the level of information available varies among the different parts of civil society. Nevertheless, we are confident that our estimates are robust. We will be refining our methodology in future almanacs to continue to improve our estimates.

1.1 CIVIL SOCIETY

There were 865,000 civil society organisations with a total income of £109 billion in 2005/06.

While most of these are small community based organisations that have little income, there are also a significant number of large organisations with resources of many millions of pounds that have a strong influence on British society.

General charities, co-operatives, universities and housing associations dominate the civil society economic landscape.

Between them they account for over three-quarters of the income and assets of civil society organisations. They originate from three relatively distinct strands of the civil society tradition – charitable activity, mutualism and education. This reflects the breadth of civil society and its multi-layered contribution to life in Britain.

1.2 GENERAL CHARITIES

The long-term trend of general charities' expansion continues.

The total income of general charities increased by almost 10% in real terms to £31 billion from the previous year, while expenditure increased by almost 15% to just over £29 billion. This growth far outstrips the UK economy and continues the increasing economic impact of general charities. This expansion shows no signs of slowing down in the near future with the emphasis by government on increasing the role of the sector in public service delivery and the expansion of enterprising activity. Whether the uncertainty around the UK economy in 2008 has an impact on general charities remains to be seen.

Income volatility remains a problem for many organisations.

One in ten of the largest charities had large swings in income over the two financial years from 2003/4 to 2005/06, rising to a third of the smallest charities. This volatility makes financial planning difficult and leads to increased uncertainty for staff. While some swings in income are unavoidable, this highlights the importance of both the Compact Funding Code, which tackles income volatility for those organisations which rely heavily on government funding, and careful financial planning to mitigate this uncertainty where possible.

Individual organisations' fortunes are mixed: many are doing well but many others are struggling.

Given the volatility of income between years, we believe expenditure is a better guide to charity fortunes. While many charities increased their expenditure, nearly one in five of the largest charities, rising to three out of every five of the smallest charities, decreased their expenditure between 2004/05 and 2005/06. While some of this decrease could be part of long-term strategies by organisations it is unlikely to account for all of it. Therefore beneath the overall healthy growth it must be remembered that many organisations are struggling.

Income growth was spread evenly across most regions and nations...

Yorkshire and the Humber and the South West experienced the strongest growth in income with only the North-East and Wales having falling incomes. This reflects the diversity of experiences across the UK and highlights the importance of tailoring initiatives to local conditions.

...with general charity density highest in affluent areas.

There are more charities per person in wealthier areas than in less well-off areas, even when large, national charities are discounted. This would indicate that charities generally form where there is prosperity rather than in areas of economic disadvantage. Further research is needed to understand this distribution.

'There were 865,000 civil society organisations with a total income of £109 billion in 2005/06.'

For the first time more than half of general charities income is earned...

This highlights the increasing importance of entrepreneurship in driving the expansion of the sector. As the boundaries continue to blur between the private sector and the charitable sector, entrepreneurial activity will become more important to survive the increasing competition. Yet general charities must also not forget what makes them distinct from other sectors of the economy – the values that underpin what they do.

...with most charities receiving no money from the State.

Over half of all charities receive no income from statutory sources, though in contrast a third of organisations are heavily reliant. This highlights a division in the sector between those with close financial ties with statutory agencies, and therefore highly dependent on continued funding, and those with no financial ties that are largely unaffected by changes in statutory funding levels. Over half of the largest charities receive little or no funding from the State, dismissing the idea that large charities are an arm of government.

Local government provides the most statutory income to general charities...

Income from local government was just under 50% of the total income from statutory sources, with just over 40% coming from central government. This highlights the importance of the relationship between local government and the sector and that local compacts are fully implemented.

...but grant income from government has been flat for five years.

This suggests that grants have been frozen rather than reduced, with statutory funders choosing instead to increasingly channel money through contracts. With different funding mechanisms being suitable to achieve different objectives, the statutory funders need to ensure that they choose appropriately when deciding which funding mechanism to use.

Returns on general charities' investment assets continue to fall...

For the 15% of charities that hold investment assets, returns on investment were approximately 3.4% in 2005/06. Moreover, there was wide variation in investment performance, with many charities earning much more than this, implying poor performance by many others. Despite this, expenditure on investment management rose sharply, suggesting this is an area that is being taken increasingly seriously by charities.

...as does giving by individuals, which has also fallen.

The NCVO/CAF 2006/07 survey of charitable giving suggests that giving by individuals has fallen, with all causes witnessing steady or declining incomes apart from religious causes. Moreover, the proportion of the population giving has fallen. This mirrors the fall in spending on fundraising by charities, though we cannot be sure this is the cause of the fall in giving. Charities that rely heavily on this form of income will need to diversify their income stream or prepare for a tougher funding environment.

The workforce has steadily increased, attracting highly qualified staff.

The Labour Force Survey shows that the paid voluntary sector workforce has increased by 26% in the last 10 years, rising to to 611,000 employees in 2005. One-third of employees have a degree level qualification and two-thirds are educated to A-levels and above. The increasing employment and professionalisation of the sector is enabling a voluntary sector career path that is becoming an increasingly attractive choice for graduates.

Formal volunteering is increasing but less people are willing to take positions of responsibility.

The Citizenship Survey suggests that 44% of the population formally volunteered at least once in 2005 compared to 39% in 2001. An estimated 1 million full-time workers would be needed to replace these volunteers at a cost of over £27 billion, highlighting the importance of ensuring that there is an environment which supports people in their wish to volunteer. However organising or running an event and being a committee member have both fallen in popularity. This suggests that although people are willing to undertake volunteering as participants they are less willing to do so as organisers.

1.3 WIDER CIVIL SOCIETY

Moving beyond the organisations with charitable status at the heart of civil society, it is clear that a complex, diverse range of organisations share values or characteristics that identify them as part of civil society. This first Civil Society Almanac reports on some of the major component parts.

Universities: The largest universities are more successful in securing research grants and contracts.

The total income of universities in 2005/06 was £19.5 billion with an almost identical expenditure of £19.3 billion. However there was no one dominant source of income, with direct public funding, tuition fees and research grants all making up significant portions. While the smaller universities rely most heavily on direct public funding, the largest universities are far more successful in securing the available research grants and contracts.

Independent schools: Larger independent schools earned far more money per pupil than smaller independent schools.

The 2,500 independent schools in the UK had an income of £5.2 billion in 2005/06, amounting to £8,460 per pupil. However bigger schools earned significantly more income from each pupil enrolled than smaller independent schools. This suggests the larger independent schools will pull even further ahead financially.

Trade unions: Recent mergers have led to the creation of a smaller number of very large trade unions, giving rise to a significant concentration of resources.

In 2005/6 there were 193 trade unions in the UK with a combined income of £1.03 billion. A series of mergers in recent years now means that members and resources are concentrated in a smaller number of large trade unions, with the 26 largest unions accounting for 88% of the membership and 86% of income.

Political parties: Labour and the Conservatives rely far more on donations than most other political parties.

The total income of political parties in 2005/06 was £71.7 million. Labour and the Conservatives dominate the political scene in the UK, between them taking 84% of the total income of political parties. However almost half their income is made up of donations, with only 8% coming from membership subscriptions, contrasting with membership subscriptions accounting for 26% of total income for other parties. Given the long term decline in party membership, this is likely to affect the finances of the two largest parties less than the smaller parties.

Co-operatives: Co-operatives have a combined turnover almost as large as general charities.

Co-operatives had an income of £26.2 billion in 2005/06 with funds of £7.4 billion, £673 for each of the 11 million members. Although charities are often perceived as the economic engine of civil society, co-operatives are clearly comparative in their economic importance. They generated a healthy rate of return of almost 8% on their funds, indicating a strong economic performance over the year.

Housing associations: Housing associations have a significant role to play in the development of communities.

5.3 million people live in 2.3 million houses owned by housing associations in 2005/06. This represents roughly 10% of all UK homes. This is likely to rise further in the future as the stock transfer from local authorities that began in the 1990s continues. Given this prevalence, any initiative to build sustainable communities will need to be developed in tandem with housing associations.

Social enterprise activity: Social enterprise activity accounted for almost three-quarters of the entire income of the sector.

In 2005/06 £77 billion was earned through enterprising activity by civil society organisations. Therefore using a narrow definition of social enterprise that links the concept to a particular organisational form underestimates the importance of social enterprise as an activity within civil society as a whole. A broader understanding is needed to ensure that there is an appropriate mix of generic and specialist information and support available to all organisations engaging in social enterprise.

Other organisations: Faith groups, sports clubs and informal community groups are lacking detailed financial information.

Faith groups, other excepted charities, sports clubs and informal community groups that fall 'under the radar' lack comprehensive, easily available sources of information to allow a proper investigation of their financial state and therefore their circumstances and needs. We hope this lack of information will be addressed in future.

1.4 LOOKING AHEAD

The economic uncertainty that began in 2007 will continue into 2008, with an economic slowdown and lower interests both widely predicted. Uncertainty around the continued fall-out from the US sub-prime mortgage crisis as well as house and office space prices here in the UK will continue to adversely affect the economy. It remains to be seen how this will affect civil society, but the difficulties at Northern Rock plc highlight the dangers. Individuals are also less likely to give if they feel financially insecure.

The main political parties experienced wide swings in popularity in 2007 with the resurgent Conservative party ending with a commanding lead. This fierce rivalry has been good for civil society, with both the main parties pledging strong support. This support is likely to continue in 2008 as both the parties continue to see civil society as a way to ensure community development and social cohesion.

The Compact between government and the sector will be 10 years old in 2008. A main concern about the relationship has been the lack of implementation of Compacts by government. 2008 will be the second year of the Commission for the Compact, with the training of 2,000 commissioners, and the main delivery year for the public service delivery action plan. It will be an interesting year, which could see a beneficial impact on the relationship between government and the sector.

A joint Office of the Third Sector/ Economic and Social Research Council funded Third Sector Research Centre is due to begin work in 2008. This is likely to lead to an improvement in the evidence base of the sector, as well as a better use of evidence to inform decision making.

‘Civil society organisations have combined assets of £196 billion’

Chapter 2

Civil Society Organisations in the UK

One of the main aims of the *Civil Society Almanac* has been to establish a work programme that over time builds our understanding of the groups, societies and organisations that comprise the associational dimension of civil society. This is no mean task: not only is civil society a contested concept, but there are no clear boundaries between civil society and the state or market. This means that decisions about which organisations are included in civil society are themselves contested. Chapter 10 has a detailed discussion as to which entities are included.

2.1 INTRODUCTION

A key issue is that the notion of a civil society 'sector' is untenable: this is in contrast to the clear identification of a charity sector or even a third sector. Therefore, our starting point is that the entities assembled in this publication share common values (such as a belief in voluntary association) and practices (the retention and application of surpluses for social purposes). The voluntary and community sector – or rather the organisations that it comprises – is clearly at the heart of civil society. However, a much broader range of entities, in some cases with different traditions, are generally accepted as civil society organisations and these have been included in our review.

Assuming that these philosophical challenges can be addressed, there then follow a series of operational challenges in terms of sourcing and assembling data that adequately illustrate the scope and complexity of the entities in the civil society universe. Given the difficulty of the task, this is the first iteration of a continuing stream of research and we expect to refine our methodology in future editions. Crucially, there are gaps in our knowledge: unincorporated and unregistered organisations (often referred to as below the radar) are the obvious example, and as such our work clearly underestimates the scope and cumulative size of civil society organisations. We will address these gaps in future editions.

Finally, the information in this chapter is an amalgamation of the data found in the rest of the almanac, please see individual chapters for more information on each part of the sector.

2.2 HOW MANY CIVIL SOCIETY ORGANISATIONS OPERATE IN THE UK?

Bearing in mind the limitations we have outlined above, we estimate there to be approximately 865,000 civil society organisations in the UK. These organisations are estimated to have an income of £109 billion and an expenditure of £102 billion (table 2.1). These estimates are of course substantially higher than those we have previously published for general charities, data on which we have maintained elsewhere in the Almanac.

We believe this to be a conservative estimate, both in terms of population and income estimates. Nevertheless, it is clear civil society organisations are both a vital part of communities and a strong contributor to the economy of the UK. The combined turnover of these organisations is larger than each of the food and drink; electricity, gas and water supply; and hotel and restaurant sectors of the economy¹.

Moreover, these organisations are found throughout all parts of the UK, both advantaged and disadvantaged. It is particularly in these disadvantaged areas where other sectors of the UK have failed to make an impact that civil society is so vital. Therefore over and above the sizeable economic contribution must be an appreciation of the valuable social contribution as well.

Assets are items of economic value owned by an organisation (or person). Civil society organisations have combined assets of £196 billion, roughly 3% of the UK asset base². Many religious buildings have not been included in these estimates due to a lack of data; as such, their inclusion in the total is likely to result in a substantial upward revision.

A further estimation difficulty is due to the difficulty of inalienable assets. Many organisations hold 'inalienable' assets – assets which cannot be sold without external consent as they are so valuable – such as Tower Bridge. Thus civil society organisations have a unique place in securing the nation's heritage, over and above their substantial asset base.

We estimate that civil society organisations employed 1.37 million staff in 2005/06, a substantially higher figure than those derived for voluntary organisations from the Labour Force Survey. This total equates to 6.4% of the total UK workforce and implies that civil society organisations are a major employer, on the same level as the primary and secondary education sector (which includes some civil society organisations) and larger than the banking and accountancy industries combined. Our estimates of the paid workforce of course do not include the unpaid work of trustees and volunteers. Estimates of volunteering levels from the Home Office Citizenship Survey are presented later in the Almanac.

Table 2.1

Size of civil society organisations by parts of the sector, 2005/06

Name	Organisations	Income (£m)	Expenditure (£m)	Net Assets (£m)	Staff	Data quality
General charities	164,200	30,980	29,130	86,070	688,000	Good
Members of Co-operatives ^{UK}	4,400	26,210	25,630	7,420	193,000	Good
Universities	170	19,500	19,310	23,080	161,000**	Good
Housing associations	1,900	10,780	9,160	52,480	148,000	Good
Independent schools	2,500	5,250	5,050	7,910	63,000**	Good
Building societies	60	3,950	3,080	0***	48,000	Good
Trade associations & Professional bodies	290	1,560	1,510	1,760	17,000	Good
Trade unions	190	1,030	990	710	14,000	Good
Common investment funds	40	220	50	1,350	1,600	Good
Political parties	160	70	100	-50	700	Good
Industrial and provident societies *	5,500	3,640	3,430	19,730	57,000	Limited
Faith groups	13,000	3,470	3,200	12,900	47,000	Limited
Friendly societies	420	460	-	-	1,300	Limited
Working men's clubs	1,700	340	-	-	11,000	Limited
Benevolent societies	2,200	290	260	1,950	3,800	Limited
Independent museums	1,100	220	200	690	3,100	Limited
Community interest companies	200	160	-	-	960	Limited
Sports clubs	122,000	6,100	5,900	-	-	Poor
Excepted charities	4,000	400	-	-	-	Poor
Informal community organisations	600,000	-	-	-	-	Poor
Duplications (removed from total)	58,600	5,700	5,400	20,500	91,700	
Total size of civil society	865,000	109,000	102,000	196,000	1,367,000	

* excluding members of Co-operatives^{UK}

** academic staff only

*** A majority of building societies' assets are deposits in the accounts of members, therefore they have not been included in the final totals.

Table 2.2

Data sources for different parts of civil society

Name	Data sources (primary source first)	Data strategy and issues	Data quality
General charities	GuideStar UK, NCVO, Charity Commission, Office for National Statistics, SCVO, NICVA	Charities Annual Returns are entered into a database by GuideStar UK. Full financial information is available for a large sample of charities in England and Wales. Data for Scotland is provided by SCVO, and for Northern Ireland by NICVA. Non-general charities are identified and excluded.	Good
Members of Co-operatives ^{UK}	Co-operatives ^{UK}	Based on data collected by Co-operatives ^{UK} from their members. For smaller organisations, income, expenditure and assets are inferred from profit/loss.	Good
Universities	Higher Education Statistics Agency, Universities UK	Figures for all of the UK supplied by HESA. No figures are available for non-academic staff.	Good
Housing associations	National Housing Federation, Communities Scotland, Welsh Assembly Government, Northern Ireland Federation of Housing Associations	NHF provided financial data for all Registered Social Landlords in England. Numbers of organisations and houses for other nations are used.	Good
Independent schools	GuideStar UK, Independent Schools Council, Ofsted	Population data provided by ISC. A sample of schools with Charitable Status was taken, with data provided by GuideStar UK. Figures for non-ISC member schools are estimates. No figures for non-academic staff.	Good
Building societies	Building Societies Association, Office for National Statistics	Building Societies Association provide statistics on their members on their website. Building societies have large amounts of assets, but the majority of these are funds deposited by their members.	Good
Trade associations & Professional bodies	GuideStar UK	Based on a set of registered charities excluded from the general charities definition, with financial information provided by GuideStar UK.	Good
Trade unions	Certification Office	Based on annual returns of all Trade Unions collected by Certification Office. The number of staff is estimated from the labour force survey.	Good
Common investment funds	GuideStar UK	Based on a set of registered charities excluded from the general charities definition, with financial information provided by GuideStar UK.	Good
Political parties	NCVO, Electoral Commission	Figures input manually by NCVO from accounts provided to Electoral Commission. Political parties' finances will change based on the electoral cycle, the year analysed contained a general election.	Good

Table 2.2 Continued

Data sources for different parts of civil society

Name	Data sources (primary source first)	Data strategy and issues	Data quality
Industrial and provident societies (excluding members of Co-operatives ^{UK})	Office for National Statistics, Financial Services Authority, GuideStar UK	Financial Services Authority provided a population, without financial details. Turnover was found for a sample of these on the Inter-Departmental Business Register, provided by ONS. Some IPSs are registered charities. Estimates of Expenditure and Assets are based on those of IPSs which are registered charities.	Limited
Faith groups	GuideStar UK	This population only includes those groups which are registered as charities, and an estimate of those that are excepted charities. A large number of faith groups are too small to register and will be missed. Many of the historical assets held by religious bodies (for example Churches), cannot be financially valued.	Limited
Friendly societies	Office for National Statistics, Financial Services Authority	Financial Services Authority provided a population, without financial details. Turnover was found for a sample of these based on the Inter-Departmental Business Register, provided by ONS.	Limited
Working men's clubs	Office for National Statistics, Financial Services Authority	Financial Services Authority provided a population, without financial details. Turnover was found for a sample of these based on the Inter-Departmental Business Register, provided by ONS.	Limited
Benevolent societies	GuideStar UK	Based on a set of registered charities excluded from the general charities definition, with financial information provided by GuideStar UK.	Limited
Independent museums	GuideStar UK, Museums Libraries and Archives Council, Museums Association	Incomplete, based on a search of the charities register.	Limited
CICs	Office for National Statistics, CIC regulator, NCVO	The first Community Interest Companies were registered in August 2005. The data refers to those CICs which were formed before May 2006, and the income data may refer to a period later than May 2006. No expenditure or assets data could be found.	Limited
Sports clubs	Centre for Leisure Research, Central Council of Physical Recreation	An estimate of the total number of sports clubs is made by extrapolating local research from Scotland to the whole of the UK. Figures for income and expenditure are extrapolated from a survey conducted by the Central Council of Physical Recreation.	Poor
Excepted charities	Cabinet Office	Estimates of numbers for different types of excepted charities were reported in the run up to the Charities Act 2006. The precise methodology used is unclear.	Poor
Informal community organisations	New Economics Foundation	Population based on a combination of local studies, including the Local Voluntary Activity Surveys carried out by the Home Office. The population is likely to be an underestimate of the total.	Poor

2.3 DATA SOURCES

In addition to the organisations identified here, there are many informal organisations throughout civil society with no legal identity or status and little, if any, financial resources. It is difficult to robustly estimate how many such organisations there are, because their nature makes very difficult to identify and then collect data from. However we can be more certain of the economic impact of formal civil society organisations because of the uneven distribution of resources between those organisations: in short, a relatively small number of organisations are responsible for a much larger proportion of the formal resources (income; employees; assets) deployed by these organisations. While the overall total is an underestimate, we believe that it is representative of the economic weight of the organisations that comprise civil society.

Table 2.2 gives an overview of the strategy used for obtaining figures for each of the building blocks that we have assembled. This is explored further in appendix 1 while a detailed methodology is available at www.ncvo-vol.org.uk/almanac. We have also given an indication of the quality of the data, which we hope to improve upon. Furthermore we will be able to give a view of changes over time for parts of wider civil society in the future rather than the snapshots presented here.

Where possible, official registers and audited accounts provided the data used. In some cases, notably Industrial and Provident Societies, Friendly Societies and Working Men’s Clubs, the regulator’s register was used to find the number of organisations and the Inter-departmental Business Register (supplied by the Office for National Statistics) was the source of the corresponding data on income. When no primary data was available, previous research was used.

‘We estimate that civil society organisations employed 1.35 million staff in 2005/06’

Registered Charities excluded from civil society

The Charity Commission’s register of charities contains 460 entities with a combined income of over £3.4 billion that do not fall into our definition of civil society. This is because they are ultimately controlled by government and therefore we believe form part of government rather than civil society. The majority of these, controlled at a central or local level (or by the NHS),

operate as Non-Departmental Public Bodies. Examples include the British Council, UCAS and The Guy’s & St Thomas’ Charity.

At present independent hospitals are also included in this category, but it is hoped that we will be able to separate out the independent hospitals from those owned by government in the future so that they can be included within civil society.

In addition to these charities are those that are excluded from the General Charities set because they are inactive, either through recording no income or annual return for three years, or because a charity has re-registered with the commission, leaving a duplicate organisation behind. There are 9,333 organisations with no activity recorded since January 2003, and 438 organisations which are duplicates of other organisations.

Table 2.3
Registered Charities excluded from civil society, 2005/06

	Organisations	Income (£m)	Expenditure (£m)	Assets (£m)
Central or local government administered	115	2,382.0	2,338.3	876.8
NHS administered or independent hospitals	348	1,058.4	1,130.8	2,251.6
Total	463	3,440.4	3,469.1	3,128.4

2.4 CONCLUSION

Policy makers and practitioners have been hampered by a lack of basic data about civil society organisations which has led to uncertainty about its importance, characteristics and needs. This almanac has taken up the challenge directly, assembling all the constituent parts to provide the first estimates of the total size of civil society organisations.

While these estimates will undoubtedly improve in future almanacs, we hope we have provided a guide that demonstrates the importance of the sector to the UK. Civil society encompasses a highly varied range of organisations of differing sizes and activities that operate in communities across the UK, bought together by shared values for the benefit of society, without which life in the UK would be unrecognisable.

This almanac is necessarily brief in many parts and we have done no more than produce an outline of the sector. However we hope to have pointed the way for future research that will further examine the nature of civil society organisations and their relationship with communities and wider society. To that end we will be producing a number of publications exploring some of the results found in this almanac in more depth over the coming year and, of course, future editions of the almanac to follow changes over time.

‘We estimate there to be approximately 865,000 civil society organisations in the UK. These organisations are estimated to have an income of £109 billion and an expenditure of £102 billion’

Footnotes
¹ Office for National Statistics (2006) Annual Business Inquiry: <http://www.statistics.gov.uk/abi/default.asp>
² Office for National Statistics (2006) Capital Stocks, Capital Consumption and Non-Financial Balance Sheets: http://www.statistics.gov.uk/downloads/theme_economy/capstockfullpub2007.pdf

The Voluntary Sector: Population and Distribution

3.1 EXECUTIVE SUMMARY

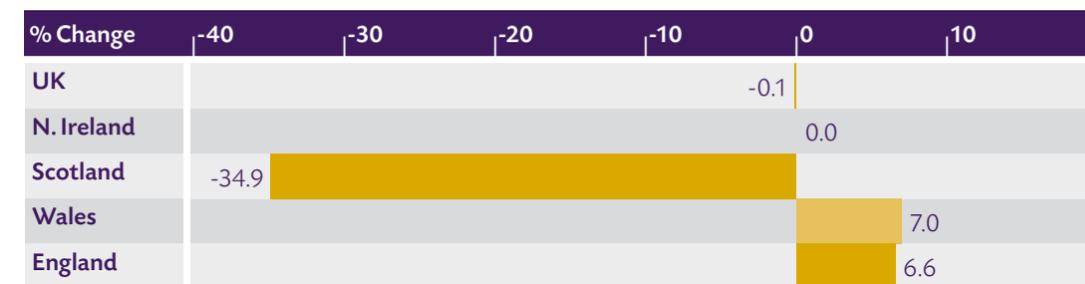
Charitable activity continues to grow. The number of general charities grew strongly in 2005/06. Our estimates are in part affected by significant changes to the new charities register in Scotland by the Office of the Scottish Charity Regulator (OSCR¹). OSCR has sought to create an accurate register of active charities in Scotland. This has resulted in a 35% decrease in the number of Scottish charities, compared with 6.6% and 7% increases in England and Wales respectively. This resulted in 164,195 General charities, a decrease of 220 from last year.

Growth in the number of charities occurred in all income bands. This points to a healthy sector with charities increasing in income at all levels, combined with a large number of new entrants.

Scotland and the South West of England have the highest density of charities, with more than 1 charity for every 250 people, almost twice as many per person as in the North East of England. In England, the further North one travels, the less charities there are on average per person, though this masks significant differences within regions. There are also differences among communities with the more prosperous communities having greater numbers of charities than less prosperous ones.

'...charities generally form where there is prosperity rather than where there is need'

Figure 3.1
Change in number of charities in UK nations, 2004/05 – 2005/06 (%)



Note: Due to lack of data on the number of Northern Irish charities, this figure has been kept constant over the two years. Source: NCVO, GuideStar UK, Scottish Council for Voluntary Organisations (SCVO), Northern Ireland Council for Voluntary Action (NICVA)

3.2 ANALYSIS

3.2.1 Overview

There were 164,195 active General Charities in 2005/06, a decrease of 220 from last year. This decrease is due to the Office of the Scottish Charity Regulator (OSCR) obtaining a more accurate picture of charities on their register and removing those that are moribund, rather than a real decrease in the number of charities. As figure 3.1 shows, the number of charities in both England and Wales grew strongly.

These estimates continue to be substantially lower than the estimates for registered charities published by the Charity Commission for England and Wales. At December 2005 the Commission held almost 190,000 charities on its register, of which 167,000 were 'main' charities and not subsidiaries of other reporting bodies. The population and income estimates for general charities continue to be lower than those published for registered charities for two primary reasons. Firstly, our analysis removes those charities that fail our definition because they are out of scope (for example public bodies with charitable status), and secondly our analysis removes those charities we perceive to be inactive.

Organisations are perceived to be inactive if they have not returned financial data to the Commission for three years.

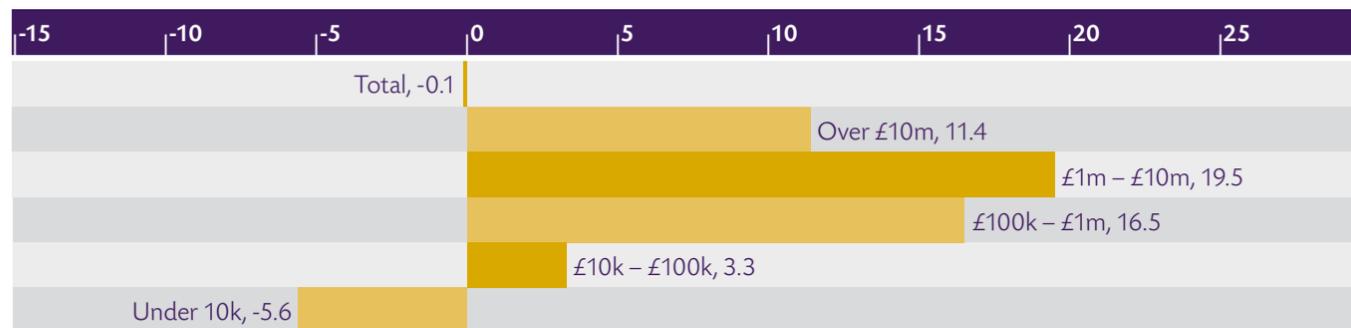
Interestingly, the income of the sector in Wales fell even though there was an increase in the number of general charities, suggesting that the drop off in funds was not an impediment to new initiatives (see chapter on income).

As charities removed by OSCR had few resources, unsurprisingly the number of charities in the smallest band fell (figure 3.2). All other income bands saw a large rise in the numbers of charities, with an almost 20% increase in the £1 to £10 million bracket, spread across all nations. However if the Scottish data is discounted there was strong growth in the number of charities in all bands, suggesting a good year for the sector. Despite worries about the fragmentation of communities and the rise of individualism, large numbers of people still feel that coming together and forming charities to engage collectively is the most appropriate way to achieve their goals.

3.2.2 Geographical distribution

As can be seen from figure 3.3, the two ends of the country, the South-West and Scotland, have the greatest density of general charities per person. In England, the prosperous South East corner also has with a high density of organisations, though as we note elsewhere these figures are skewed by the predominance of headquarters located in the capital and its fringes. Nevertheless, there are significant differences between other regions, with the North-East having almost half as many charities per person as the South-West. Within regions there obviously are strong variations, with pockets with a high density of charities being found in all parts of the country and likewise areas with relatively few. What is currently unclear is what factors drive the establishment of charities or, perhaps more pertinently, adoption of charitable status over and above alternative modes such as co-operatives.

Figure 3.2
Change in number of charities by income band, 2004/05–2005/06 (%)

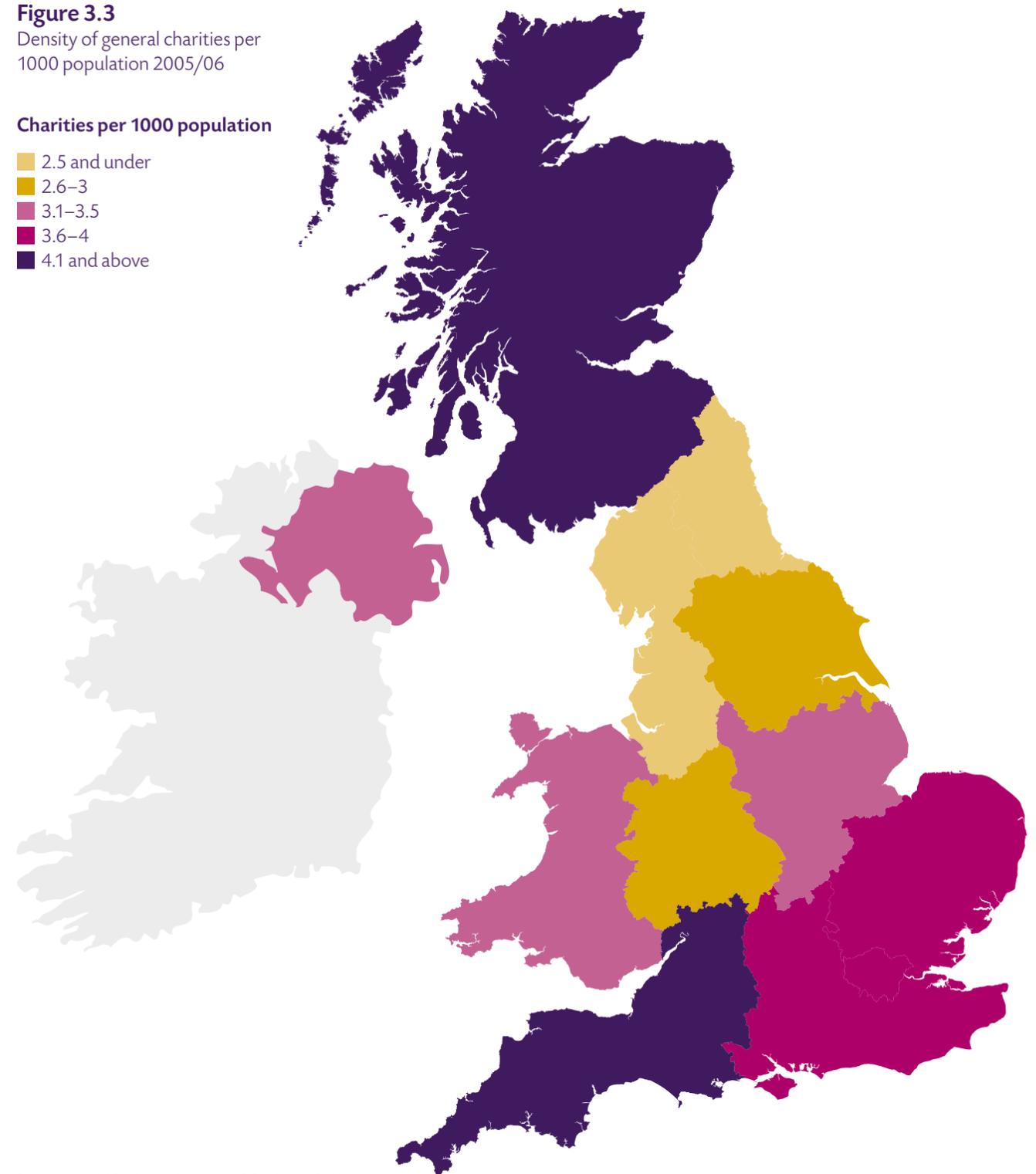


Source: NCVO, GuideStar UK, SCVO, NICVA

Figure 3.3
Density of general charities per 1000 population 2005/06

Charities per 1000 population

- 2.5 and under
- 2.6–3
- 3.1–3.5
- 3.6–4
- 4.1 and above



Source: NCVO, GuideStar UK, SCVO, NICVA
Reproduced from Ordnance Survey map data by permission of the Ordnance Survey © Crown copyright 2001.

3.2 ANALYSIS CONT.

3.2.3 Charities and need

The Office for National Statistics profiles the UK into a number of areas that share the same characteristics. This is based on the 2001 census data². By using postcode information it is possible to look at the density of charities in each of these so-called 'super clusters' (table 3.4).

We have to treat the results with a certain amount of caution as post code area is based on head office location and charities may operate in different areas compared to where their head office is located. Indeed, we know that many national charities also have a strong local presence in many areas. From what we know about head offices this is likely to increase the score of 'city living' areas, but should not strongly affect other areas. However when this exercise is repeated with only those charities that have an income below £1 million the order of the super clusters remains the same.

The three most prosperous groups in the classification had above the average number of charities per person while the three least prosperous groups had below the average number of charities per person. This would indicate that charities generally form where there is prosperity rather than where there is need and seem to go against popular assumptions of 'charity'. However there are a wide variety of charities undertaking a range of activities and it is necessary to look more closely at the relationship between type of charity and type of cluster. There is a clear need for further work in this area, and in particular mapping particular sub-sectors against indicators of need or deprivation.

'...the South-West and Scotland have the greatest density of general charities per person'

Table 3.4
Density of charities per ONS super cluster, 2005/06

Super cluster	Charities per 1000 population	Group features strongly represented	Group features weakly represented
City living	6.6	Higher education, born outside UK, flats, population density	single parent, children, economically inactive
Countryside	5.7	detached houses, older, work from home	multicultural, high population density, unemployment, public transport
Prospering suburbs	2.6	2 car households, detached houses, older	multicultural, pensioners, rented, unemployment
Typical traits	2.2	Average for everything	
Multicultural	2.2	Multicultural, high population density, unemployment, students	pensioners, no children
Constrained by circumstances	1.6	older, divorced, unemployment, public housing, lone parent	detached, higher education, work from home, 2 car household
Blue collar communities	1.0	children, lone parents, construction/manufacturing employment, terraced housing	multicultural, private rent, higher education

Source: NCVO, GuideStar UK, Office for National Statistics (ONS)

3.3 DATA SUMMARY

Table 3.5

Number of general charities by income band, 2005/06

	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
England	74,337	41,177	16,011	2,987	320	134,832
Wales	4,956	2,018	788	119	10	7,891
Scotland	9,368	3,416	3,824	273	23	16,903
Northern Ireland	1,950	1,652	747	221	-	4,569
UK	90,611	48,262	21,370	3,599	353	164,195

Source: NCVO, GuideStar UK, SCVO, NICVA

Table 3.6

Number of general charities by region and nation, 2004/05–2005/06

Region	2005/06	2004/05	change	% change
North East	4,698	4,374	324	7.4
North West	13,649	12,712	937	7.4
Yorkshire and the Humber	10,737	10,129	608	6.0
East Midlands	11,295	10,712	583	5.4
West Midlands	12,366	11,575	791	6.8
East of England	17,030	16,096	934	5.8
London	21,956	20,080	1,876	9.3
South East	24,950	23,683	1,267	5.3
South West	18,151	17,145	1,006	5.9
England	134,832	126,506	8,326	6.6
Wales	7,891	7,377	514	7.0
Scotland	16,903	25,963	-9,060	-34.9
Northern Ireland	4,569	4,569	0	0.0
UK	164,195	164,415	-220	-0.1

Source: NCVO, GuideStar UK, SCVO, NICVA

3.3 DATA SUMMARY cont.

Table 3.7

General charities per 1000 population, 2005/06

Region	Number of Charities	Adult Population	General Charities per 1000 population
North East	4,698	2,084	2.3
North West	13,649	5,504	2.5
Yorkshire and the Humber	10,737	4,081	2.6
East Midlands	11,295	3,483	3.2
West Midlands	12,366	4,297	2.9
East of England	17,030	4,455	3.8
London	21,956	6,074	3.6
South East	24,950	6,588	3.8
South West	18,151	4,140	4.4
England	134,832	40,706	3.3
Wales	7,891	2,390	3.3
Scotland	16,903	4,162	4.1
Northern Ireland	4,569	1,344	3.4
UK	164,195	48,602	3.4

Source: NCVO, GuideStar UK, SCVO, NICVA, ONS

'Despite worries about the fragmentation of communities and the rise of individualism, large numbers of people still feel that coming together and forming charities to engage collectively is the most appropriate way to achieve their goals.'

Chapter 4

Income

The data presented here are for the financial year 2005/06, the latest available. Where possible we have made comparisons with earlier years. All figures have been adjusted for inflation and are expressed in 2005/06 prices in order to show real change.

Footnotes

¹ OSCR was established following the implementation of the Charities and Trustee Investment (Scotland) Act 2005

² For more information: http://www.statistics.gov.uk/about/methodology_by_theme/area_classification/oa/default.asp

4.1 EXECUTIVE SUMMARY

The income of general charities grew strongly in 2005/06. At £31 billion, this amounts to a 9.4% real increase on last year's total. This continues the long-term growth in the sector and combines a mix of new entrants and organic growth. This growth was seen across all sizes of general charity, but there was wide variation in individual fortunes: around a third of the sector experienced significant declines in income, compared to just under a half experiencing significant growth. This provides a reminder that although growth overall is positive, many charities are struggling.

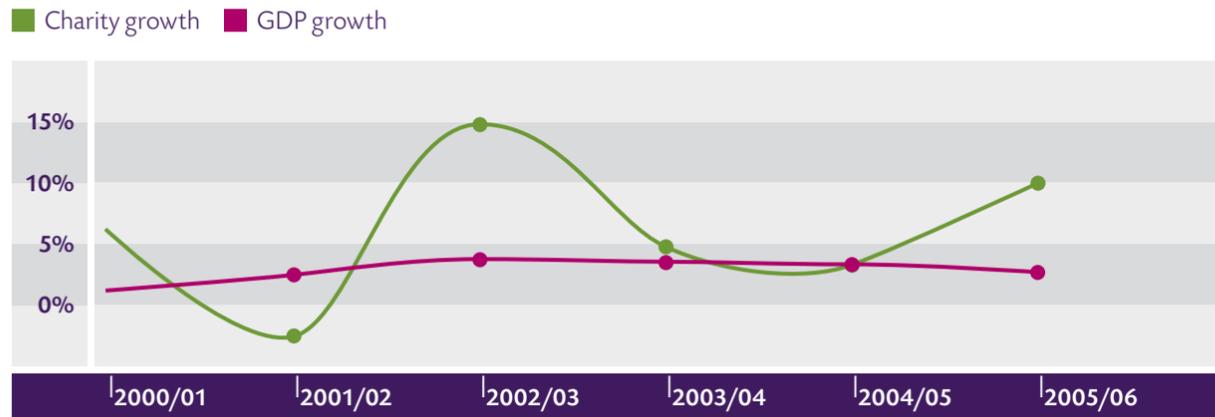
Growth was strong in most regions and nations. Yorkshire and the Humber's growth outpaced all other regions. Most regions performed well, the exception being the North-East, which experienced a decline in income. This disparity needs to be addressed, particularly if the sector is to play a role in addressing the regional social and economic inequalities that exist.

More broadly, three of the four UK nations experienced growth. Wales experienced a decline in income. Further work is required to understand the relationship between these trends and the devolved administrations.

For the first time earned income made up over half of incoming resources to the sector. Income from the sale of goods and services accounted for 50.3% of total income, up by over 10% from five years ago. This reflects the greater opportunities given to the sector to deliver public services and the desire to diversify income and become more enterprising. This shift will change how the sector is viewed by other sectors of the economy, as well as the wider public, and will need to be managed carefully. As the activities of the Voluntary Sector and the Private Sector become further intermingled, it will become more important to emphasise, and demonstrate, the values behind the Voluntary Sector's activities.

Contract income from the public sector continued to increase, while grants levels have remained the same since 2000/01. Therefore as a proportion of public sector income, grant levels have fallen and now comprise 38% of the income from government. This suggests that the transfer of resources from government into the sector is increasingly via contracts. The key issue is whether this is appropriate or not, as different funding mechanisms are appropriate for different goals and organisations. Concerns have, for example, been expressed that grant funding from local government bodies is rarely available.

Figure 4.1
Yearly increase in income to the voluntary and community sector (2000/01–2005/06) (%)



Source: NCVO, GuideStar UK, International Monetary Fund

4.2 ANALYSIS

4.2.1 Overview

The total income for the sector was £31.0 billion in 2005/06, a 9.4% real increase on last year's total of £28.3 billion. This continues the long term trend of significant increases in income coming into general charities and, we believe, the broader sector.

While growth has been strong overall, figure 4.1 highlights that this growth has been volatile, with significant changes from year to year. It also suggests that the sector's income growth does not follow the wider UK economy. While the fluctuations will inevitably be larger given its smaller size, given that there is no overlapping trend this suggests there are different drivers acting on the sector compared to the national economy. While some of these drivers are clear – government spending priorities, perceived individual wealth, the salience of charities – more research is needed to uncover the more subtle reasons behind these changes.

A key analytical challenge has been the difficulty of separating 'real' growth out from the impact of charities that are newly registered. Figure 4.2 illustrates the combination of both organic growth and new entrants that has produced such robust increases in income this year. These new charities were formed from a variety of sources. Larger examples include:

- The £40 million Pontanin Foundation set up by Vladimir Pontanin, 38th on the Forbes list of the world's richest people
- The £19 million Thailand Burma Border Consortium set up by 11 NGOs from around the world, which had already been operating for a significant amount of time (though not as a registered charity).
- The £16.8 million Corgi Trust set up by CORGI, the gas safety watchdog.
- The £8.3 million Fusion Lifestyle leisure centre which had been operating for 5 years before it registered as a charity

Claims that growth from new charities represents the 'charitisation of the public sector' are not born out looking at these entrants, though public sector transfers have been an important driver of growth in recent years. In these examples large-scale philanthropy by individuals, companies and consortia setting up new charities are the major players. While these few examples cannot confirm this finding, they point to an interesting avenue for research.

Looking more closely at organic growth, we can see that all income bands experienced a positive growth over the year (figure 4.3), a significant change from last year when all bands had a declining income except for the largest. Furthermore the pace of growth in the largest band did not outstrip the others, which suggests that, at least temporarily, the increasing concentration of resources in the top few charities has slowed. Given the concern of many small and medium charities about the increasingly skewed distribution of the sector's income, this should be viewed positively.

Figure 4.2
Breakdown of change in income 2004/05–2005/06



Source: NCVO, GuideStar UK

4.2 ANALYSIS cont.

Despite this change, the concentration of resources is still heavily skewed towards the largest charities as figure 4.4 shows. It is still these 350 or so charities with incomes of over £10m that shape public perception and control the bulk of the sector's resources.

Compared to the previous year, it would appear mid-sized organisations are increasing in number and share of income. Coupled with a fall in the number of charities

in the smallest band, this suggests an upwards drift in the average size of charities.

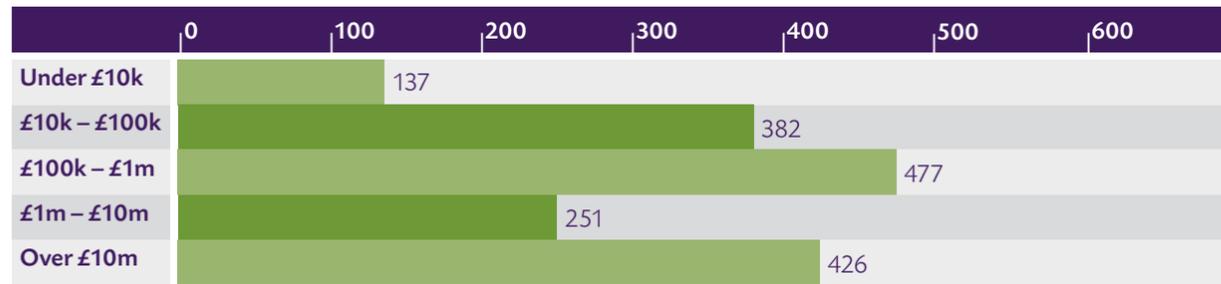
Inevitably these aggregate figures disguise the fortunes of individual charities within them. Therefore to obtain an impression of income change for each charity, figure 4.5 compares the income for a random sample of charities in 2004/05 and 2005/06. Each point on the graph represents one charity.

As can be seen the fortune of individual charities varies widely: many are doing very

well while others are struggling. As such, it must be recognised by policy makers and the wider sector that despite overall gains, large numbers of charities are experiencing financial difficulty.

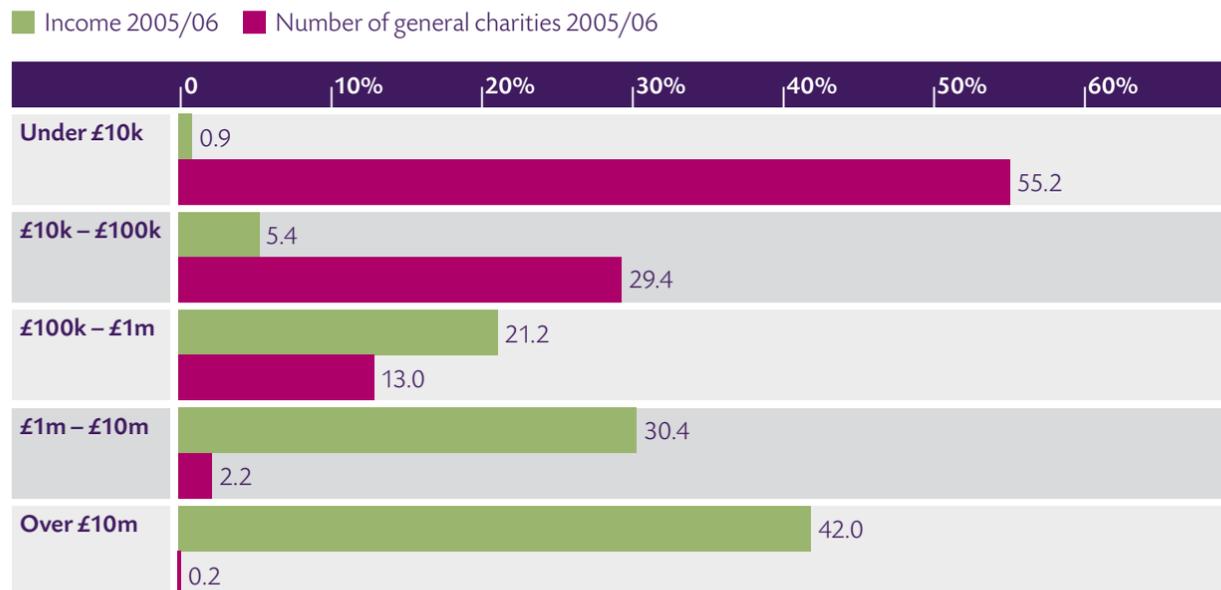
The increased focus on mergers within the sector may provide a route out of difficulty for some charities and could, as in other parts of Civil Society such as Trade Unions, become a feature of the sector in the future.

Figure 4.3
Organic growth by income band, 2004/05–2005/06 (£millions)



Source: NCVO, GuideStar UK

Figure 4.4
Number of organisations and share of income by income band, 2005/06



Source: NCVO, GuideStar UK

Figure 4.5
Change in income of individual charities (2004/05–2005/06)



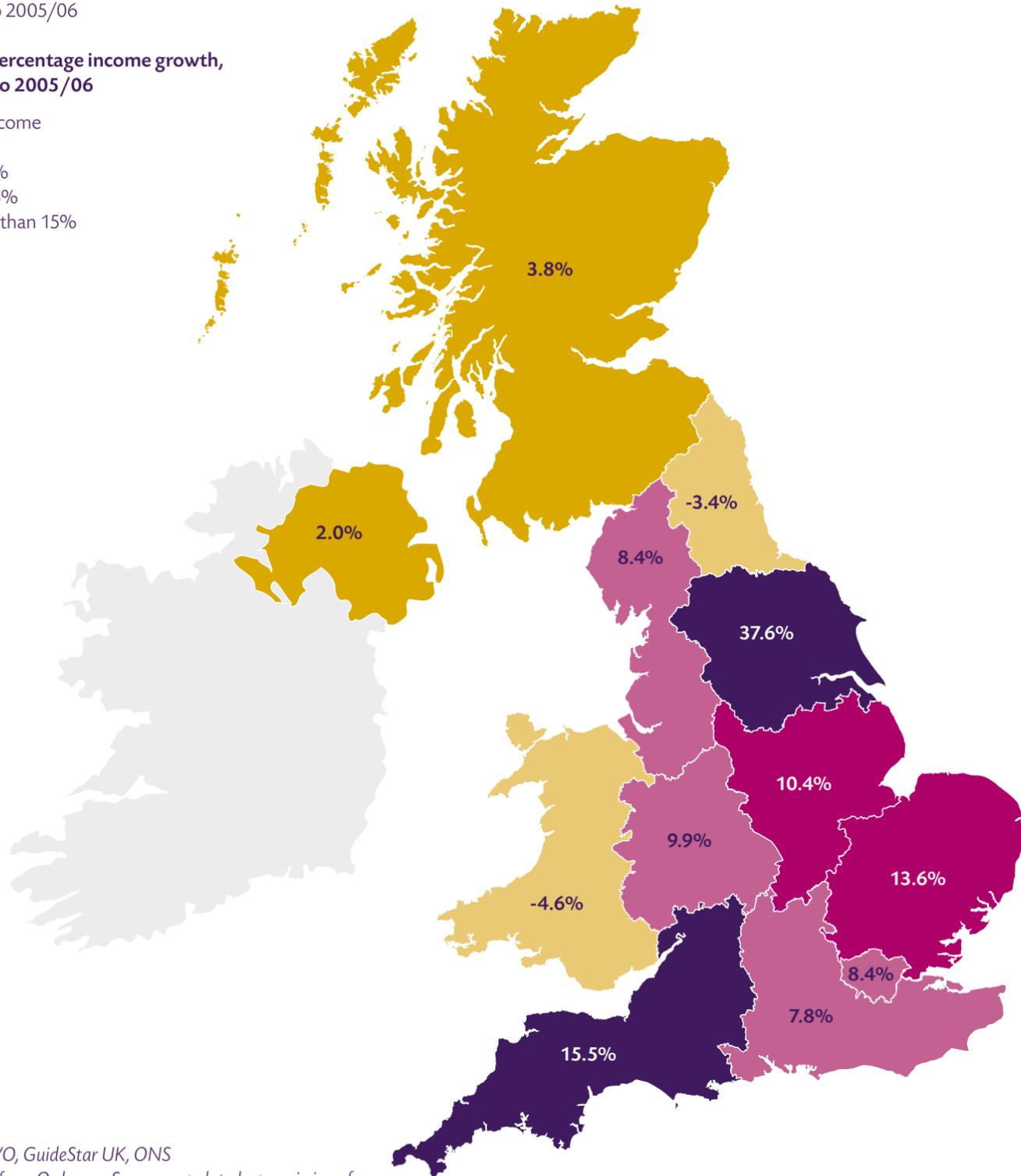
Source: NCVO, GuideStar UK

4.2 ANALYSIS cont.

Figure 4.6
Change in the income of charities in UK regions and countries, 2004/05 to 2005/06

Regional percentage income growth, 2004/05 to 2005/06

- Fall in income
- 0%–5%
- 5%–10%
- 10%–15%
- Greater than 15%



Source: NCVO, GuideStar UK, ONS
Reproduced from Ordnance Survey map data by permission of the Ordnance Survey © Crown copyright 2001.

4.2.2 Regional variations

Regional comparison suggests further variation. Yorkshire and the Humber far outstripped all other regions in their income growth (figure 4.6) while the North East was the only English region to experience a decline in income. Coupled with the fact that this region also has the fewest number of charities per head of population and the lowest per person income to charities, policy makers and wider civil society clearly need to address this disparity. The North East aside, growth has been well spread throughout England, a good sign of the overall health for the sector.

The substantial differences in charitable income per head of population of course reflect the geographical distribution of general charities. The predominance of head offices in London skews this analysis, yet there are still large differences between similar regions and vice versa. These differences may be indicative of a range of environmental factors such as government policy. Understanding the drivers of this geographical variation is a major element of our future work programme.

Looking at the other nations, Scotland's income also grew despite the large reduction in our estimates of the number of general charities. This was due to the ongoing work by OSCR to build an accurate register of active charities and the removal of moribund charities, confirming that those removed no longer played a significant economic role. Northern Ireland also achieved modest growth while Wales was the only nation whose sector experienced a fall in income. This suggests that further work may be required to understand the relationship between the voluntary sector economy and the policies of the UK government and the devolved administrations. There is a clear link between the policies of statutory agencies at all scales and the sector – income from the state is a major driver, as this chapter will later illustrate – yet little (if any) comparative work has been undertaken to see how these different agencies can create an environment for a thriving sector at the national, regional and local levels.

Explaining growth in Yorkshire and the Humber

Yorkshire and the Humber's growth of 35% in one year warrants closer investigation. Looking at the largest increases, two cases stand out. The first is an increase in income of £165 million in the UFI Charitable Trust. This is also known as the University for Industry, which runs Sheffield based LearnDirect. The second is the Coalfields Regeneration Trust, which increased its income by £26.7 million. If we remove these two charities from the analysis, this leaves a yearly income growth of 20%. Therefore although growth is not at the extremely high level that it appeared at face value, it still indicates strong growth.

'...one in ten charities with incomes over £10 million have income volatility problems, rising to almost a quarter of charities with incomes between £100k and £1m.'

4.2 ANALYSIS cont.

Income volatility

As important as growth in income is the predictability of income. This lack of predictability is a well-known issue for the sector and has often been explained by the short-term nature of contracts and grants. Although income from legacies might be argued to be a key factor, it remains the case that almost all the sector's legacy income is received by charities with an income of £1m or more. Volatility and uncertainty of income streams makes financial planning problematic and can result in the sub-optimal use of resources as charities have to constantly plan for 'what if...' scenarios.

The RED lights signal charities that have had a change of income of over 20% between 2003/04 and 2004/05 and

then a change of income of over 20% in the opposite direction between 2004/05 and 2005/06.

The AMBER lights signal charities that have had a change of income of over 10% between 2003/04 and 2004/05 and then a change of income of over 10% in the opposite direction between 2004/05 and 2005/06 (but not enough volatility to be in the red band)

The GREEN lights signal charities with less than this level of volatility or big changes in the same direction.

While we recognise the arbitrariness of using these particular changes, we believe this approach does highlight volatility among charities. We welcome feedback on measures used.

The traffic lights show income volatility is more of a problem for smaller charities, as one would expect, however even one in ten charities with incomes over £10 million have volatility problems, rising to almost a quarter of charities with incomes between £100k and £1m. This highlights the importance of the Compact Funding Code which tackles income volatility through a number of measures including 3 year contracts and proper warning and consultation around cuts. Although the Compact has been running for 10 years, more clearly needs to be done to ensure income volatility is adequately dealt with.

Figure 4.7

Income volatility for individual charities, 2005/06 (%)



Source: NCVO, GuideStar UK

THE DIFFERENT SOURCES AND TYPES OF INCOME

4.2.3 Voluntary sector income streams Sources and types of income

General charities generate income from a variety of sources by undertaking a range of activities. Understanding the relationship between these sources and activities can help understand the changing dynamics of the voluntary sector economy.

Income is derived from a range of sources. These are primarily:

- the general public (excluding payments from charitable foundations set up by individuals);
- the public sector (government and its agencies in the UK, the National Lottery distributors, the European Union and overseas governments);
- the voluntary sector (such as trusts and grant-making foundations);

- the private sector (excluding payments from charitable foundations set up by businesses);
- internal (trading subsidiaries and the proceeds from investments).

Another way to categorise income is by type. They are primarily:

- voluntary income (income freely given, usually as a grant or donation, for which little or no benefit is received by the donor);
- earned income from the sales of goods and services (although this may not be at market value), including the gross income of trading subsidiaries;
- internally generated income (the proceeds generated from investments and cash balances).

A typology of income sources and types is displayed in Table 4.8. Implementing this approach in the analysis of income is not without problems.

In particular, the distinction between earned and voluntary income is open to interpretation. For a small proportion of income it has not been possible to identify the source.

Trading subsidiaries present a unique problem using this approach. It is clear that the activities (and resulting income) of trading subsidiaries are not restricted to non-primary purpose trading – customers are from all sectors of the economy. Nor do trading subsidiaries simply represent the activities of charity shops. Although the income generated by trading subsidiaries was predominantly earned, a significant minority reported the receipt of donations. Classification was further complicated by the covenanting of surpluses (though not always all profits) to the controlling charity – in essence, the charity is receiving a donation. This income has therefore been classified as internally generated (by a subsidiary company) and earned (which reflects the activities undertaken).

Table 4.8

Typology of income types and sources

Source of income	Type of income		
	Earned income	Voluntary income	Investment returns
General public	Fees for services provided Fees for goods Membership subscriptions with significant benefits	Individual donations (gross, including Gift Aid reclaimed) Covenants Legacies Membership subscriptions without significant benefits	
Public sector	Public sector fees Payments for contracted services	Funding grants Grants to charitable intermediaries	
Voluntary sector	Services provided under contract	Grants from charitable trusts Grants distributed by charitable intermediaries	
Private sector	Sponsorship Research or consultancy Patent royalties	Corporate grants and gifts	
Internally generated	Gross turnover of trading subsidiaries		Dividends Interest payments Rent from investment property

4.2 ANALYSIS cont.

4.2.4 Types of income – Earned Income

For the first time, earned income made up over half of all income coming to charities, 50.3% (figure 4.9). This is the continuation of a long-term trend with clear drivers. Government policies have helped to create the conditions for the sector to increase its involvement in service provision, whilst the desire to achieve sustainability by diversifying income streams has often in practice meant earning more income. This means many charities are becoming more entrepreneurial in response to the changing landscape in which the sector operates. This will shape how the sector is

perceived to a public that still largely view charities as relying on voluntary donations.

Surprisingly, it was only the £100k – £1m income band that earned less than half its income, and substantially less at 44%. This may suggest that these charities are not trying to achieve sustainability based on earning more income but instead through grants and donations. Conversely it was the smallest charities under £10k that earned most of their income, with over 60% coming from this source. This is likely to be due to membership subscriptions or community events to which a small fee is charged.

4.2.5 Types of income – Voluntary Income

Voluntary income is not rising as fast as other sources of income, leading to a steady decline in its importance in the funding mix, falling 2.6% from last year and 8.7% from five years ago. Figure 4.10 gives the monetary change in voluntary income over the past 5 years. This shows that voluntary income has risen every year except one (2001/02) and that there has been a real increase of just over £1 billion. Despite the high profile of earned forms of income, voluntary income should not be seen as a diminishing source that is likely to fade out.

Figure 4.9 Earned income as a percentage of total income, 2000/01–2005/06, (Total income (£bn) appears in bold)

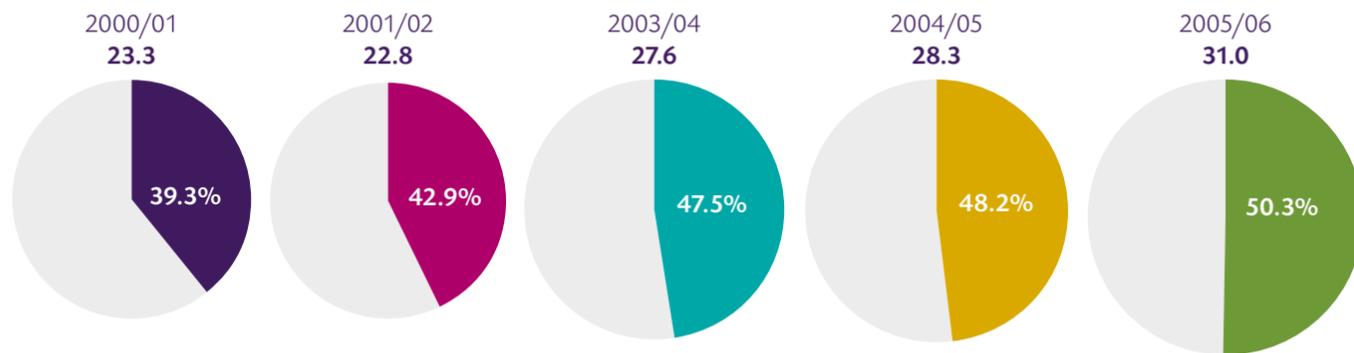
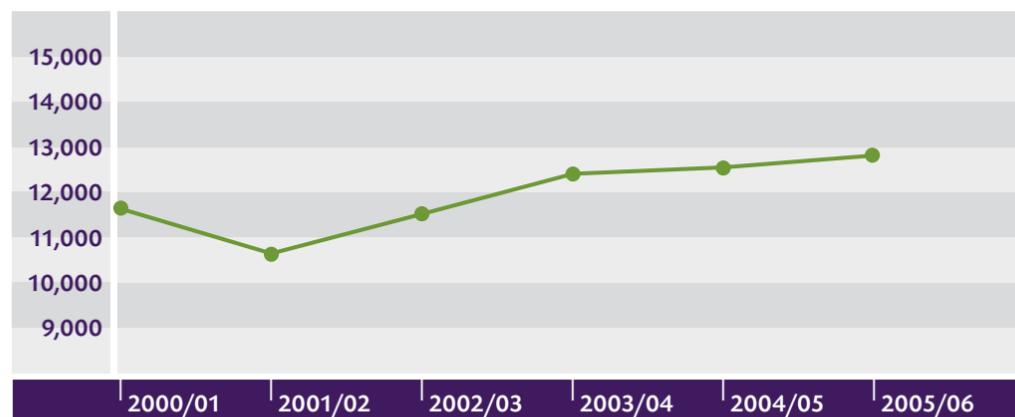


Figure 4.10 Voluntary income (2000/01–2005/06) (£millions)



Source: NCVO, GuideStar UK Note: 2002/03 values are estimated

It is still increasing and retains its influence on the shape of the sector; it is simply not increasing as quickly as other income types.

Figure 4.11 shows the distribution of income from voluntary sources compared to last year. The most surprising aspect is the increase in voluntary income from other voluntary organisations, up 4% in one year. This suggests that collaboration among charities is not just to deliver service contracts, but is also happening with grants. The majority (67%) of this rise was voluntary income going to the £100k – £1m band. This suggests that there has been an increase in activity, not between

the largest and smallest charities, but between the largest and medium-sized charities. This would suggest that when charities are looking to give grants to deliver their objectives, they believe it is the medium sized charities rather than the largest or smallest that are best placed to carry this out.

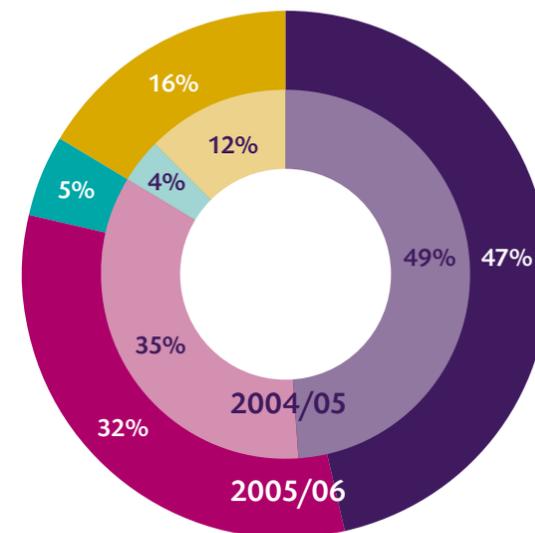
4.2.6 Types of income – Investment Income

Investment returns have continued to drift up slightly in importance in the income mix, increasing 0.6% from last year and a further 0.2% from the year before, though still well below the levels witnessed in the 1990s when they accounted for almost 20% of total income. This is discussed in more detail in chapter 9.

Figure 4.11 Sources of voluntary income (including legacies), 2004/05 and 2005/06 (%)

- Individuals
- Public sector
- Private sector
- Voluntary sector

Source: NCVO, GuideStar UK



‘Mid-sized charities in the £100k–£1m group rely on statutory funding as their main source of income...’

4.2 ANALYSIS cont.

4.2.7 Sources of income

As figure 4.12 shows, where charities get their money from varies greatly, depending on their size. Individuals provide the greatest source of income for the smallest and largest charities, highlighting that the mid-sized charities are losing out both to organisations rooted in a community that can draw on that community for funds and to the largest charities that are powerful marketing machines with nationwide brand awareness.

Mid-sized charities in the £100k-£1m group rely on statutory funding as their main source of income, split roughly in half between grants and contracts. Grants

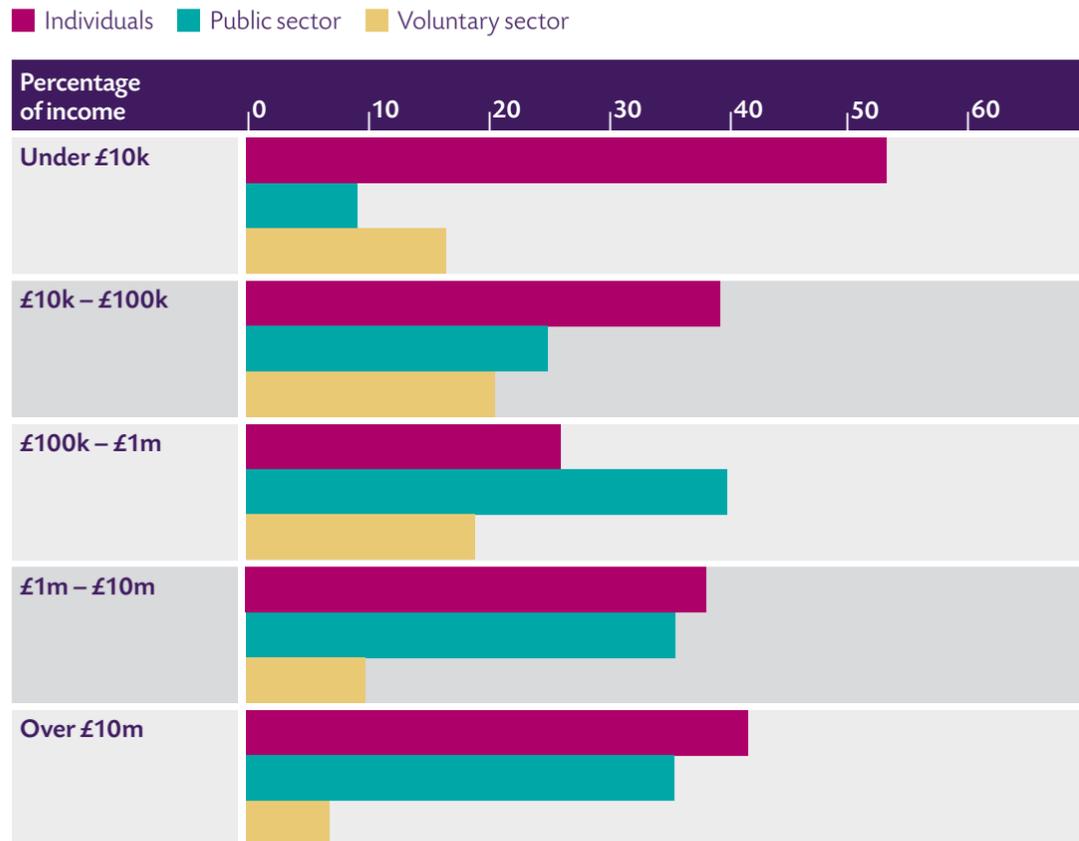
from government make up over a fifth of the total income for charities in this income band, yet the evidence outlined below would indicate that this revenue stream is at best static. Grants from statutory bodies are unlikely to grow in real terms, and as such should not be viewed as the basis for growth in a highly competitive environment.

The recent "Sustaining Grants" campaign to maintain grants as part of the overall funding mix has highlighted the importance of this income stream, particularly for small and medium organisations. While the suitability of particular funding mechanisms depend on the individual

project, examples where grant funding is likely to be preferable are those based in communities that are designed to respond to community need rather than the needs of the funder or where the project is particularly innovative and therefore the exact outcomes unknown at the start of the project.

The voluntary sector itself is an important source of funds for general charities, in particular those with an income up to £1 million. This source represents the grant-making activities of charitable trusts and foundations, though there is evidence to suggest that the increase in partnership working is increasing the circulation of

Figure 4.12 Source of income to charities by income band (2005/06) (%)



Source: NCVO, GuideStar UK

resources within the sector. In fact, for the smallest community groups with incomes up to £10k, other charities are a more important source of income than government, probably a reflection of grant making trusts and foundations specifically targeting the smallest groups. This has been recognised by government and in the 2007 Budget £80 million was made available through the Community Organisations Fund for small grants at a local level.

4.2.8 Sources of Income – Public sector Income from the public sector totalled £11 billion in 2005/06. Due to methodological improvements, previous almanac data on the public sector have been revised (this does not affect overall income totals). Table 4.13 compares the two sets of data. Despite the revisions this shows that public funding to the sector has been steadily increasing, whichever figures are taken, and the long term trend of sustained, real investment by government is clear.

Coupled with this increase, the public sector has seen a strong comparative shift from grant funding to contract funding over recent years. Some of this shift is inevitably administrative, a result of calls for greater clarification of when statutory bodies are in commissioning or grant-making mode. Nevertheless we believe the underlying trend in figure 4.14 to be clear. The shift to contract-based funding has increased in pace this year, suggesting that contracts still remain the government's preferred funding mechanism.

Table 4.13 Income from the public sector (2000/01–2005/06) (£millions)

	Public Sector Income (£m) (Unrevised)	Public Sector Income (£m) (Revised)
2005/06	11,050	11,050
2004/05	10,930	9,541
2003/04	10,500	9,165*
2002/03**	9,502	8,835
2001/02	8,504	8,504
2000/01	8,096	8,096

*estimated from 2004/05 revision. Source: NCVO, GuideStar UK
**2002/03 values estimated

Figure 4.14 Public sector contract vs. grant funding 2000/01–2005/06 (%)



*2004/05 revised figure, 2003/04 figures based on 2004/05 revision. 2002/03 figures estimated. Source: NCVO, GuideStar UK

4.2 ANALYSIS cont.

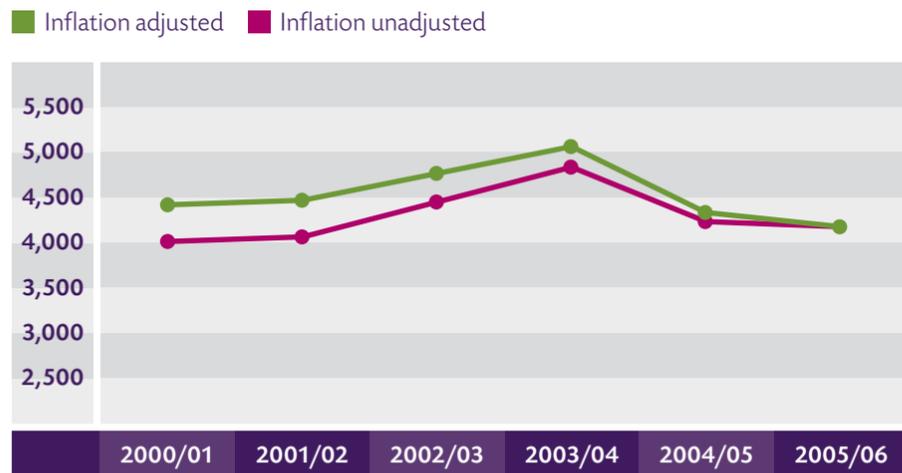
This disguises the fact that in real terms there has been no significant change in government grants from five years ago, as figure 4.15 shows. Despite a slight increase to 2003/04, this suggests that statutory agencies are broadly freezing grants rather than reducing them, choosing to channel extra money into the sector through contracts. As stated above, different funding mechanisms are appropriate for different types of projects and funding by statutory sources needs to be distributed accordingly. Further research is needed to ensure that activities funded by government are using the most appropriate funding mechanisms.

4.2.9 Funding levels of individual charities from government

Over half of all charities get no income from government, including a third of all charities with incomes of over £10 million (figure 4.16). This contradicts suggestions that charities are an arm of government which is largely funded by the state in return for carrying out its wishes. This charge has been levelled most heavily against the largest charities, yet over half of charities with incomes over £1 million receive less than a quarter of their income from government.

The 30% of charities that are heavily reliant on income from government still retain their independence - trustees have a duty to ensure this happens. Heavy funding by government is often a sign of shared goals between government and the charity or of the charity persuading government of the necessity to fund its cause. However, given tighter spending by government in the foreseeable future, priorities that may shift and a possible change in government in a few years time, it would be wise for these charities to look for other sources of income.

Figure 4.15 Public sector grants 2000/01–2005/06 (£millions)



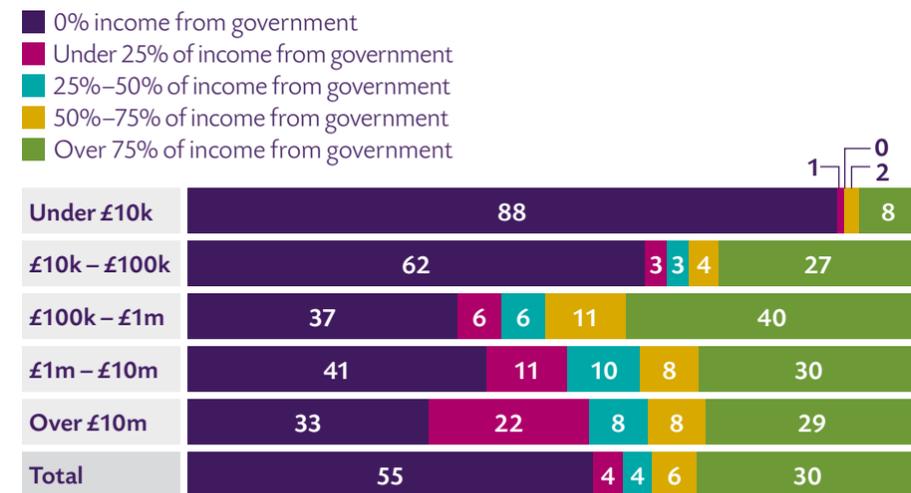
2004/05 figure revised from published figure of £4,163m; 2003/04 figure revised using 2004/05 estimates and 2002/03 figure estimated. Source: NCVO, GuideStar UK

Perhaps surprisingly over 80% of charities either receive no income from government or over three-quarters of their income from this source. However, this picture is heavily influenced by the large number of very small organisations that are untouched by the hand of the state. What therefore emerges is a typical market segmentation model: onlookers (those that do not seek or rely on income from government); associates (those with important funding relationships, but perhaps not critically dependent), and full partners (those that rely heavily on government funding).

Although the proportion of full partners is relatively static across the different bands, it does appear that with size there is a greater propensity to be an 'associate' than an 'onlooker'. This might suggest that government funding is an important ingredient in scaling-up, but again this is a hypothesis that requires substantiation.

'Over half of all charities get no income from government'

Figure 4.16 Charities income from government as a proportion of their total income, 2005/06 (%)



Source: NCVO, GuideStar UK

4.2 ANALYSIS cont.

COMPARISON WITH THE CABINET OFFICE FUNDING REPORT

In October 2007, the Office of the Third Sector released the results of a report examining government spending on voluntary and community organisations¹. The report was produced by surveying central and local government departments and asking them to estimate their expenditure on voluntary and community organisations. These results can be compared to the almanac data on general charities shown in figure 4.17, which is produced from the audited accounts of charities themselves. The two methods produce different results, shown in figure 4.17.

These results differ for a number of reasons:

- Due to lags in the auditing and release of government accounts, the OTS information is based on the financial year 2003/04 and so is not directly comparable with charity account data from 2005/06.
- For better results, the OTS survey would require respondents to have comprehensive records which specifically separate out expenditure on VCOs. This is not always the case.

- Similarly, better results from audited charity accounts would require that charities clearly outline the exact sources of their income but there is no requirement for them to do this.
- Different definitions are used. General charities data is based on a specific set of organisations registered with the Charity Commission. Departments and local authorities surveyed in the OTS report will classify organisations according to their own understanding of voluntary and community organisations. These definitions will largely overlap, but there will be differences.
- The NHS is included within the NCVO figures for central government, but not in the OTS report. It is estimated that around 25% of the NCVO total can be attributed to the NHS.

More information on the OTS report can be found on their website, including detailed discussion of the methodology.

Figure 4.17
Government spending on the voluntary and community sector, 2003/04 (£millions)

	OTS report 2003/04	Figures in this chapter
Local government	4,327	5,414
Central government (not including housing)	2,774	4,624

Source: OTS, NCVO, GuideStar UK

‘...the public sector has seen a strong comparative shift from grant funding to contract funding over recent years.’

4.2.10 Funding from different parts of government

Figure 4.18 sets out the different parts of government from which charities receive income. Almost half the income to charities comes from local authorities, highlighting the importance of the relationship between local government and the charitable sector. Given the difficulties with the implementation of the Compact, especially at local level, for the benefit of both the government/sector relationship and local communities, the importance of ensuring that these problems are resolved soon cannot be overstated.

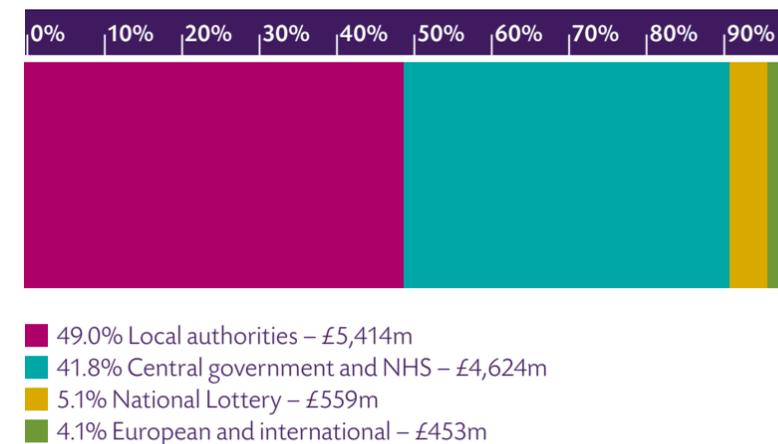
Although European funding accounts for a relatively small proportion of the funding mix, it is vital to a number of regions of the UK through the European Structural Fund. With the ending of the fund in most of these areas in 2005/06, it has been argued that the problems caused could be severe.

A detailed analysis of government funding streams is outside the remit of the main Almanac and will be published later in the year.

4.2.11 Legacy income

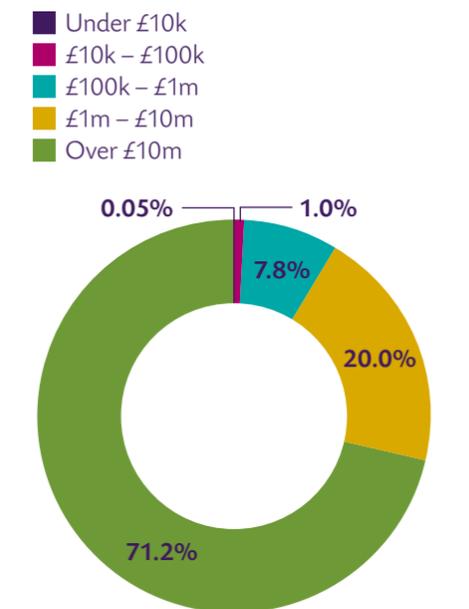
Legacies form a substantial, though volatile, source of income for charities. With a 7.1% growth from last year the market is increasing steadily and maintaining its proportionate level of about 6% of total income to the sector. Legacies are still channelled overwhelmingly towards the very largest charities (figure 4.19), which account for over 70% of the total legacy market. People wishing to leave money in their will continue to favour well-established charities that have a strong track record.

Figure 4.18
Breakdown of government funding to the sector, 2005/06 (£ millions)



Source: NCVO, GuideStar UK
Note: Central government and NHS includes devolved administrations

Figure 4.19
Share of legacy income by income band 2005/06 (%)



Source: NCVO, GuideStar UK

4.3 DATA SUMMARY

Table 4.20

Total income by size of organisation, 2005/06 (£millions)

	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Individuals	33.0	176.1	501.9	1,150.9	2,308.9	4,170.8
Public sector (inc NLDs)	10.1	216.1	1,390.6	1,475.4	1,074.0	4,166.1
Voluntary sector	9.5	149.7	925.4	562.1	430.2	2,076.7
Private sector	0.6	31.1	176.5	189.9	243.1	641.2
Total voluntary income (ex-legacies)	53.2	572.9	2,994.4	3,378.2	4,056.1	11,054.8
Legacies	0.9	17.5	140.1	360.7	1,283.5	1,802.7
Individuals	111.1	468.3	1,075.2	2,093.0	1,815.9	5,563.4
Public sector (inc NLDs)	14.9	205.7	1,234.3	1,877.7	3,551.6	6,884.2
Voluntary sector	35.9	198.1	323.2	369.2	469.6	1,396.0
Private sector	3.8	29.9	166.4	233.0	281.3	714.4
Total earned income (ex trading subsidiaries)	165.7	901.9	2,799.1	4,572.9	6,118.4	14,558.0
Rent from property	2.2	23.7	139.1	220.2	163.6	548.9
Dividends etc	21.5	113.3	291.1	329.3	694.0	1,449.2
Interest on deposits	29.3	54.0	137.6	133.5	179.4	533.8
Total investment income	53.0	191.0	567.8	683.1	1,037.0	2,532.0
Trading subs: gross income	0.2	2.6	76.3	435.5	516.9	1,031.6
Total incoming resources	273.0	1,686.0	6,577.7	9,430.4	13,012.0	30,979.1

Source: NCVO, GuideStar UK

Table 4.21

Income sources by size of organisation, 2005/06 (£millions)

	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Individuals	144.9	661.9	1,717.2	3,604.6	5,408.3	11,537.0
Public sector	25.1	421.7	2,624.9	3,353.0	4,625.6	11,050.3
Private sector	4.4	61.0	342.9	422.9	524.4	1,355.5
Voluntary sector	45.4	347.8	1,248.6	931.3	899.7	3,472.7
Internally generated	53.3	193.6	644.1	1,118.6	1,554.0	3,563.6
Total	273.0	1,686.0	6,577.7	9,430.4	13,012.0	30,979.1

Source: NCVO, GuideStar UK

Table 4.22

Income types by size of organisation, 2005/06 (£millions)

	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Voluntary	54.1	590.4	3,134.5	3,738.9	5,339.6	12,857.5
Earned	165.9	904.5	2,875.4	5,008.4	6,635.4	15,589.6
Investment	53.0	191.0	567.8	683.1	1,037.0	2,532.0
Total	273.0	1,686.0	6,577.7	9,430.4	13,012.0	30,979.1

Source: NCVO, GuideStar UK

Table 4.23

Total income, 2001/02 to 2005/06 (£millions, in April 2006 prices)

	2005/06	2004/05*	2003/04	2001/02
Individuals	4,170.8	4,434.0	4,230.1	3,112.7
Public sector (inc NLDs)	4,166.1	4,324.1	4,913.5	4,460.8
Voluntary sector	2,076.7	1,545.0	1,475.0	1,203.8
Private sector	641.2	488.0	325.6	566.7
Total voluntary income (ex-legacies)	11,054.8	10,791.1	10,944.2	9,343.8
Legacies	1,802.7	1,682.5	1,437.3	1,433.9
Individuals	5,563.4	4,537.2	4,098.6	3,847.5
Public sector (inc NLDs)	6,884.2	5,217.0	5,585.3	4,049.4
Voluntary sector	1,396.0	1,369.4	1,227.2	411.3
Private sector	714.4	1,469.0	72.4	302.5
Total earned income (ex trading subsidiaries)	14,558.0	12,592.6	10,983.4	8,610.8
Rent from property	548.9	494.3	563.4	337.7
Dividends etc	1,449.2	1,307.3	1,208.4	1,495.1
Interest on deposits	533.8	402.8	321.8	448.2
Total investment income	2,532.0	2,204.4	2,093.4	2,281.1
Trading subs: gross income	1,031.6	1,045.9	2,111.4	1,192.5
Total incoming resources	30,979.1	28,316.3	27,569.9	22,862.1

Source: NCVO, GuideStar UK

* 2004/05 figures revised from published figures.

4.3 DATA SUMMARY

Table 4.24

Total income by size of organisation, 2005/06 (% of total incoming resources)

	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Individuals	12.1	10.4	7.6	12.2	17.7	13.5
Public sector (inc NLDs)	3.7	12.8	21.1	15.6	8.3	13.4
Voluntary sector	3.5	8.9	14.1	6.0	3.3	6.7
Private sector	0.2	1.8	2.7	2.0	1.9	2.1
Total voluntary income (ex-legacies)	19.5	34.0	45.5	35.8	31.2	35.7
Legacies	0.3	1.0	2.1	3.8	9.9	5.8
Individuals	40.7	27.8	16.3	22.2	14.0	18.0
Public sector (inc NLDs)	5.5	12.2	18.8	19.9	27.3	22.2
Voluntary sector	13.1	11.8	4.9	3.9	3.6	4.5
Private sector	1.4	1.8	2.5	2.5	2.2	2.3
Total earned income (ex trading subsidiaries)	60.7	53.5	42.6	48.5	47.0	47.0
Rent from property	0.8	1.4	2.1	2.3	1.3	1.8
Dividends etc	7.9	6.7	4.4	3.5	5.3	4.7
Interest on deposits	10.7	3.2	2.1	1.4	1.4	1.7
Total investment income	19.4	11.3	8.6	7.2	8.0	8.2
Trading subs: gross income	0.1	0.2	1.2	4.6	4.0	3.3
Total incoming resources	100	100	100	100	100	100

Source: NCVO, GuideStar UK

Table 4.25

Income sources by size of organisation, 2005/06 (% of total incoming resources)

	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Individuals	53.1	39.3	26.1	38.2	41.6	37.2
Public sector	9.2	25.0	39.9	35.6	35.5	35.7
Private sector	1.6	3.6	5.2	4.5	4.0	4.4
Voluntary sector	16.6	20.6	19.0	9.9	6.9	11.2
Internally generated	19.5	11.5	9.8	11.9	11.9	11.5
Total	100	100	100	100	100	100

Source: NCVO, GuideStar UK

Table 4.26

Income types by size of organisation, 2005/06 (% of total incoming resources)

	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Voluntary	19.8	35.0	47.7	39.6	41.0	41.5
Earned	60.8	53.7	43.7	53.1	51.0	50.3
Investment	19.4	11.3	8.6	7.2	8.0	8.2
Total	100	100	100	100	100	100

Source: NCVO, GuideStar UK

Table 4.27

Income types and sources, 2005/06 (% of total)

2005/06	Earned	Voluntary	Investment	Total
Individuals	18.0	19.3	0.0	37.2
Public sector	22.2	13.4	0.0	35.7
Private sector	2.3	2.1	0.0	4.4
Voluntary sector	4.5	6.7	0.0	11.2
Internally generated	3.3	0.0	8.2	11.5
Total	50.3	41.5	8.2	100

Source: NCVO, GuideStar UK

'...in real terms there has been no significant change in government grants from five years ago...'

Footnotes

¹ Mcroft, I. (2007) Estimates of Central Government Expenditure on Voluntary and Community Organisations, 2002/03 to 2003/04: http://www.cabinetoffice.gov.uk/third_sector/Research_and_statistics/third_sector_research/expenditure.aspx

Expenditure

This chapter looks at the voluntary sector's total current expenditure¹. The data is for the financial year 2005/06, the latest available. Where possible, we have made comparisons with earlier years. All figures have been adjusted for inflation and are expressed in 2005/06 prices to show real change. Given the large volatility in charities' incomes, we believe expenditure is a better guide to the operating level of general charities than income.

5.1 EXECUTIVE SUMMARY

General charities spent just over £29 billion in 2005/06, an increase of almost 14% over the past year. This represents considerable spending power by the sector and therefore where it chooses to spend its money is influential, whether within the sector or the wider economy.

Although many charities increased their expenditure from last year, there were also many that decreased their expenditure. As we believe expenditure is a better indicator of the health of general charities than more unpredictable flows in income, this suggests that many organisations struggled over the past year. This was true for all sizes of charity: even in the largest income band, one in five reduced their expenditure, rising to three out of every five charities in the smallest.

Most general charities reduced their spending on fundraising and publicity as a proportion of total expenditure.

Almost three out of four did so in the largest income band, rising to almost 19 in every 20 organisations in the smallest band. This was mirrored by mixed fortunes in returns on fundraising and publicity spending. Whether this has an impact on future income levels remains to be seen.

Investment management costs rose sharply. As only 15% of charities have investment assets, this suggests that there is a relatively small group of charities that are taking more of an interest in investing and are willing to pay to ensure that their investments are effectively managed.

'Organisations spent just over £21 billion in 2005/06 carrying out their charitable activities, an increase of almost £3 billion from last year.'

5.2 ANALYSIS

5.2.1 Overview

General charities' expenditure stood at just over £29 billion in 2005/06, an increase of almost 14% over the past year. This was almost £2 billion less than the income of charities, though it doesn't include capital expenditure (such as on equipment or buildings). This increase in spending is faster than the rise in income: last year charities spent 90.7% of their income, whereas this year they spent 94% of their income. Therefore collectively general charities have considerable spending power which extends beyond the sector, procuring goods and services from all parts of the economy, both in the UK and overseas.

The overall increase in expenditure was shared among general charities with incomes over £10k (figure 5.1). However there was a fall in expenditure of 10% in the smallest income band, on top of a 9.5% fall the year before. As these smallest organisations experienced an organic growth of £137 million income,

this suggests they are spending more cautiously, perhaps in light of uncertainty around tighter government spending and the winding down of much European Structural Funding.

However this masks the fortunes of individual organisations. As figure 5.2 shows, despite an average fall in expenditure, 40% of general charities in the smallest band increased their expenditure. Overall though, there is a clear trend towards larger charities being more likely to increase their expenditure, which suggests that the larger organisations are doing better, are more confident in raising their spending and are better able to take risks. Despite this there are many general charities in all income bands decreasing their expenditure levels, including almost one in five of the largest organisations. While some of these may be reducing their expenditure as the result of a wider strategy, this suggests that beneath the overall positive picture organisations of all sizes may be reducing expenditure in

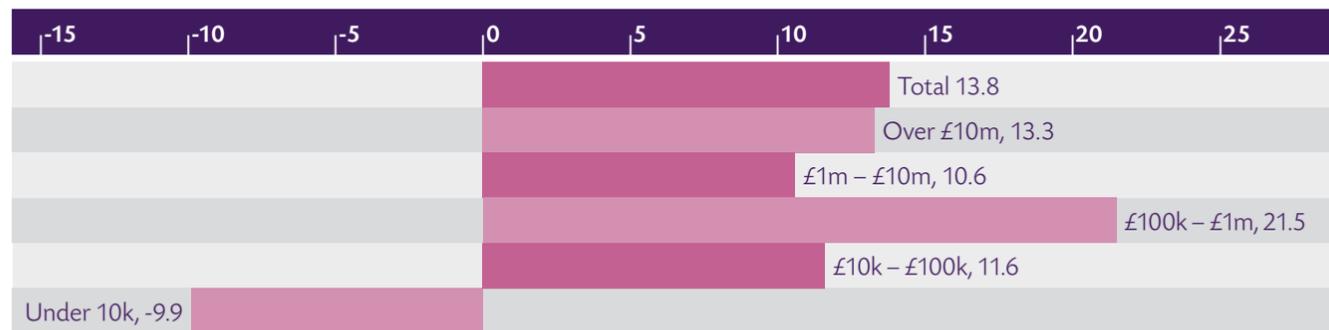
response to the difficulties of generating income.

Types of expenditure

Organisations spent just over £21 billion in 2005/06 carrying out their charitable activities, an increase of almost £3 billion from last year. This expenditure continues the long-term trend by general charities of spending a greater proportion of their income in carrying out their charitable activities (fig. 5.3). However it is not clear whether this is a real change or a shift in how these organisations report their activities.

As a proportion of the expenditure of general charities, grant giving has also been falling in importance with a real increase of under 1% in the last four years. Given the growth in the number of organisations, roughly the same level of grants are having to support a much larger sector. This suggests charities may be finding it more difficult to access grants from other parts of the sector than in

Figure 5.1
Change in expenditure by income band 2004/05–2005/06 (%)



Source: NCVO, GuideStar UK

previous years. While there has been a lot of media attention given to a number of extremely wealthy individuals setting up new large grant making trusts, whether they will make a material impact on grant giving in the sector remains to be seen.

5.2.2 Fundraising and publicity

General charities collectively spent £300 million more on fundraising and publicity than they did the previous year. However this masks the fact that the vast majority of organisations reduced their expenditure in this area as a percentage of their overall spending (figure 5.4). More than nine out of every ten charities with incomes below £100k reduced their expenditure and even three out of every four charities with incomes over £1 million did so. This suggests that charities either feel they don't need to spend as much as they did in this area or that they are unable to. The £300million increase therefore came from a small number of organisations substantially increasing their spending.

Some charities have always struggled to find money to support fundraising and publicity - the big brand name charities have only ever been the 'tip of the iceberg'. Moreover by law trustees have to be able to justify spending that does not directly support their charitable purposes and every pound spent on publicity is a pound less for beneficiaries. Thus when resources are tight there may be real dilemmas for some charities between short term goals and long term aspirations.

The reason for this reduction in expenditure could be due to a belief that fundraising and publicity are not the most effective way to generate income though there are, of course, other drivers, including concern over public perception of fundraising ratios. As figure 5.5 shows, less than half the general charities made a substantial increase in the amount of income generated by fundraising, and four out of five of the very smallest organisations were considerably less

effective in this area than the year before. This suggests the fall in comparative fundraising spending was not due to increasing returns. It may be that charities are finding that other methods of demonstrating success, such as carrying out their mission successfully, are the best methods of securing income.

Investment management costs

Expenditure on the management of investments has increased rapidly this year, jumping almost 300% to £334 million despite a relatively modest increase in investments. As only 15% of charities have investment assets, this suggests that a relatively small group of charities are taking investment much more seriously and are willing to pay significant amounts to ensure good returns. Given there was almost £60 billion in investments by the sector, spending money to ensure this was invested wisely is prudent. This is examined further in chapter 9.

Figure 5.2
Change in expenditure of individual charities by income band 2004/05–2005/06 (%)



Source: NCVO, GuideStar UK

5.2 ANALYSIS cont.

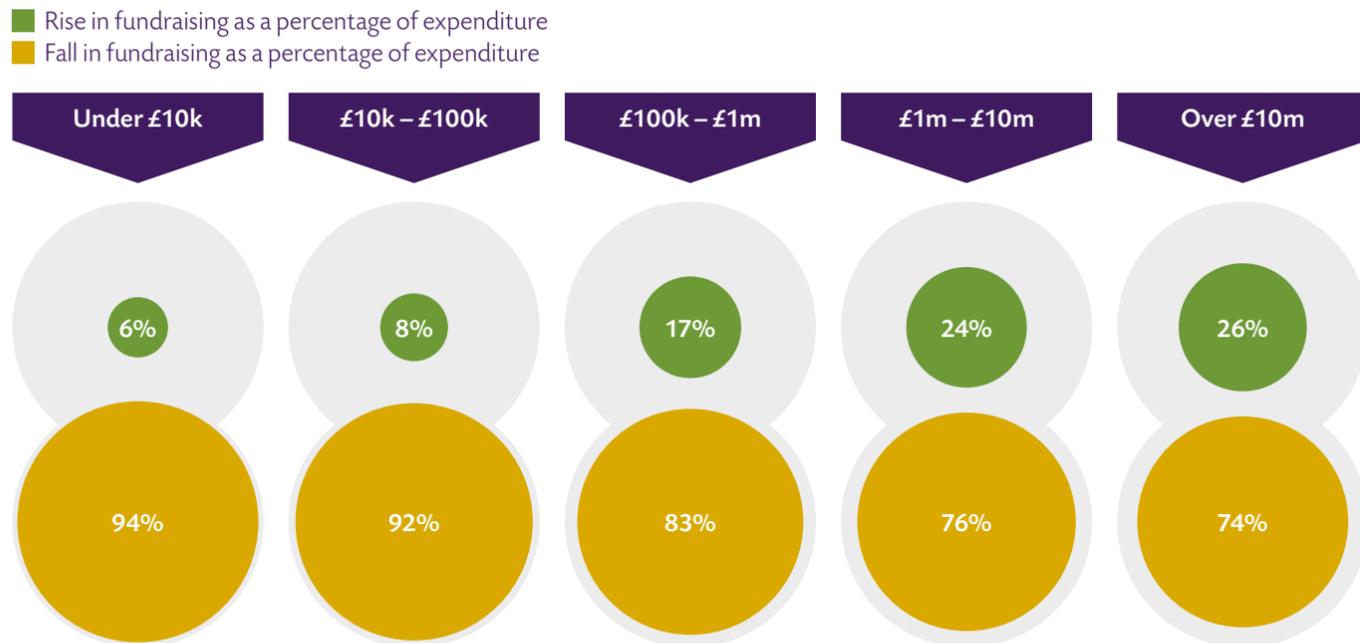
Figure 5.3
Proportion of expenditure by activity, 2001/02–2005/06



Source: NCVO, GuideStar UK.
n.b 2002/03 expenditure inferred

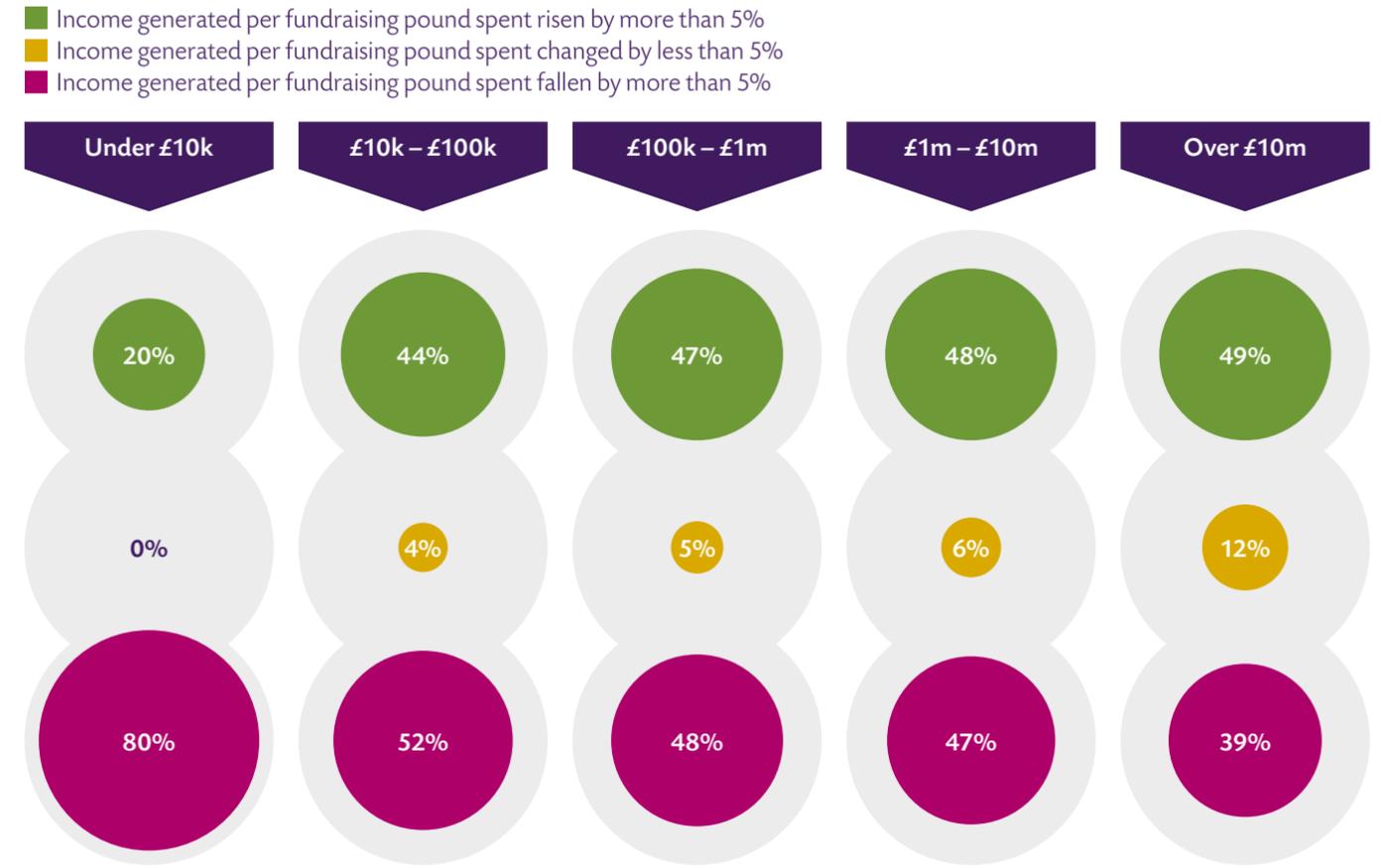
'General charities' expenditure stood at just over £29 billion in 2005/06'

Figure 5.4
Individual change in fundraising and publicity spend as a % of expenditure, 2004/05–2005/06



Source: NCVO, GuideStar UK

Figure 5.5
Individual change in income generated per fundraising spending, 2004/05–2005/06



Source: NCVO, GuideStar UK

'...charities may be finding it more difficult to access grants from other parts of the sector than in previous years'

5.3 DATA SUMMARY

Table 5.6

Breakdown of expenditure by income band, 2005/06 (£millions)

	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Fundraising and publicity costs	2.0	46.4	281.7	507.0	1,183.3	2,020.5
Trading subsidiary costs	0.3	1.9	80.3	397.2	423.3	903.0
Investment management costs	1.9	15.0	106.4	83.1	127.3	333.8
Total cost of generating funds	4.3	63.3	468.4	987.4	1,733.9	3,257.3
Total grants	47.6	202.9	611.8	1,036.8	1,913.0	3,812.1
Charitable activities	177.7	1,335.7	4,634.5	6,372.9	8,540.4	21,061.3
Management and administration	17.3	111.8	484.5	287.0	99.2	999.7
Total current expenditure	246.9	1,713.8	6,199.2	8,684.0	12,286.5	29,130.4

Source: NCVO, GuideStar UK

Table 5.7

Breakdown of expenditure by income band, 2005/06 (%)

	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Fundraising and publicity costs	0.8	2.7	4.5	5.8	9.6	6.9
Trading subsidiary costs	0.1	0.1	1.3	4.6	3.4	3.1
Investment management costs	0.8	0.9	1.7	1.0	1.0	1.1
Total cost of generating funds	1.7	3.7	7.6	11.4	14.1	11.2
Total grants	19.3	11.8	9.9	11.9	15.6	13.1
Charitable activities	72.0	77.9	74.8	73.4	69.5	72.3
Management and administration	7.0	6.5	7.8	3.3	0.8	3.4
Total current expenditure	100.0	100.0	100.0	100.0	100.0	100.0

Source: NCVO, GuideStar UK

Table 5.8

Breakdown of expenditure by income band, 2005/06 (£millions)

	2005/06	2004/05	2003/04	2001/02
Fundraising and publicity costs	2,020.5	1,685.9	1,938.9	1,433.6
Trading subsidiary costs	903.0	722.8	710.1	957.5
Investment management costs	333.8	88.0	80.0	0.0
Total cost of generating funds	3,257.3	2,496.6	2,729.0	2,391.1
Total grants	3,812.1	3,511.5	3,988.0	3,774.9
Charitable activities	21,061.3	18,121.3	17,520.2	14,513.4
Management and administration	999.7	1,552.9	1,801.6	1,770.5
Total current expenditure	29,130.4	25,682.3	26,038.8	22,450.1

Source: NCVO, GuideStar UK

‘Expenditure on the management of investments has increased rapidly this year, jumping almost 300% to £334 million’

Footnotes

¹ All the outgoings of a charity in the financial year, excluding purchases of fixed assets and investments.

Individual Giving¹

6.1 EXECUTIVE SUMMARY

2006/07 saw a fall in the percentage² of donors who gave to charity and a fall in the estimated annual amount^{3,4} of money given to charity in comparison with the previous year. Apart from religious charitable causes, which witnessed an increase in donors, all other causes saw a decrease or similar proportions of donors compared with the previous year. Men, those aged 25–44 years and those in routine and manual occupations gave significantly less in 2006/07 than in the previous year. Groups most likely to donate were women, particularly married women, those who are middle-aged (45–64 years), in professional or managerial work, and the wealthiest quarter of the survey population.

Direct debited donations increased, as did levels of money given by regular methods more generally. These donations are often gift aided which are positive signs for charities, particularly as evidence presented here shows that direct debits and cash/cheque payments raise more money than the currently more popular method of cash-giving. Gender differences in giving to particular causes, disproportionate levels of giving among 'high-level' donors to religious causes, and the insights given into how giving to causes clusters together, present new challenges for future research into charitable giving.

'medical research remains the cause that attracted the greatest number of donors and the greatest amount of income'

6.2 ANALYSIS

Understanding the complexity of patterns of giving in the UK is at an early stage, although *UK Giving 2007* has made a start on unravelling this complexity by providing analyses beyond simple patterns of who gives, how much do they give, and to what causes⁵. The summaries presented here focus on three specific areas of interest from *UK Giving 2007* where deeper level analyses⁶ have shown interesting patterns. These are gender patterning, how causes cluster together and regular giving. These more detailed analyses provide finer-grained evidence which should support charities, policymakers, the public and researchers concerned with charitable giving in the UK.

6.2.1 Gender and giving

In 2006/07 59% of women gave to charity compared with 48% of men. Following merging of three years' data⁷, this gender pattern remains (50% of males and 60% of females gave to charity from 2004/05–2006/07). What is interesting though is that while women are more likely to be donors, when men give, they give more than women on average. But even this needs to be qualified as the analysis of Piper and Schnepf reveals. As Table 6.1 shows it is only a small minority of men who give more than women, but it is the giving habits of this small minority which affect the higher mean for men. On the other hand, as fewer men than women give, women give more per head of population than men.

Table 6.1

Core data, by gender, 2004/05–2006/07

	% giving	Amount given per donor £				Amount given per head population £
		Median	75th percentile	90th percentile	Mean	
Men	49.6	10.00	25.00	65.00	29.62	14.70
Women	59.8	10.00	25.00	58.00	25.90	15.48

Source: *UK Giving 2007*, NCVO and CAF

6.2.2 Marital/cohabiting status

Gender differences also vary depending on whether people are married/cohabiting or single. Piper and Schnepf in *UK Giving 2007* show that both married and single women are more likely to give than men, and marriage/cohabitation among both genders is associated with a greater likelihood of giving as Table 6.2 reveals. Married women are those who are most likely to give to charity.

The distribution of giving amounts also shows substantial differences depending on gender and marital/cohabitation status. Although the mean amounts for men and women are closer in value for single people than for married people, it is among single people that a greater difference in overall distributions of giving amounts is found. Up to the 90th percentile of the respective distributions, single women gave more than single men. It is only when the 10% of female and male single donors who give most are compared that men appear more generous. Among married/cohabiting people, the turning point of gender differences arises much earlier, at around the 75th percentile.

6.2.3 Other background factors

Further analyses were carried out to investigate the extent to which giving behaviour varied with age, income and other demographic factors, all of which were considered likely to interact with gender in their impact on charitable giving. It was found that the likelihood

of giving varies with age, and that this variation depends upon both gender and marital status.

A percentile is the value of a variable below which a certain percent of observations fall. For example, an amount of £60 given at the 90th percentile means that 90% of people give £60 or below and 10% of people give more. The advantage of percentile values is that a few very high amounts do not distort the results.

Using logistic regression for the likelihood to give each month, the results were similar for single people and married people. Women were more likely than men to give something each month, regardless of their marital status as well as of background factors such as age and income. However, in the analysis of the amounts given, the results were very different depending on marital status: among single people, female donors tended to have given more money than male donors. For married people, when comparing like with like (by controlling for background factors), 'lower-level' female donors tended to have given more than 'lower-level' male donors⁸. But for higher-level donors, there was no significant difference between male and female donors.

Charitable giving and public support

Public support is vital to all charities, no matter whether big or small. In the UK, donations from the general public account for approximately one third of even the largest charities' income. But, as recent research by CAF and NCVO shows, giving by individual donors is not growing in real terms. So, what needs to be done?

I believe that protecting the relationship between charities and the general public is becoming increasingly important. There is an urgent need for the sector to redouble its focus on retaining the public's trust, by demonstrating impact and accountability in everything we do.

Most donors have complex reasons for giving, which stem from very personal

motivations. The sector needs to understand the increasingly sophisticated values and motivations of the modern donor; including the wave of self-made wealthy 'new philanthropists', in order to provide the support and information they need. Alongside building trust, there remain infinite opportunities to inspire donors through innovation, and by embracing the opportunities created by new technologies.

Finally, it is vital that the sector and Government work together to protect incentives to giving, such as Gift Aid. Whilst we do not know for certain the extent to which Gift Aid has influenced people to give for the first time, we do know that it has substantially increased the overall size of the funding pie. I maintain we have

further to go in terms of unleashing the potential of giving through such valuable and efficient tax breaks to ensure that donors and charities can overcome both the real and perceived barriers to modern philanthropy.

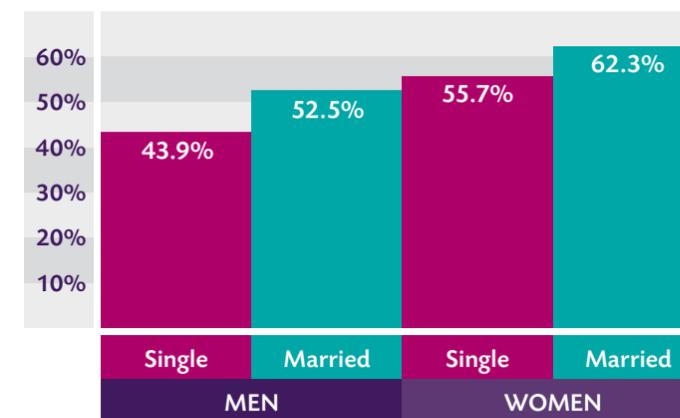


Dr John Low
CEO
Charities Aid Foundation

'...59% of women gave to charity compared with 48% of men.'

Figure 6.2

Percent of donors, by gender and marital status, 2004/05–2006/07



Source: *UK Giving 2007*, NCVO and CAF

6.2 ANALYSIS cont.

6.2.4 How giving to different causes clusters together⁹

The The NCVO/CAF Individual Giving Survey (IGS) produces annual data on the causes to which the public donates. In 2006/07, latest results of the IGS in UK Giving 2007 revealed that medical research remains the cause that attracted the greatest number of donors and the greatest amount of income. *UK Giving 2007* also revealed that the number of donors giving to religious causes had increased while proportions of donors giving to all other causes had decreased or stayed the same. ‘High-level’ donors, defined as those giving £100 or more in the previous four weeks, were found to contribute disproportionately more to religious causes.

This year for the first time, results from merging three-year data from the IGS showed what percentage of people gave to a number of different causes but also identified what causes ‘cluster’ together. In a special report on this issue, Micklewright and Schnepf presented analyses which showed that 50% of people give to only one cause (and therefore 50% give to two or more causes). The authors also revealed that people making donations to one of the half dozen most popular causes and who also gave to other causes, typically chose one or more of the other popular causes to support as well. In this sense, giving to the big causes tends to cluster together. The authors also examined the strength of association between giving to causes. They found in particular that two causes – overseas and religious – cluster together more strongly than average. On the other hand, giving to overseas and to medical research clusters less strongly than average.

One implication of these findings for fundraisers is that a charity is always better off approaching other charities’ donors than it is approaching the population as a whole, which has implications for fundraisers. If you know someone is giving to any one particular cause, there is a higher probability that this person also gives to another particular cause than for a randomly selected person from the population. The evidence of strong associations between giving to particular causes, also may aid fundraising efforts in relation to associated causes.

6.2.5 Methods of giving

The Individual Giving Survey analyses data on how people give to charity defined by a range of methods (cash, direct debit, membership fees, payroll giving, etc) and assesses whether such methods are ‘regular’ or spontaneous¹⁰. Increases in regular methods of giving is perceived as good news for charities as these imply an ongoing commitment from donors and particularly if using direct debit, result in larger amounts being given than for example through cash-giving. There is evidence of a slight increase in direct debited donations, and increased levels of money given by regular methods more generally (up 7% in the past three years), which are often gift aided. These are positive signs for charities upon which they may be able to capitalise.

Giving by cash, however, still remains the most commonly used method as Figure 6.3 below indicates. While 48% of donors gave through cash means, 29% gave using direct debits. However, direct debits were responsible for raising 24% of the total donated compared with 18% of the total raised by cash. While card/cheques were also used by 17% fewer donors than direct debits, cards/cheques raised almost as much money as direct debits.

6.2.6 Methods and tax-efficient giving

Within the voluntary sector there has been increased effort to maximise the potential of two of the main mechanisms for tax-efficient giving, gift aid and payroll giving.

The tax authorities reported an increase in gift aid uptake of 16.9% between 2004/05 and 2005/06. Payroll giving, which allows employees to donate directly and tax-efficiently from their gross salary, also saw a 39% increase between 2005/06 and 2006/07 in the number of employers supporting this scheme. Despite these positive developments, the results of the IGS, reported in *UK Giving 2007*, indicate that there is still a long way for the public to go in using more tax-efficient methods of giving to charity.

UK Giving 2007 shows that only 3% donors used payroll giving. Other evidence from the IGS shows while 70% donations of £100 and over were gift aided in 2006/07, this was much less likely to be the case with smaller donations, showing little change from previous years of the survey. Clearly some methods such as direct debit and card/cheque giving are more easily converted to gift aid. The method that dominated the use of gift aid in 2006/07 was direct debit: two thirds of these donations were converted to gift aid compared with one third of cash donations.

What seems clear is that despite increases in employers’ support of payroll giving, a very small proportion of the public donate to charity in this way, and in spite of the gains to be made through the use of direct debit in terms of amounts donated and the greater use of gift aid associated with direct debit, less than one third of donors actually used this method of giving. The extent to which cards/cheques are highly lucrative means for charities to gain donations might suggest that charities also focus on this method of

giving and that the IGS or other surveys of giving might explore the extent to which the use of cards/cheques is linked to newer technologies of giving, most notably the internet.

6.2.7 Conclusion

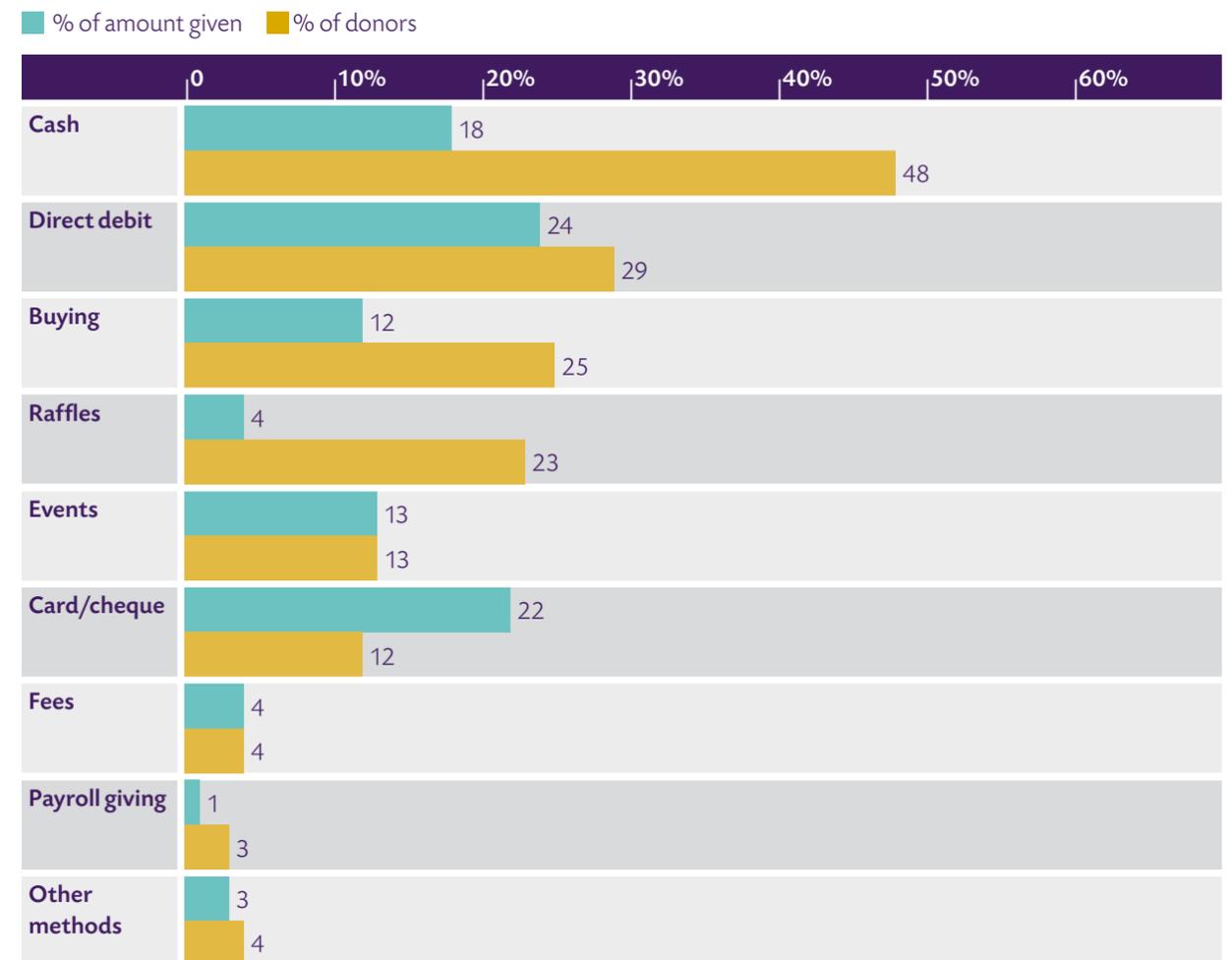
The findings presented here in this year’s *UK Giving* present challenges for the year ahead for charities, policymakers, researchers and the public seeking to understand current patterns of individual

giving in the UK. While the picture is mixed – decreased levels of giving – increased amounts of donations gained through regular methods – this research provides the most up-to-date profile of charitable giving in the UK and is an essential springboard for future policy and practice in relation to the funding of civil society organisations.

‘...marriage/cohabitation among both genders is associated with a greater likelihood of giving..’

Figure 6.3

Methods of giving by percentage of donors and of total amount given, 2006/07



Source: *UK Giving 2007*, NCVO and CAF

6.3 DATA SUMMARY

Table 6.4

Changing giving patterns, by socio-economic and demographic group

	Proportion giving to charity (%)		
	2004/05	2005/06	2006/07
Gender¹¹			
Men	52	53	48
Women	62	60	59
Age group in years			
16–24	44	43	41
25–44	58	62	56
45–64	57	60	59
65+	51	53	52
Occupational classification¹²			
Managerial and professional	64	67	66
Intermediate	56	58	55
Routine and manual	49	50	47
Income quartile			
Lower quartile	51	51	52
Second quartile	55	57	51
Third quartile	56	62	58
Upper quartile	61	65	65

Source: UK Giving 2007, NCVO and CAF

Table 6.5

Average donations during last four weeks, 2004/05–2006/07

	2004/05	2005/06 ¹³	2006/07
Median amount per donor	£10	£10	£10
Mean amount per donor	£25	£28	£29
Mean amount per person	£14	£16	£16

Source: UK Giving 2007, NCVO and CAF

Table 6.6

Trends in the percentage of donors giving, by method, 2004/05–2006/07

Method	2004/05 (%)	2005/06 (%)	2006/07 (%)
Cash	43	50	48
Direct debit	26	26	29
Buying	31	27	25
Raffles	28	27	23
Events	13	13	13
Card/cheque	13	14	12
Fees	5	5	4
Payroll giving	4	4	3
Other methods	5	1	4

Table 6.7

Preferences for causes by percentage giving, gender and median amount per donor, 2004/05–2006/07

	% giving			Median amount per donor rounded to full pounds, £	
	Men	Women	Ratio	Men	Women
Animal	5.7	9.7	1.7	5	5
Education	3.4	5.3	1.6	6	5
Elderly	3.1	4.6	1.5	5	5
Hospitals/hospices	11.0	15.7	1.4	5	5
Children/young people	11.3	16.1	1.4	5	5
Medical research	17.0	23.7	1.4	5	5
Overseas	8.3	11.1	1.3	10	7
Homeless	4.3	5.6	1.3	4	3
Health	3.2	4.1	1.3	5	5
Disabled	6.0	7.5	1.3	5	5
Environment	2.5	2.9	1.2	7	5
Religious	6.5	7.4	1.1	15	12
Arts	0.5	0.5	1.0	24	5
Sports	7.3	6.3	0.9	11	4
Other	2.2	1.2	0.5	22	5

Source: UK Giving 2007, NCVO and CAF

Table 6.8

The number of causes that donors give to, 2004/05–2006/07

Number of causes	% of donors
1	50
2	26
3	13
4	6
5	3
6+	2
Total	100

Source: UK Giving 2007, NCVO and CAF

‘The tax authorities reported an increase in gift aid uptake of 16.9% between 2004/05 and 2005/06.’

6.3 DATA SUMMARY cont.

Table 6.10

The most popular other causes to give to for donors to major causes, 2004/05–2006/07

Medical research [37%]	Children [25%]	Hospitals [24%]
1. Hospitals (25%)	1. Medical research (33%)	1. Medical research (39%)
2. Children (22%)	2. Hospitals (23%)	2. Children (24%)
3. Overseas (15%)	3. Overseas (18%)	3. Overseas (16%)
4. Animals (14%)	4. Animal (14%)	4. Disabled (15%)
5. Disabled (12%)	5. Disabled (14%)	5. Animals (15%)
6. Religious (9%)	6. Homeless (12%)	6. Religious (11%)
Overseas [19 %]	Animals [14%]	Religious [13%]
1. Medical research (31%)	1. Medical research (36%)	1. Overseas (27%)
2. Children (26%)	2. Hospitals(26%)	2. Medical research (25%)
3. Hospitals (22%)	3. Children (26%)	3. Children (23%)
4. Religious (19%)	4. Overseas (18%)	4. Hospitals (21%)
5. Homeless (14%)	5. Disabled (16%)	5. Education (12%)
6. Animal (14%)	6. Homeless (12%)	6. Homeless (11%)

Source: UK Giving 2007, NCVO and CAF

Note: The table focuses on the six most popular causes. For each of these six, the table shows the percentage of donors to that cause who also give to the causes listed, which in each case are the six most popular other causes for the donors concerned. When summed, the percentages for any cause may exceed 100% because people can give to several causes.

Chapter 7

Workforce

Footnotes

¹This chapter summarises selected findings from NCVO/CAF UK Giving 2007: Results of the 2006/07 Individual Giving Survey on charitable giving with special reports on gender and causes. Tables and figures reproduced here are with the permission of NCVO/CAF.

²There was also a 3% drop in the proportion of donors in 2006/07 compared with the previous year (from 57% to 54%).

³In 2006/07 it is estimated that £9.5 billion was given by individuals to charity. This was 3% less than in the previous year, when inflation is taken into account. It is larger than the amounts recorded in chapter 4 as people give to causes beyond the General Charities definition.

⁴There has been little difference in mean and median amounts given over the past month from year to year: in 2006/07, mean and median amounts given by all donors were £29 and £10 respectively in the past four weeks.

⁵Details of the methodology used in the Individual Giving Survey are given in the appendices of the UK Giving 2007 report.

⁶Piper and Schnepf, and Micklewright and Schnepf, who respectively authored the special reports on gender and causes, used merged datasets for their analyses covering the financial years from 2004/05 to 2006/07. Piper and Schnepf also used logistic regression to control for the effects of a range of variables.

⁷From a special report in UK Giving 2007 written by G Piper and S V Schnepf, entitled, *Gender and Giving*. This special report summarises results from Piper and Schnepf (forthcoming) *Gender differences in charitable giving*, Southampton Statistical Sciences Research Institute (S3RI) working paper.

⁸'Lower-level' donors refer to those donors giving amounts less than the median, £10.

⁹This is a summary of some findings from the special report of the same name by J Micklewright and S V Schnepf in UK Giving 2007 and more general findings on causes.

¹⁰Regular giving is defined as donations made by direct debit, payroll giving and membership fees. Spontaneous giving is defined as donations made by cash, raffles, buying goods, events and card/cheque.

¹¹Women and men refer to respondents aged 16 years and over.

¹²These occupational classifications are National Standard Socio-economic Classifications (NS-SeC) defined by ONS.

¹³Figures have been recalculated to improve on methodology used in last year's report

7.1 EXECUTIVE SUMMARY

The voluntary sector's workforce has greatly increased

The UK voluntary sector workforce employed 611,000 paid employees in 2005, increasing from 483,000 employees in 1996. This is an increase of 128,000 employees (26%) in ten years. There appears to be no sign of this expansion slowing down, particularly in light of the sector's expanding role in public service delivery. This growth provides further opportunities for people to work within the voluntary sector and affirms the sector as a key part of the UK labour market.

Voluntary sector employees are highly qualified and work mainly in professional occupations

One-third of voluntary sector employees (33%) have a degree level qualification or higher and two out of three voluntary sector employees (67%) have a qualification at 'A' level or beyond. Over half of voluntary sector workers (55%) are employed in 'professional', 'associate professional and technical' and 'managerial and senior official' occupations. This professionalisation of the voluntary sector increases the attractiveness of the sector as a career choice.

Voluntary sector employees are concentrated in small workplaces

One-third of voluntary sector workers (32%) are employed in workplaces with less than ten employees. This is vastly different to both the private sector (25%) and the public sector (8%). Due to this it makes the task of providing support such as training and development much more difficult for voluntary sector employers.

'There are 236,000 part-time employees and 375,000 full-time employees in the UK voluntary sector'

Figure 7.1
Total UK voluntary sector workforce, 1996–2005 (headcount/FTEs)



Source: Labour Force Survey Base: All people aged 16 and over

7.2 ANALYSIS

7.2.1 Introduction

This chapter illustrates the size and characteristics of the UK voluntary sector's paid workforce. The majority of data in this chapter are based on the UK Labour Force Survey (LFS) for 2005; these data therefore do not relate to the general charities definition. Further information on the UK voluntary sector workforce, including a ten-year trend analysis of key characteristics such as employment status, diversity and industrial and occupational groupings, can be found in the *UK Voluntary Sector Workforce Almanac 2007*. At present, the LFS is the most comprehensive UK-wide survey of employment that can be analysed by sector (voluntary, private and public). The methodology used for this analysis is presented in Appendix 1.

7.2.2 The voluntary sector's workforce has greatly increased

The LFS estimates that 611,000 people were employed in the UK voluntary sector in 2005. The voluntary sector now employs 1 in 50 of the total UK workforce, accounting for 2.2% of all UK employees.

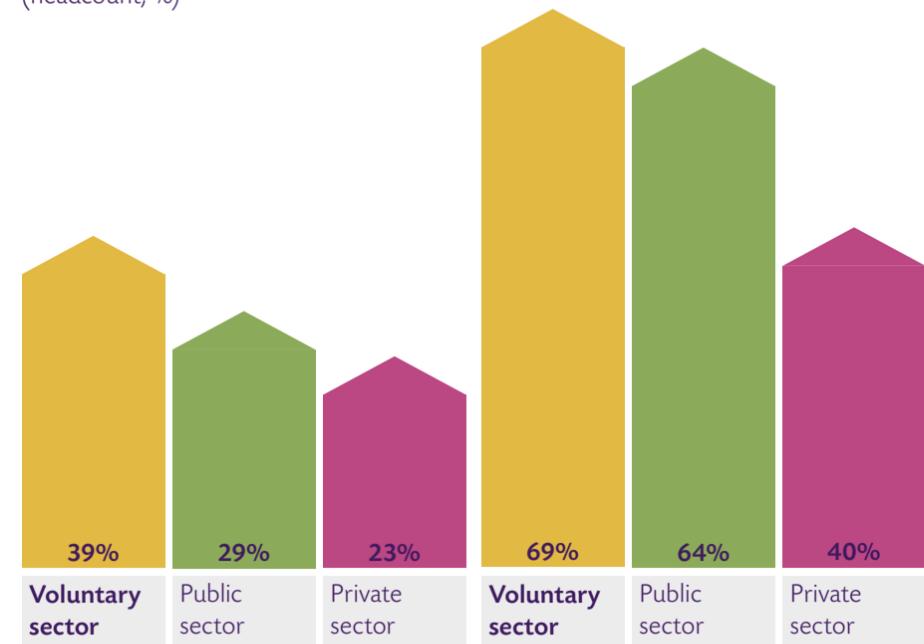
Between 1996 and 2005 the voluntary sector workforce has experienced a much higher rate of increase (26%) than the private sector (11%) and the public sector (14%) (figure 7.1). There appears to be no sign of this expansion slowing down, particularly as the voluntary sector's role in the delivery of public services expands. This growth in the sector provides further opportunities for people to work within the voluntary sector and affirms the sector as a key part of the UK labour market.

Total employment can also be expressed as full-time equivalents (FTEs¹), a more accurate indicator of workforce capacity. The voluntary sector now employs an estimated 486,000 FTE paid staff. This is an increase of approximately 71,000 since 2000 (17%).

7.2.3 Part-time work is a significant part of voluntary sector employment

There are 236,000 part-time employees and 375,000 full-time employees in the UK voluntary sector. As figure 7.2 shows, part-time employment is much higher in the voluntary sector than in both the public and private sectors. Between 1996 and 2005 the number of voluntary sector employees working full-time grew by 72,000, an increase of 24%. Part-time working increased by 60,000 employees, an increase of 34%.

Figure 7.2
Voluntary, public and private sector part-time employment, 2005 (headcount, %)



Source: Labour Force Survey

7.2 ANALYSIS cont.

The large number of part-time workers is a significant feature of the voluntary sector workforce. Part-time working has implications for the management of human resources both in terms of organisational and individual development. Effective information and knowledge management systems should be implemented and sufficient working arrangements, resources and guidance in place to facilitate this.

7.2.4 Most of the voluntary sector workforce is female

The number of women in the voluntary sector has seen a continual steady increase between 1996 and 2005. However the proportion of the voluntary sector workforce that is female has remained relatively static. The proportion of females who work part-time has fluctuated but has also remained basically unchanged.

The high proportion of women in the voluntary sector has implications for the sector's employment policies and practices, such as maternity leave, part-time working and flexible working practices. New technologies have enabled more people to work flexibly and from home. This presents many opportunities for voluntary sector organisations that are able to think strategically about how these new working practices can work for them.

The proportion of males working part-time in the voluntary sector increased from 17% in 1996 to 21% in 2005.

The growth in the proportion of men who work part-time in the voluntary sector could reflect the growing number who view the sector as providing an alternative career path and wish to take up the sector's flexible working practices. The situation is very different for women working in the voluntary sector, with almost one in two women working part-time. In 2005, an estimated 197,000 women employed in the voluntary sector were working part time (46%) while 227,000 were employed full-time (54%).

7.2.5 Voluntary sector employees are highly qualified and mainly work in professional occupations

Table 7.10 shows an analysis of occupations within the voluntary sector using the nine major categories in the Standard Occupational Classification (SOC). These findings show the increasing professionalisation of the voluntary sector. Over half of voluntary sector workers (55%) work in 'professional', 'associate professional and technical' or 'managerial and senior official' occupations.

One-third of voluntary sector employees (33%) have a degree-level qualification. Two out of three voluntary sector employees (67%) have an 'A' level qualification or higher². The voluntary sector employee profile of qualifications is very similar to that of the public sector. In the private sector half the employees (50%) have an 'A' level qualification or higher and around one in six (16%) have a degree or equivalent qualification.

Between 1996 and 2005, the voluntary sector has had a higher percentage of employees with degrees than both the public and the private sectors. In the voluntary sector between 1996 and 2005, the number of employees with a degree rose from 132,000 to 188,000, an increase of 43%. This demonstrates that there has been a professionalisation of the voluntary sector. Employees are now highly qualified and see a career path within the sector.

7.2.6 Huge expansion in voluntary sector workers employed in social work activities

Analysis of the voluntary sector workforce using the 1992 Standard Industrial Classification (SIC(92)) helps to identify the relative economic weight of the voluntary sector's constituent activities. The SIC was designed to disaggregate industrial activities and so is not ideal when exploring the workforce of the voluntary sector. It does however provide an indication of the changing boundaries between the sectors.

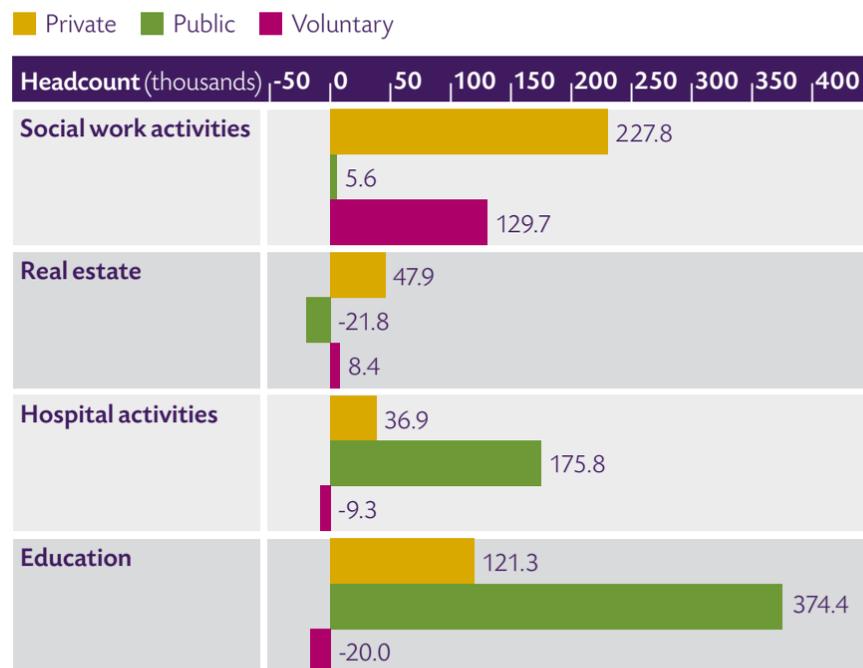
In 2005, more than half of the voluntary sector workforce (54%) was employed in social work activities. Between 1996 and 2005 there has been a huge rise in the number of voluntary sector workers employed in 'social work activities without accommodation'³, from 149,000 employees in 1996 to 277,000 in 2005, an increase of 86%. This substantial increase may in part be explained by the transfer of social care activities from the public sector. Over the same period the number of employees in social work activities without accommodation in the public sector only increased by 52,000.

Figure 7.4 shows that employment in real estate (housing) is following a similar pattern. Between 1996 and 2005 jobs in housing in the private sector and to a lesser extent the voluntary sector have increased, while in the public sector such jobs have decreased. This is likely to reflect the continuing transfer of housing provision from local authorities. In total there are 54,000 voluntary sector employees working in this area in the voluntary sector. The ten industrial categories employing the highest number of voluntary sector employees have remained the same between 1996 and 2005.

'In 2005, more than half of the voluntary sector workforce (54%) was employed in social work activities.'

'One-third of voluntary sector employees (33%) have a degree-level qualification'

Figure 7.4 Change in paid workforce by industry and sector, 1996–2005 (headcount)



Source: Labour Force Survey. Base: All people aged 16 and over

7.2 ANALYSIS cont.

7.2.7 Voluntary sector employees are concentrated in small workplaces⁴

More than half (54%) of voluntary sector employees – 321,000 – work in workplaces of fewer than 25 people, and many in workplaces smaller than this (figure 7.5). This is much higher than in the private and public sectors (42% and 19% respectively). Conversely it is the public sector, followed by the private and then the voluntary sector that has most employees in the largest workplaces (figure 7.6).

These findings have real implications for voluntary sector employment policy and practice. With most voluntary sector employees located in small workplaces, the task of providing support such as training and development becomes incredibly difficult. Small workplaces are less likely to provide internal training courses and have less capacity for peer support. Small workplaces are also less likely to have central services departments, such as human resources (HR), on site or in many cases have an HR department at all.

Figure 7.5 Voluntary, private and public sector employment in workplaces with fewer than 10 employees, 2005 (headcount, %)

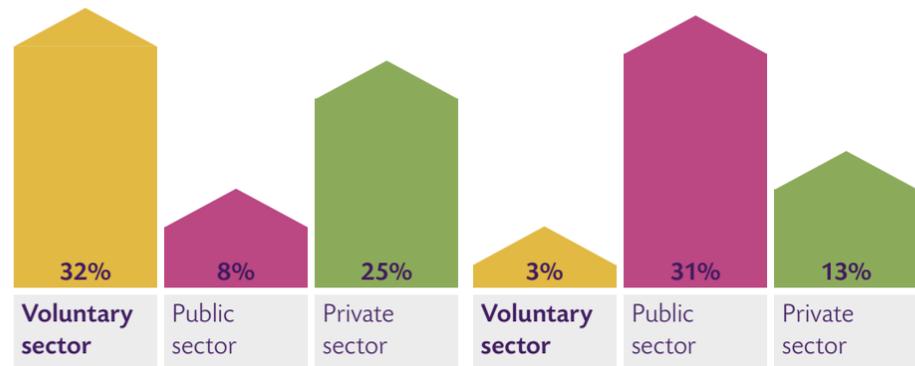


Figure 7.6 Voluntary, private and public sector employment in workplaces with more than 500 employees, 2005 (headcount, %)

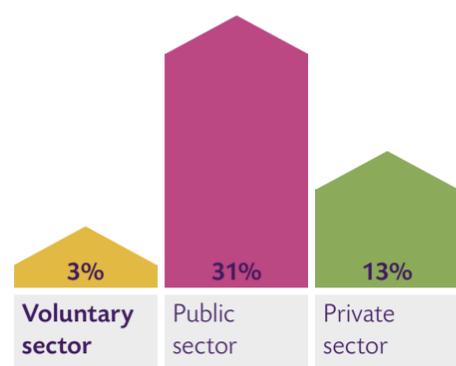
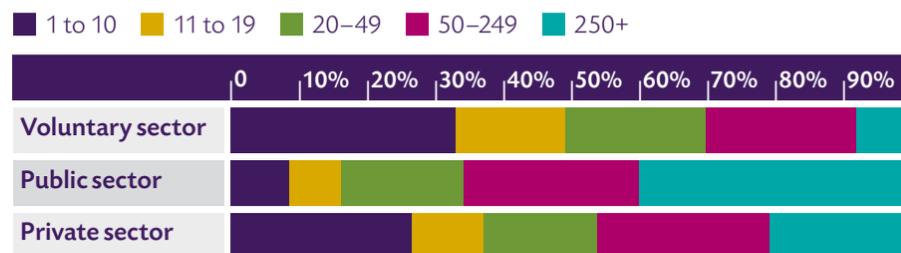


Figure 7.7 Voluntary, private and public sector employees by workplace size, 2005



Source: Labour Force Survey
Base: All people aged 16 and over

7.3 DATA SUMMARY

Total workforce figures also include those employees who did not place themselves within a particular sector category.

Table 7.8 Total UK workforce by sector, 1996–2005 (headcount, thousands)

	1996	1999	2002	2005
Voluntary sector	483	544	567	611
Public sector	6,135	6,112	6,441	6,978
Private sector	18,517	19,680	20,218	20,536
Total workforce	25,141	26,339	27,231	28,130

Source: Labour Force Survey. Base: All people aged 16 and over

Table 7.9 Total UK workforce by sector, 1996–2005 (FTEs, thousands)

	1996	1999	2002	2005
Voluntary sector	380	426	461	486
Public sector	5,152	5,103	5,391	5,876
Private sector	16,000	16,983	17,379	17,654
Total workforce	21,731	22,590	23,311	24,104

Source: Labour Force Survey. Base: All people aged 16 and over

Table 7.10 Voluntary sector occupations, 2002–2005 (headcount, thousands)

	2002	2003	2004	2005
Associate professional and technical	123	136	138	143
Personal service occupations	105	114	119	118
Managers and senior officials	103	94	96	117
Administrative and secretarial	92	90	93	91
Professional occupations	76	74	79	78
Elementary occupations	34	33	33	32
Skilled trades occupations	19	18	16	12
Sales and customer service occupations	10	12	13	12
Process, plant and machine operatives	5	7	7	6
Total workforce	567	577	593	611

Source: Labour Force Survey. Base: All people aged 16 and over

7.3 DATA SUMMARY cont.

Table 7.11

Top ten voluntary sector industries, 1996–2005 (headcount, thousands)

	1996	1999	2002	2005
Social work activities without accommodation	149	202	236	277
Social work activities with accommodation	53	55	54	54
Development/sale of real estate (housing)	25	31	28	34
Religious organisations	38	38	33	32
Hospital activities	36	32	25	26
General secondary education, private, non-maintained	32	34	24	17
Other membership organisations	23	15	16	16
Museum activities	8	14	11	15
Primary education, private, non-maintained	17	14	12	13
Adult, other education	8	9	12	10
Total	483	544	567	611

Source: Labour Force Survey. Base: All people aged 16 and over

Table 7.12

Workplace size by sector, 2005 (headcount, thousands)

Number of employees in workplace	Voluntary sector	Public sector	Private sector
1–10	189	526	4,363
11–19	86	401	1,710
20–24	33	260	808
Don't know but under 25	13	96	422
25–49	96	1,002	2,239
50–249	121	1,691	3,879
250–499	26	503	1,333
Don't know but between 50 and 499	11	247	606
500 or more	20	2,116	2,197
Total	611	6,978	20,536

Source: Labour Force Survey. Base: All people aged 16 and over

Table 7.13

Gender of voluntary sector employees by employment status, 1996–2005 (headcount, thousands)

	1996	1999	2002	2005
Female overall	336	364	384	424
Female FT	183	187	217	227
Female PT	151	177	167	197
Male overall	147	180	183	187
Male FT	120	147	150	148
Male PT	24	33	32	39

Source: Labour Force Survey. Base: All people aged 16 and over

Table 7.14

Voluntary sector employees by highest qualification level, 1996–2005 (headcount, thousands)

	1996	1999	2002	2005
Degree or equivalent	132	156	175	188
Higher education	61	78	77	74
GCE A Level or equivalent	79	92	109	114
GCSE grades A–C or equivalent	84	104	109	110
No qualification	56	42	37	27
Total	483	544	567	611

Source: Labour Force Survey. Base: All people aged 16 and over

Footnotes

¹ The FTE (full-time equivalent) measure reflects the paid human resource available by converting hours worked by part-time staff into the equivalent number of full-time staff.

² Between 1996 and 2005 the types of qualification which are grouped under each heading have changed, as new qualifications have been added and the question wording altered. Therefore caution should be taken when comparing the broad qualification headings for each year. Further information can be found on the Office for National Statistics Website at http://www.statistics.gov.uk/downloads/theme_labour/LFSUG_Vol3.pdf.

³ 'Social work activities without accommodation' refers to a wide-range of non-residential social care activities.

⁴ The size of the workplace refers to the total number of employees at the respondents workplace.

Volunteers and Trustees

8.1 EXECUTIVE SUMMARY

Formal volunteering is increasing
44% of the population formally volunteered at least once a year in 2005 compared to 39% in 2001. An estimated 1 million full-time workers would be needed to replace these volunteers at a cost of over £27 billion, highlighting the importance of ensuring that there is an environment which supports people in their wish to volunteer.

Eight in ten people who formally volunteer volunteer in the voluntary and community sector, demonstrating the significance of the sector as a channel through which people can engage with their community and contribute to its development.

Raising and handling money is by far the most common activity for volunteers, an activity engaged in by two-thirds of volunteers. However organising or running an event and being a committee member have both fallen in popularity. This suggests that people are still willing to undertake volunteering as participants but are less willing as organisers.

Six in ten volunteers volunteer in more than one organisation and over a third volunteer in three or more organisations. This suggests that organisations need to be aware of the demand for volunteers time and the risk of volunteer burnout.

‘...there are currently more than 1 million charity trustee positions vacant in England and Wales.’

Figure 8.1
Formal volunteering in 2001–2005 (%)



Source: Table 2, Citizenship Survey 2005 (DCLG)

8.2 ANALYSIS

8.2.1 Introduction

Although the size of the voluntary sector's paid workforce is increasing, voluntary and community organisations still rely on the contribution of volunteers even if, for some organisations, this may only be in the form of trustees. Over recent years government has developed a range of policies and initiatives to encourage volunteering. Perhaps as a consequence of this, formal volunteering¹, which takes place within a formalised context, for example in a charity or a community group, has increased since 2001 (figure 8.1).

Overall the number of people volunteering formally in England is estimated at 17.9 million (once a year)

and 11.6 million (once a month) in 2005. If the proportions in the *Citizenship Survey* are applied to the whole of the UK adult population, these estimates would increase to 21.4 million (once a year) and 14.1 million (once a month) formal volunteers. The 17.9 million people who volunteered formally at least once a year gave, on average, the equivalent of 108 hours each.

As figure 8.2 shows, the benefit to the UK economy of volunteering is £27.5 billion, almost as much as total income to the Voluntary and Community Sector as a whole. This highlights the importance of supporting volunteers as a significant economic contributor to the UK, on top

of the vital community and citizen benefits that volunteering bring.

Despite the patterns of involvement emerging from the *Citizenship Survey*, the propensity to volunteer does not depend exclusively on socio-demographic factors. Understanding how someone comes to volunteer is complex. Their 'decision' to volunteer is linked to a range of factors, namely external factors that trigger volunteering and internal factors (i.e. people's predisposition to volunteer including influences of upbringing, social background and ideas of community)³.

Figure 8.2
The value of volunteering in the UK (2005)



Based on the national average wage 2005. Estimates take no account of the costs of volunteer development or management

Source: DCLG (*Citizenship Survey*), Cabinet Office (*Helping Out*)

WHO VOLUNTEERS?

The most recent edition of the *Citizenship Survey*², looking at volunteering once a month, found that women volunteered more than men (31% compared with 27%).



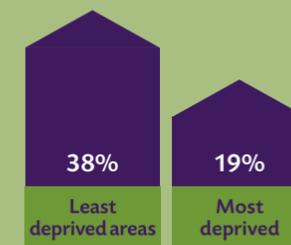
Those most likely to formally volunteer were 16 to 19-year-olds and 35 to 49-year-olds, with nearly one-third (32%) formally volunteering at least once a month.



People who do not have any qualifications are only half as likely as people with qualifications to participate in formal volunteering at least once a month (16% compared with 34%).



People living in more affluent areas are more likely to formally volunteer. In the least deprived areas people are twice as likely to volunteer once a month than people living in the most deprived areas (38% compared to 19%).



Regular participation in formal volunteering is highest among mixed race people (34%), Black people (30%) and White people (29%).



People who actively practise a religion are more likely than others to volunteer. This is particularly true for White people, with 43% of those who practise a religion volunteering at least once a month compared with 24% of those who do not.



'the benefit to the UK economy of volunteering is £27.5 billion'

8.2 ANALYSIS cont.

8.2.2 What volunteering is most likely to involve

The great majority of people who participate in formal voluntary activities at least once a month volunteer in the voluntary and community sector (82%). However quite a significant proportion volunteer in the public sector (28%) and more surprisingly in the private sector (14%), most likely in the form of internships. In the future, recruiting volunteers may become more difficult because of increasing competition from the public sector with the growing emphasis on user involvement and local governance. There are already almost 100 different volunteering roles across the NHS and an estimated 200,000 volunteers working in NHS Trusts across England⁴.

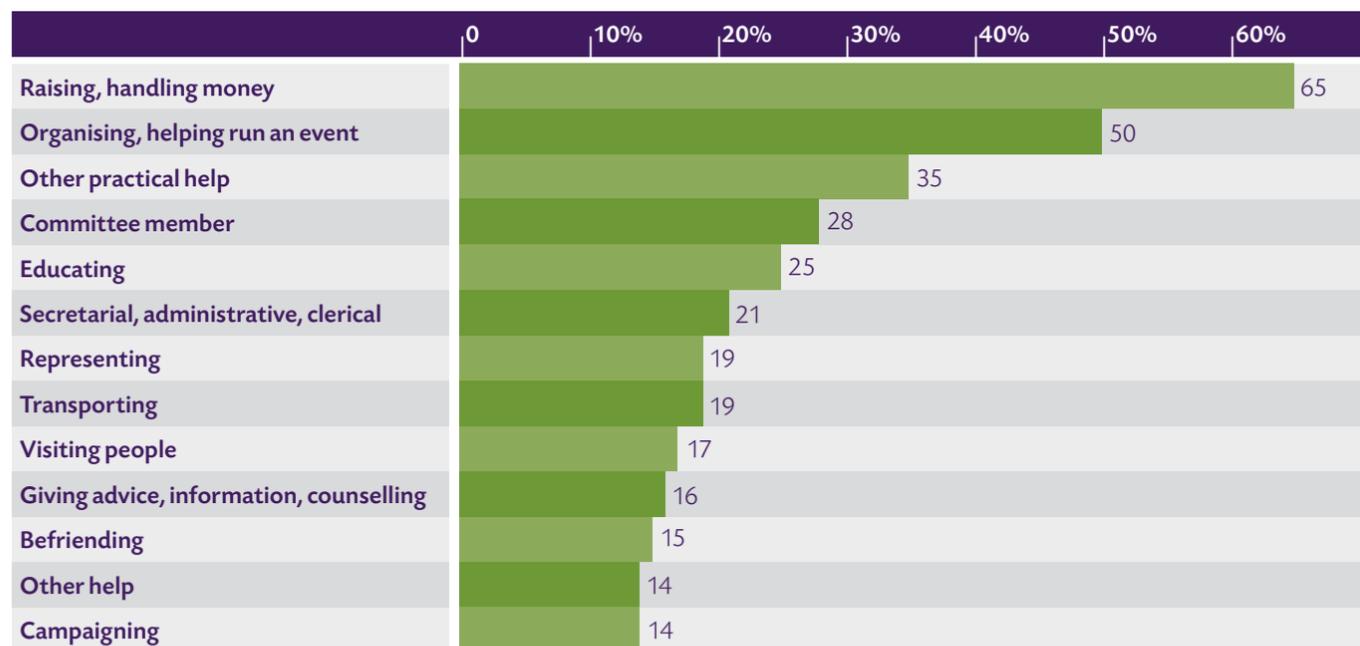
More detailed information in the recently published report *Helping Out*⁵ show that volunteers most often volunteer in organisations that are active in the following fields: education (31%), followed by religion (24%) and then sports and exercise on par with health and disability (22%).

Of the range of activities volunteers can do, raising and handling money appears by far to be the most common (65%), followed by organising and helping to run events (50%). Over a quarter of current volunteers are committee members (28%) (figure 8.3).

The comparison with data from the 1997 *National Survey of Volunteering*⁶ shows that fundraising has stayed practically at the same level in the last ten years, however organising and running an event and more significantly being a committee member

have both dropped. Even though being a committee membership remains the third most common volunteering activity, the recruitment of committee members and trustees is a concern for many organisations and for the sector as a whole, particularly in terms of diversity. As in other studies, the *Helping Out* report confirms that white people and people from higher and lower management are those most likely to be committee members. Although the Charity Commission holds the details of over 900,000 trustees for registered charities, there is significant overlap between charities and it is estimated that there are currently more than 1 million charity trustee positions vacant in England and Wales. This discrepancy stresses the recruitment need in boards across the sector, a long standing problem for the sector.

Figure 8.3 Types of volunteering activity (Current Volunteers, %)



Source: Table 4.9, *Helping Out* (Cabinet Office)

Volunteers are the lifeblood of the Third Sector. Volunteering is high on the political agenda and has support from all political parties. The Government is a great supporter of volunteering and investment is at an all time high. For this reason the Prime Minister has appointed me as the Government’s independent volunteering champion to look into how volunteers can play a larger and more influential role in our public services.

The work the Prime minister has asked me to do may at first seem controversial. Many people have traditionally seen a clear dividing line between statutory services, delivered by paid staff, and third sector services, delivered by volunteers. Is it important to emphasise at the outset that my work is in no way about replacing paid staff with volunteers. But it is about looking at how volunteers can support and help change our services.

The model of public service delivery has radically evolved in recent years. An increasing proportion of our vital public services is being delivered by the third and private sectors. The old clear divisions are being broken down. In addition to the traditional roles carried out by volunteers in the public sector, such as governors and magistrates, many volunteers find themselves volunteering for third sector organisations which receive huge amounts of statutory funding, often to deliver public services. And they work alongside paid staff employed by the third sector, as well as people employed by the statutory sector.

The NCVO survey reveals that most people volunteer in the third sector, but a significant proportion volunteer in the public sector too, and even the private sector. The old divide between third sector volunteers and statutory paid staff is clearly out of date. It is vital that we review the current volunteering model to keep up with the changes that have already taken place in the public services.

Volunteers can indeed add value where paid staff can’t. There are some roles that are currently performed by volunteers that simply can’t be done by paid staff. Examples including support groups for people suffering from cancer, or mentoring and befriending schemes, which give a personal touch and time that couldn’t be offered by a paid member of staff. My work will be looking at how Government and the Third Sector can support and expand the best examples of volunteers supporting paid staff, and working alongside them.

The first public service area I will be looking at is health and social care. This will be followed a by a review of the use of volunteers in criminal justice later next year. Over the next year, I will also be consulting with third sector organisations to find out about the kind of work that is already going on out there, and how we can expand it in a sensible way that makes a difference to us all.

More information about the work that Baroness Neuberger will be doing over the next year can be found on the Office of the Third Sector website www.cabinetoffice.gov.uk/third_sector



Baroness Neuberger House of Lords Peer, (Liberal Democrat), Advisor to Prime Minister on Volunteering, author and broadcaster

‘Over the last decade, multiple involvement and cross-membership has increased...’

8.2 ANALYSIS cont.

8.2.3 'Intensity' of involvement

According to *Helping Out* volunteers have spent an average of 11 hours volunteering in the last four weeks. Although caution is required when making direct comparisons with other surveys, data from the 1997 *National Survey of Volunteering* suggests that the amount of time spent by volunteers has declined, with volunteers then spending 16 hours on average, a worrying drop of over 25%.

Six in ten volunteers volunteer (59%) in more than one organisation and over a third (36%) volunteer in three or more organisations. This suggests that experience of one type of volunteering can draw people in to volunteer for other organisations, and that organisations need to be aware of the demand for volunteers time, not only from work and family, but other volunteering commitments.

Over the last decade, multiple involvement and cross-membership has increased (see table 8.5). Multiple involvement may also encourage people to get involved in a range of activities. Seven in ten volunteers (71%) undertake more than one type of volunteering activity. Interestingly, the number of very active volunteers, involved in five or more different activities, has increased since 1997 (27% compared to 22%) – a reflection of the strong culture of participation that exists amongst certain activists and perhaps of the growing number of opportunities there is for people to engage in.

Figure 8.4 Type of volunteering activity 1997–2006/07 (%)



Source: *Helping Out* (Cabinet Office)

Figure 8.5 Number of organisations helped (Current Volunteers, %)

Number of organisations	Current volunteers %
1	41
2	23
3 to 5	30
6 or over	6

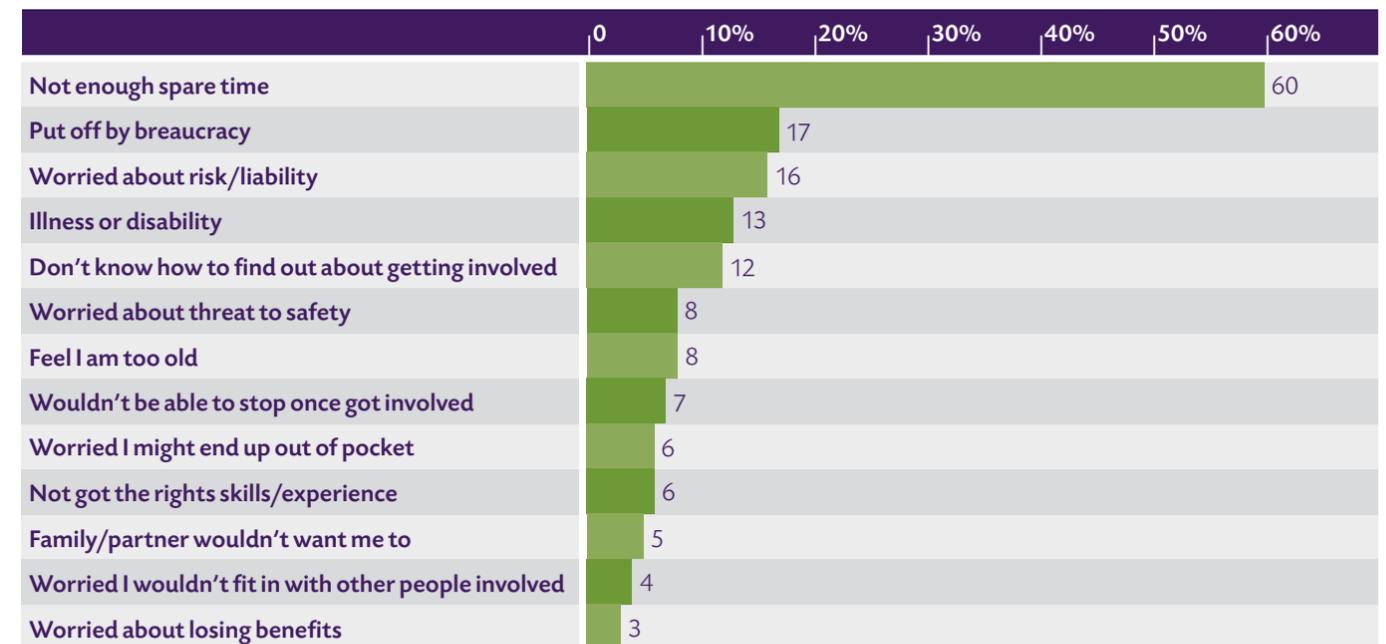
Source: Table 4.1, *Helping Out* (Cabinet Office)

8.2.4 Conclusion

Much emphasis is currently placed on volunteering and participation in public policy. But it remains to be seen whether expectations are realistic. Clearly one of the main barriers to volunteering is the lack of spare time. It is the most commonly cited reason for stopping volunteering or not volunteering more often or at all, and having more spare time was seen as the most significant factor in making it easier to get involved (31% of respondents). As competition for people's time increases, organisations will need to move towards more flexible approaches to volunteering to attract and retain supporters, which will have implications in terms of volunteer management.

'Of the range of activities volunteers can do, raising and handling money appears by far to be the most common...'

Figure 8.6 Reasons for not volunteering (% responding 'applies a lot')



Source: Table 8.7, *Helping Out* (Cabinet Office)

8.4 DATA SUMMARY

Table 8.7

Participation in formal volunteering, by age and sex (%)

Age	Once a month	At least once in the last year
16–19	32	53
20–24	26	42
25–34	25	45
35–49	32	50
50–64	30	45
65–74	31	40
75+	21	28
Sex	Once a month	At least once in the last year
Male	27	42
Female	31	47

Source: Table 10, Citizenship Survey 2005 (DCLG)

Table 8.8

Participation in formal volunteering, by qualification (%)

	Once a month	At least once in the last year
Degree or equivalent	39	61
Higher education below degree level	41	60
A level or equivalent	32	51
GCSE grades A-C or equivalent	29	47
GCSE grades D-E or equivalent	20	36
Foreign and other qualifications	28	35
No qualifications	16	26

Source: Table 22, Citizenship Survey 2005 (DCLG)

Table 8.9

Participation in formal volunteering, by index of multiple deprivation (%)

	Once a month	At least once in the last year
1 (least deprived)	38	57
2	34	53
3	32	50
4	32	49
5	30	46
6	29	45
7	25	41
8	23	35
9	23	34
10 (most deprived)	19	31

Source: Table 8, Citizenship Survey 2005 (DCLG)

Table 8.10

Participation in formal volunteering, by ethnic group (%)

	Once a month	At least once in the last year
White	29	45
Mixed race	34	45
All Asian	20	35
Indian	22	39
Pakistani	19	30
Bangladeshi	14	30
Other Asian	15	36
All Black	30	45
Caribbean	27	42
African	33	48
Other Black	20	34
Chinese	17	33
Any other	21	34

Source: Table 12, Citizenship Survey 2005 (DCLG)

Table 8.11

Participation in formal volunteering by whether currently practises a religion (%)

	Once a month	At least once in the last year
White – practises a religion	43	58
White – others	24	41
Asia – practises a religion	21	36
Asia – others	16	34
Black – practises a religion	36	51
Black – others	18	34

Source: Table 19, Citizenship Survey 2005 (DCLG)

‘General charities held investment assets of just over £56 billion in 2005/06’

Footnotes

¹ Giving unpaid help through groups, clubs and organisations to benefit other people or the environment (Citizenship Survey)

² 2005 Citizenship Survey: Active communities topic report, Department of Communities and Local Government: London (2006)

³ Ellis Paine, A., Locke, M. and Jochum, V. (2006) ‘Volunteering, active citizenship and community cohesion: From theory to practice’, paper presented to the international conference of the International Society for Third Sector Research, Bangkok, July 2006.

⁴ Hawkins, S. and Restall, M. (2006) Volunteers across the NHS: improving the patient experience and creating a patient led service, Volunteering England: London

⁵ Low, N., Butt, S., Ellis Paine, A. and Davis Smith, J. (2007) Helping Out: A national survey of volunteering and charitable giving. Office of the Third Sector: London. For Helping Out, a sub-sample of respondents to the 2005 Citizenship Survey was interviewed.

⁶ Davis Smith, J. (1998) The National Survey of Volunteering, Volunteering England: London

Assets

9.1 EXECUTIVE SUMMARY

Total assets held by general charities in 2005/06 totalled £97 billion, a 7% increase from last year, with funds standing at £86 billion. This increase was spread among the four top bands, with only the smallest organisations having a shrinking asset base. However just four charities hold a fifth of the sector's entire assets, with around 750 charities controlling half the assets.

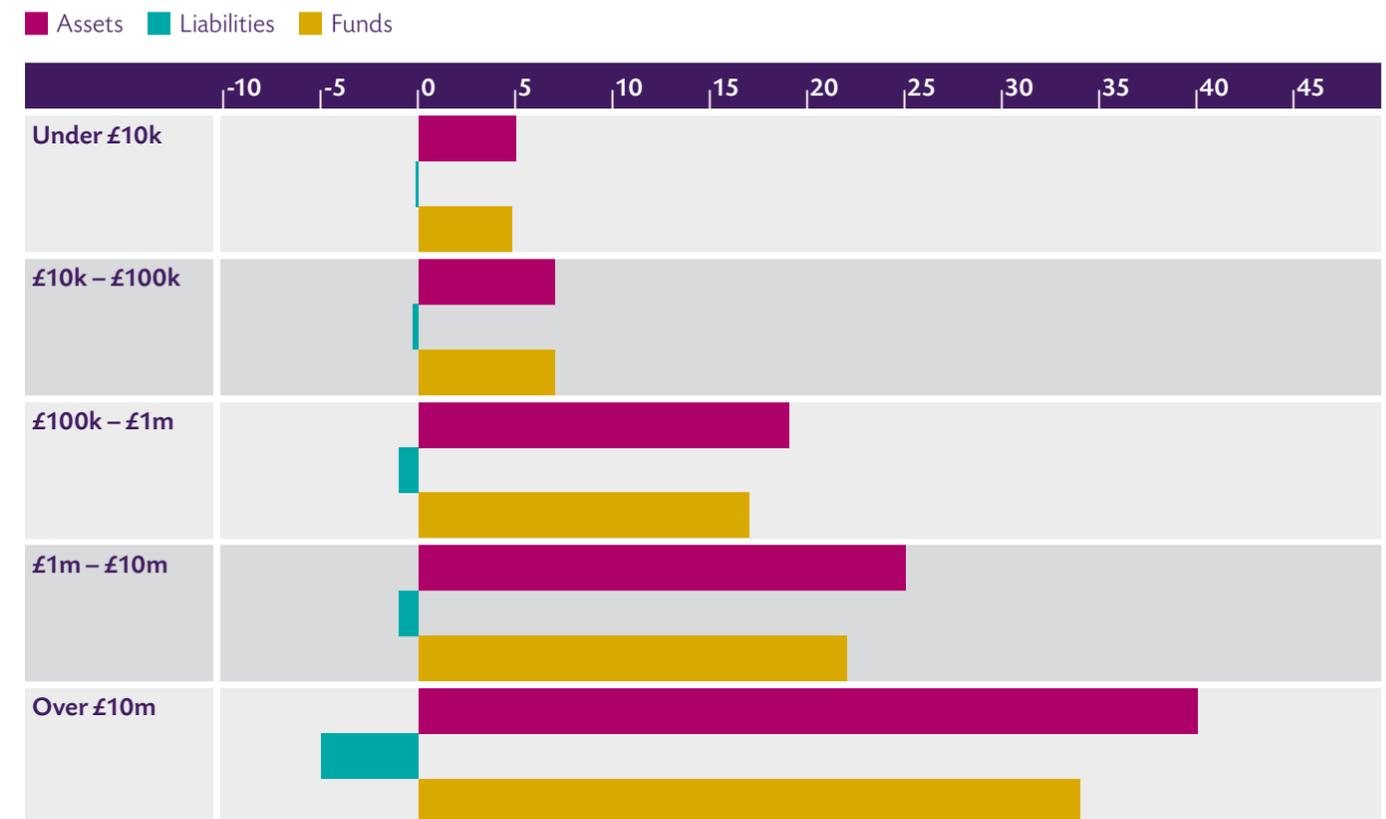
Return on investment assets has been falling steadily. This is despite an increase in investment assets of over £6 billion last year and over £13 billion during the previous two years. This year it fell further behind with a yield of only 3.4% compared to 4.8% five years ago. This suggests that investment strategies of charities could be substantially improved and is a potential source of increased income for the sector.

Larger charities are far more likely to take on long-term debt. Roughly half of all debt held by the largest charities is due within one-year, compared to almost 90% of they smallest charities. This difference is probably due to the longer term financial planning by the larger charities coupled with a greater ability to take on this debt as they have the assets to underpin it.

'The total assets of general charities in 2005/06 was just over £97 billion'

Figure 9.1

Assets, liabilities and funds of charities by income band, 2005/06 (£billion)



Source: NCVO, GuideStar UK

9.2 ANALYSIS

9.2.1 Overview

Assets, liabilities and funds – definitions

Nearly all voluntary organisations hold some kind of assets in the form of buildings, office equipment, investments or cash. For many organisations, investment assets are a valuable source of income, while for others the main asset may be the building from which they operate. Either way, asset holdings underpin the sector’s long-term viability. An organisation’s assets are usually offset to some degree by their liabilities, such as outstanding loans. In addition, organisations may make provisions on the balance sheet for expected future costs (i.e. for events that occur ‘post balance sheet’). If short-term and long-term liabilities are subtracted from total assets, the remainder equates to an organisation’s total funds. Funds are an estimate of the organisation’s net worth.

The total assets of General Charities in 2005/06 was just over £97 billion, a 7% increase from last year. This extremely strong growth is not shared with a commensurate increase in liabilities, which stayed roughly the same (falling by 1%), leaving funds of £86 billion.

This increase in the asset base was shared among the four largest bands, with the under £10k band the only one to experience a drop, amounting to almost 13% of funds compared to the year before.

A few charities own most of the sector’s assets

50% of the sector’s assets are held in 743 charities. These 743 are spread across the income bands with 250 having an income of less than £1 million. This low income, high asset group consists of large grant making trusts and foundations that have little income beyond investment income.

However 20% of the sector’s assets are held in just 4 organisations, the Wellcome Trust, Garfield Weston Foundation, Leverhulme Trust and the National Trust. Wellcome on their own account for 14% of the sector’s assets.

Figure 9.2
Distribution of largest asset-owning charities

	Number of charities
£10k – £100k	6
£100k – £1m	246
£1m – £10m	325
Over £10m	166
Total	743

Source: NCVO, GuideStar UK

Figure 9.3

Breakdown of assets by size of organisation, 2005/06 (%)

■ Tangible fixed assets ■ Investments ■ Current assets

Organisation Size	Tangible fixed assets (%)	Investments (%)	Current assets (%)
Over £10m	13.2	74.4	12.4
£1m – £10m	27.2	54.5	18.3
£100k – £1m	23.6	53.3	23.1
£10k – £100k	20.1	50.2	29.7
Under £10k	19.1	41.7	39.2

Source: NCVO, GuideStar UK

9.2.2 Asset type

Assets perform a range of functions from income generation to financial security to ensuring liquidity and the different types of assets held reflect these concerns. As figure 9.3 shows, smaller organisations hold a greater percentage of current assets such as banks deposits. This is because many operate on a small scale where movements of money relative to their size are much larger.

Bigger charities also need current assets to ensure liquidity, but as a proportion of their total assets this can be less. This gives them the freedom to invest more and therefore hopefully generate significant income from their asset base. Despite this, organisations in the three largest income bands have reduced their assets held as investments by almost 5% over the past year, converting them into current assets. This suggests charities feel there will be increased financial uncertainty over the coming year and as a precaution have adjusted their asset balance to increase the supply of easily available money.

‘Bigger charities make far more use of long-term borrowing’

Johns Hopkins Center for Civil Society Studies – UN Nonprofit Handbook Project

Recent years have witnessed a significant growth of interest in the role that voluntary organizations, philanthropy, and volunteering play in addressing social needs, protecting the environment, promoting civic involvement, and improving the quality of life in countries throughout the world. However, efforts to understand this set of institutions and processes and to fashion policies supportive of their development have long been impeded by a lack of basic information on their scope, character, and role.

To address this problem, the Johns Hopkins Center for Civil Society Studies launched its Comparative Nonprofit Sector Project some fifteen years ago and then followed up on this successful initiative by working with the United Nations Statistics Division to formulate a United Nations *Handbook on Nonprofit Institutions (NPIs)* to guide national statistical offices in reporting data on nonprofit institutions and volunteering more explicitly as part of their regular national economic data-gathering and reporting.

Since the official release of this *NPI Handbook* by the United Nations in 2003, the Hopkins Center has been working to acquaint national statistical offices with this *Handbook*, to secure their commitments to produce the “satellite accounts” on nonprofit institutions that it calls for, and to assist in the production and analysis of the resulting data.

To date, twenty-nine countries have officially adopted this Handbook and eight of them (Canada, Belgium, France, Japan, Australia, New Zealand, the Czech Republic, and the United States) have already produced at least a first version of an NPI “satellite account.”

The result is an enormous leap forward in the visibility and credibility of the voluntary sector throughout the world and a basis for charting its development and making systematic comparisons among countries. An initial report on the first set of Nonprofit Institution Satellite Accounts revealed that the voluntary sector’s contribution to the GDP is roughly equivalent to that of the banking, finance, and insurance industries in the countries covered.

To learn more about the UN Nonprofit Handbook Project or to download the full report on initial satellite account findings, please visit: www.jhu.edu/ccss/unhandbook



Lester M. Salamon
Director of the Johns Hopkins Center for Civil Society Studies

9.2 ANALYSIS cont.

9.2.3 Tangible fixed assets

Tangible fixed assets grew by over 7% in the past year. This may be a reflection of increasing property prices which, if included in the balance sheet, would help lift asset values. It might also reflect more investment in IT, which has become an indispensable part of a properly functioning office at significant cost. However more research is needed in this area to be sure of the cause of this increase.

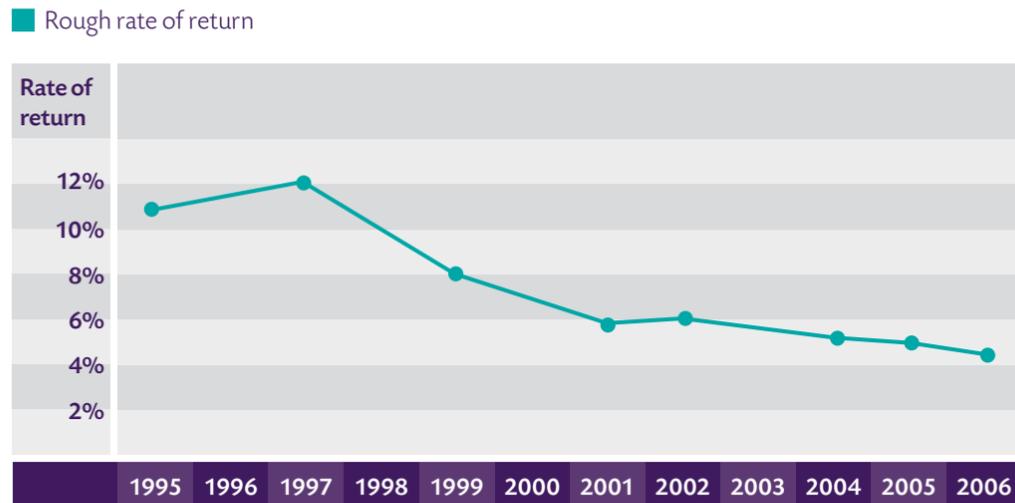
9.2.4 Investment assets

General charities held investment assets of just over £56 billion in 2005/06. Returns on these investments have continued to drift up slightly in importance in the income mix, increasing 0.6% from last year and a further 0.2% from the year before, though still well below the levels witnessed in the 1990s when they accounted for almost 20% of total income.

Since 1997 the percentage rate of return on charities' investment assets has been gradually decreasing (fig 9.4). If better use were made of investment assets, this could provide significant increased revenue for the sector. This lower rate of return could be due to charities wishing to invest ethically and be willing to reduce income to do so, however there is no evidence that ethical investments produce a lower rate of return than their counterparts that do not take ethics into account when investing.

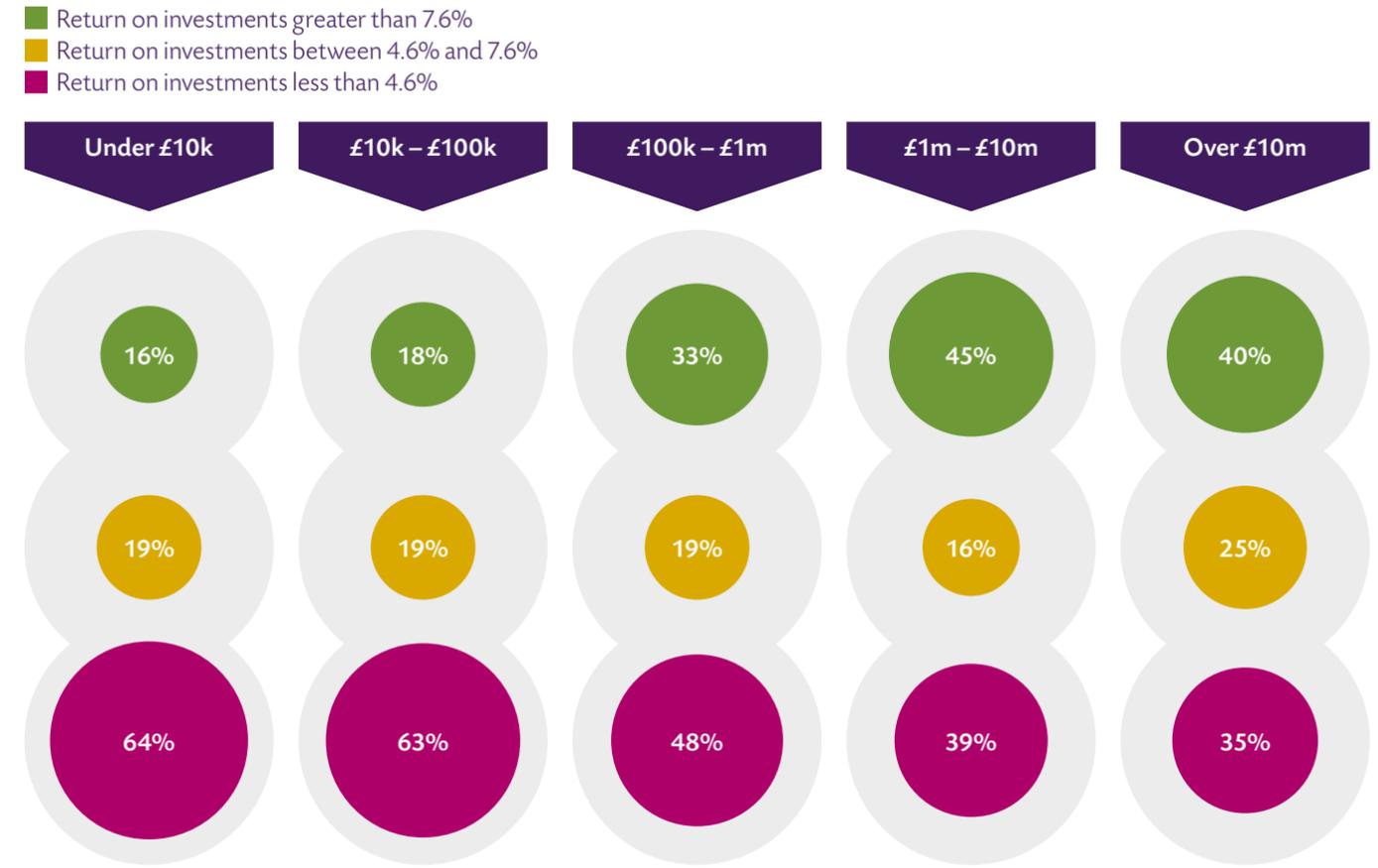
Aggregate figures mask the differences in individual charities. As figure 9.5 shows, there was wide variety in investment performance among all sizes of organisation. While in general bigger organisations did better than the smaller ones, there was both good and bad performances in all income bands. While 16% of the very smallest achieved good returns on their investments, over a third of the largest general charities returned less than 4.6%¹. This suggests that while there are many examples of good investment practice, there are also many cases where this could substantially improve and is therefore an area of potential revenue generation for many charities.

Fig 9.4 Investment returns (1995–2005/06) (%)



Source: NCVO, GuideStar UK

Figure 9.5 Return on investment for individual organisations, 2005/06



Source: NCVO, GuideStar UK

Figure 9.6 Type of liability of charities by income band, 2005/06 (%)



Source: NCVO, GuideStar UK

'50% of the sector's assets are held in 743 charities'

9.2 ANALYSIS cont.

9.2.5 Liabilities

Liabilities are sub-divided into three categories: short term creditors (payment due within one year), long-term creditors (payment due after one year), and provisions. Just over half of creditors are due within one year, an almost 9% drop from last year. However this masks significant differences depending on the size of charity.

Bigger charities make far more use of long-term borrowing. While this could be seen as charities taking on debt which they will be left with for years, it is often

an integral part of the growth strategy of many organisations and can allow charities to expand more quickly using the borrowed money, rather than having to wait to build up sufficient funds.

Given this more complex financial arrangement it may be that trustees in smaller organisations do not have the financial knowledge or the funds to pay for advice. They may also be at greater risk as they do not have income streams that enable them to service any debt that they accrue. Lastly the money spent on servicing the debt (and therefore not on

achieving charitable objects) could, in some circumstances, be ultra vires. Proper training for trustees as well as clear guidance on when and why to take on long-term debt commitments would help overcome these difficulties.

Most charities have good financial liquidity

The Current Ratio looks at how easy it would be for an organisation to meet its short term financial obligations. Creditors like this to be high so that their risk is low while shareholders or trustees may prefer a lower ratio so that more assets are used to generate returns. However all charities

need some liquidity to ensure they have adequate cash flows to meet their obligations over the year.

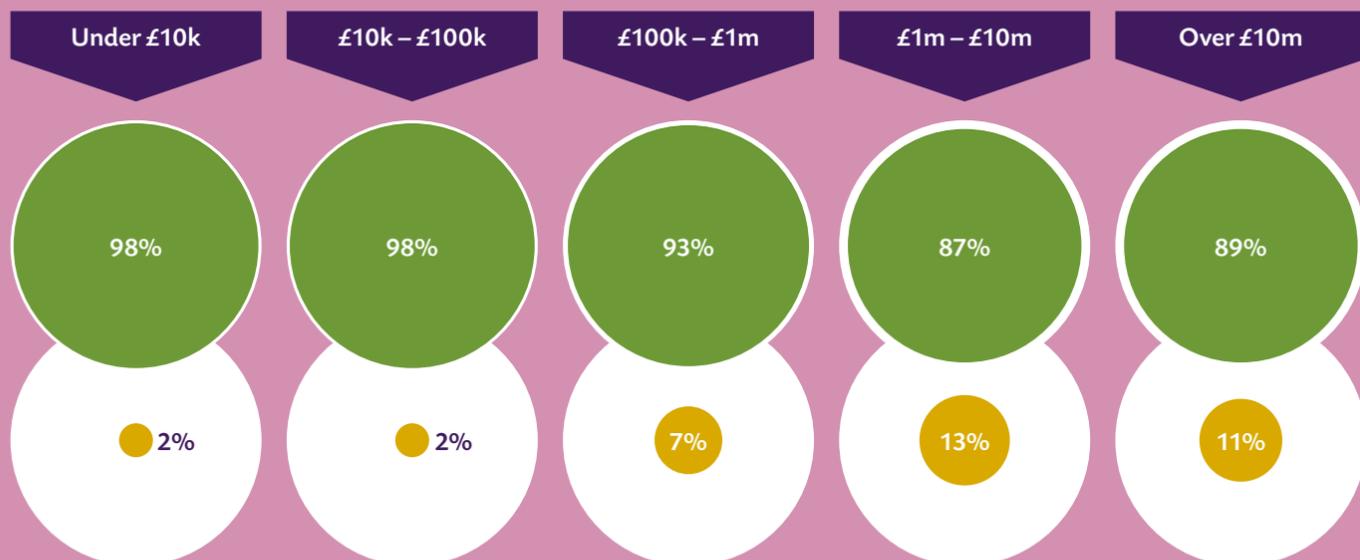
A charity that has more current liabilities than current assets will need to find additional income to cover its debts in the coming year. Whether this is a problem depends on an organisation's income streams compared to its expenditure

levels. Those that have reliable forms of income will not need to keep as many assets in easily usable forms as those with more unpredictable funding. This seems to be more common among the larger charities where more than one in ten with incomes over £1 million do not have current assets that will cover their liabilities due over the coming year.

Figure 9.7

Liquidity of individual organisations, 2005/06

■ Liabilities less than assets ■ Liabilities more than assets



Source: NCVO, GuideStar UK

9.3 DATA SUMMARY

Table 9.8

Assets and liabilities by size of organisation, 2005/06 (£million)

£millions	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Intangible fixed assets	-	2	5	8	5	20
Tangible fixed assets	958	1,469	4,582	6,978	5,244	19,231
Investments	2,091	3,668	10,357	13,952	29,560	59,629
Fixed assets	3,049	5,139	14,944	20,938	34,809	78,880
Current assets	1,966	2,167	4,477	4,681	4,925	18,216
Creditors due within one year	127	215	984	1,856	2,773	5,954
Net current assets	1,839	1,952	3,493	2,825	2,153	12,261
Total assets less current liabilities	4,888	7,092	18,437	23,762	36,962	91,141
Creditors due after one year	17	81	547	1,665	2,342	4,653
Provisions	2	3	20	135	262	422
Net total assets	4,869	7,008	17,869	21,962	34,358	86,066

Source: NCVO, GuideStar UK

Table 9.9

Funds by size of organisation, 2005/06 (£million)

£millions	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Unrestricted funds	3,072	4,738	11,380	13,446	21,058	53,693
Restricted funds	287	705	2,255	2,672	3,251	9,170
Income funds	3,359	5,443	13,635	16,118	24,309	62,863
Endowment funds	1,511	1,565	4,235	5,843	10,049	23,203
Total funds	4,869	7,008	17,869	21,962	34,358	86,066

Source: NCVO, GuideStar UK

Table 9.10

Breakdown of liabilities by size of organisation, 2005/06 (£million)

£millions	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Creditors due within one year	127	215	984	1,856	2,773	5,954
Creditors due after one year	17	81	547	1,665	2,342	4,653
Provisions	2	3	20	135	262	422
Total liabilities	146	298	1,552	3,657	5,377	11,029

Source: NCVO, GuideStar UK

9.3 DATA SUMMARY cont.

Table 9.11

Breakdown of funds by size of organisation, 2005/06 (%)

%	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Unrestricted funds	63.1	67.6	63.7	61.2	61.3	62.4
Restricted funds	5.9	10.1	12.6	12.2	9.5	10.7
Income funds	69.0	77.7	76.3	73.4	70.8	73.0
Endowment funds	31.0	22.3	23.7	26.6	29.2	27.0
Total funds	100	100	100	100	100	100

Source: NCVO, GuideStar UK

Table 9.12

Breakdown of assets by size of organisation, 2005/06 (%)

%	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Intangible fixed assets	-	>0.1	>0.1	>0.1	>0.1	0.0
Tangible fixed assets	19.1	20.1	23.6	27.2	13.2	19.8
Investments	41.7	50.2	53.3	54.5	74.4	61.4
Fixed assets	60.8	70.3	76.9	81.7	87.6	81.2
Current assets	39.2	29.7	23.1	18.3	12.4	18.8
Total assets	100	100	100	100	100	100

Source: NCVO, GuideStar UK

Table 9.13

Breakdown of liabilities by size of organisation, 2005/06 (%)

%	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Creditors due within one year	87.2	71.9	63.4	50.8	51.6	54.0
Creditors due after one year	11.6	27.1	35.3	45.5	43.6	42.2
Provisions	1.2	1.0	1.3	3.7	4.9	3.8
Total liabilities	100	100	100	100	100	100

Source: NCVO, GuideStar UK

Chapter 10

What Do We Mean by Civil Society?

Civil society is a multi-dimensional concept, concerned with action that is driven by citizens and communities, rather than by government or shareholders. This chapter explains what we mean by civil society and attempts to map out its terrain, the range of organisations within it and their relationship to the state and the market. It then relates this to the Almanac and describes how we have classified organisations included here.

Footnotes

¹4.6% is the average Bank of England interest rate for the period covered, and is used here as only as a rough guide to performance.

10.1 DEFINING CIVIL SOCIETY

Defining civil society is no easy task. Historically, it has its origins in eighteenth century ideas about freedom of association and the rights of citizens to associate and act independently of the state and (at that time) the church. From this has come the idea of civil society as a vital check on the power of the state, as writers from Toqueville onwards have argued. In the 1980s the role played by civil society actors and organisations in challenging state power in Eastern Europe led to a revival of interest in this idea within academic and political thought. A focus of this interest has been the relationship between democracy and civil society.

In the UK the concept of civil society has begun to gain wider currency with policy-makers and politicians largely in response to concerns about declining democratic participation and community cohesion. This can be seen, for example, in policies that aim to promote civil renewal and citizen engagement, particularly engagement with the state, as well as in the greater emphasis on partnership with civil society organisations (CSOs). Yet there continues to be a certain amount of confusion and controversy surrounding the term. For example, some definitions emphasise organisations that operate in the space between the state and the market (non-governmental, not-for-profit); others tend to use the term normatively, to suggest a more civil, as well as a more cohesive society.

Michael Edwards of the Ford Foundation has developed a holistic definition of civil society that brings together these different understandings and approaches. This identifies three key dimensions to civil society:

- as **associational life**: voluntary associations and organisations providing opportunities for people to act together and develop civic values and skills;
- as the **'good society'**: a society that aims for social, economic and political progress; and
- as the **public sphere**: a space for argument and deliberation in which citizens can express their different viewpoints and negotiate their common interests.

This definition has been used by NCVO in its work¹ and has also been taken up by Carnegie UK in its *Inquiry into the Future of Civil Society*. For Carnegie UK, civil society is: 'a goal to aim for (the good society); a means to achieving that goal (associational life) and a framework for engaging with each other about means and ends (the public sphere)'².

10.1.1 Associational life

The dimension of 'associational life' places a strong emphasis on collective action: people coming together to identify and pursue their common interests; to make a positive difference to their lives and to the lives of others. Much of this activity goes on 'under the radar', informal groups such as baby-sitting circles, book clubs, car pools, or knitting circles that have no legal status or constitution. By its very nature, such activity is difficult to enumerate or measure.

Civil society also encompasses more formal associations, that is, organisations with a formal legal identity (such as a charity or industrial and provident society) that operate independently of the state and which seek to maximise community benefit rather than shareholder value. This includes those considered to be part of the third sector, such as voluntary and community organisations, co-operatives and mutuals, faith groups and housing associations. But it also goes beyond this to include, for example, trade unions, which promote collective action in the workplace and political parties, which seek to organise people around a common agenda. These organisations, and their economic contribution, are the subject of this Almanac.

10.1.2 The 'good society'

Voluntary associations contribute to a notion of the 'good society' in a number of ways: they act as a catalyst for citizen action and participation, helping to build connections within and between communities and giving voice and support to a diverse range of needs and interests within civil society. Informal associations, for example, can enable people to get to know and learn from others who in many respects are *unlike* them, but who share their passion for football or knitting.

An idea of the 'good society' is central to the purpose of formal organisations and may be reflected in the way that they are defined and constituted. For example, the official definition of a co-operative used by the International Co-operative Alliance emphasises the principle of voluntary association and a commitment to social and economic progress. Similarly the Charities Act 2006 makes public benefit central to the legal definition of charity. Again this places a strong emphasis on charities as independent organisations that make a positive difference to society.

10.1.3 The public sphere

A striking feature of associational life is its diversity: within civil society there are many different organisations supporting a vast range of activities and causes. Sometimes the goals of individual organisations may conflict or there may be disagreement about how best to further a cause or meet particular needs: the idea of what makes a good society is itself contested. However, the range of organisations and causes that exist within civil society ensures that there is scope for many viewpoints and interests to be expressed within the public sphere, the 'third dimension' of civil society identified above.

10.1.4 Motivation

Civil society organisations are driven by voluntary action, people coming together because they want to make a difference, not because the government compels them to, nor solely for financial gain. This motivation is what unites civil society organisations and what distinguishes them from those in the public or private sectors.

The Third Sector Network has identified a set of broad values and principles that are characteristic of the sector as a whole. This includes, for example, a commitment to social justice; empowerment and participation; and people's right to be treated with dignity and respect. Again, it is suggested that civil society organisations have a distinctive ethos: whilst organisations in other sectors may share these values, they are not the driving force for them as they are for CSOs³.

CSOs are therefore not simply non-governmental or not-for-profit, rather they should be defined positively in terms of their relationship to civil society and to those they work with and for. They are independently governed by a board of trustees or directors whose role is to act in the best interests of the organisation, its members and/or beneficiaries, and to further its particular mission and purpose. Resources and activities are directed at furthering organisational mission, with any surpluses reinvested in the organisation or the community.

10.1.5 Relationship with the state

In recent years concerns about the sector's identity and independence have come to the fore as some organisations have taken on a greater role in delivering services on behalf of, and working in partnership with government. Such concerns have been overstated: the key issue is their autonomy and how they manage this relationship, not how close they are to government⁴.

Nevertheless this highlights the fact that the boundary between state and civil society is not fixed and changes over time, as the history of state welfare in Britain shows. It is also the case that the traffic across this boundary is not all one way. In recent years some public sector bodies have become increasingly distant from the state, funded by contract and responsible for setting their own objectives. Some have referred to this as the charitisation of the public sector.

10.1.6 Relationship with the private sector

Yet it is perhaps the relationship with the private sector that has changed most in recent years. For example some CSOs may be in competition with private sector organisations (as well as with each other) for public sector contracts, allied to this has been pressure for these organisations to become more business-like (if not more like business). At the same time, some private sector companies are responding to consumer demands for more ethical ways of doing business, for example, taking account of their social and environmental impact.

It is also the case that CSOs are becoming more entrepreneurial and earning an increasing proportion of their income through trading activities (see chapter 17). For some organisations, particularly general charities, this shift towards earned income is a relatively recent change and is primarily a way of enabling them to develop a more sustainable funding base. For others social enterprise is central to their ethos, which is about developing an alternative approach to economics, markets and wealth creation.

10.1.7 Blurred boundaries

Therefore on both these borders the boundaries of civil society are becoming increasingly blurred. This has led some to suggest that in future the idea of a distinct civil society 'sector' will lose its meaning. Yet civil society has always been influenced by developments in other sectors (and vice versa) and in the past the sector has shown considerable resilience and adaptability.

10.2 CLASSIFYING CSOs

The Almanac examines the scope of associational life in the UK in order to estimate the size and economic contribution of civil society. It therefore includes data on a broader range of organisations than the ‘general charities’ category used in previous years, although this remains a central focus not least because it is possible to make comparisons and detect trends over time. To produce robust information it is necessary to have a clear system of classification to determine which organisations and categories are to be included or excluded in the Almanac. The main criteria used here are as follows:

Voluntary association: organisations are established by citizens coming together voluntarily to help themselves and/or others.

Independence: organisations are constitutionally and institutionally separate from the statutory and private sectors.

Self-governance: organisations are truly independent in determining their own course.

Reinvestment of wealth: profits are reinvested in the organisation or used for the benefit of the community.

Public benefit: organisations have social objectives and work to benefit the community.

The Almanac focuses primarily on formal associations, that is those that have a structured organisational form and constitution for whom data is more readily available.

Nevertheless, classifying such a diverse range of organisations is not an easy task. Firstly, as we have seen, the boundaries of civil society are not clearly demarcated, therefore determining which side of the border a particular organisation is located can be a matter of judgement. For example, the British Council is a registered charity, but according to its Articles of Association it is ultimately controlled by government and therefore has not been included here. Universities, traditionally thought to be part of the state, are self-governing and therefore are included.

Secondly, there is also a significant degree of overlap between organisations *within* civil society, for example in terms of activity and/or legal form, as figure 10.1 below shows.

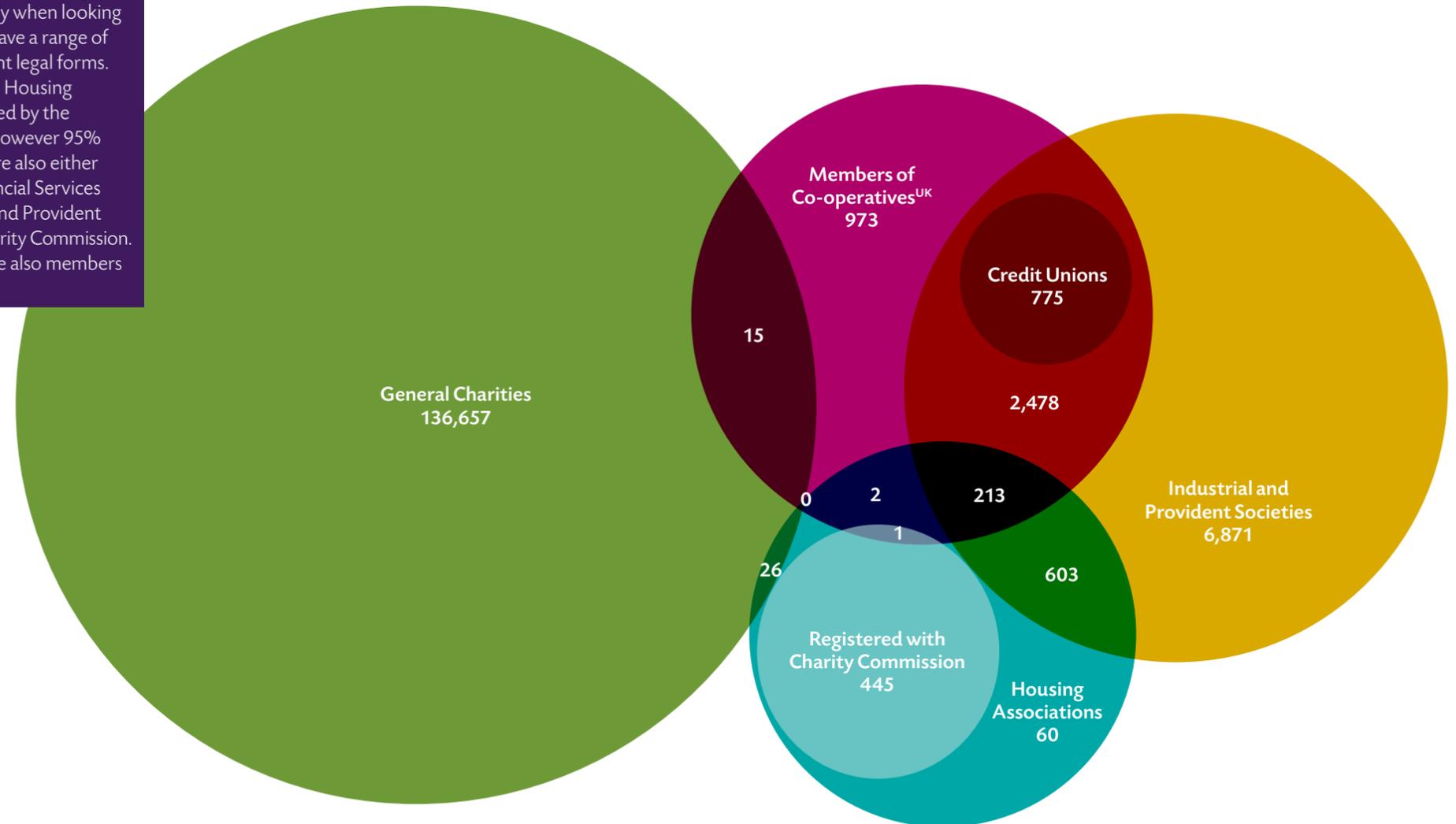
The map of civil society organisations (inside back cover) gives an overview of all the legal and organisational forms in civil society. This complex picture gives rise to the great variety within civil society, but as discussed in this chapter, the boundaries of civil society are fluid and debatable; this map represents just one possible view of civil society organisations.

Displaying the overlaps between co-operatives and housing associations in a venn diagram (figure 10.1) shows some of the complexity of different legal and organisational forms which can be taken by organisations. This structure allows a wide variety of organisations to be accommodated, but presents problems in measuring these organisations, particularly when looking at organisations which have a range of subsidiaries with different legal forms. For example, in England, Housing Associations are regulated by the Housing Corporation. However 95% of these organisations are also either registered with the Financial Services Authority as Industrial and Provident Societies or with the Charity Commission. A significant minority are also members of Co-operatives^{UK}.

Figure 10.1
Example of the overlap of organisations in part of civil society

Source: NCVO, Co-operatives^{UK}, NHF, GuideStar UK, FSA

n.b. the size of each area is not to scale



‘Civil society is a multi-dimensional concept, concerned with action that is driven by citizens and communities, rather than by government or shareholders.’

10.3 MAIN TYPES OF CIVIL SOCIETY ORGANISATION

Below is a list of the main types of civil society organisation included in the Almanac, with examples of each. However, classifying organisations in this way is problematic because there are significant overlaps between them and therefore in practice some of these categories have been collapsed together. For example credit unions are included in the section on co-operatives.

10.4 CONCLUSION

Civil society is a wide-ranging concept that encompasses normative ideas and modes of engagement. Its underlying philosophy is the idea of shared values based around community and citizenship. This almanac concentrates on the associational aspect of civil society, examining its size and scope.

It is the first time that this has been examined in its entirety across the UK. As the concept itself and the organisations within it are contested, judgements have had to be made that may be controversial. By setting out clear criteria as to what we believe constitutes a civil society organisation, we aim to be as transparent as possible about what we have included and why.

Footnotes
¹ V Jochum, B Pratten, K Wilding, 2005 Civil Society and Active Citizenship: a guide to the debate NCVO
² *The shape of civil society to come* (2007) Carnegie UK Trust
³ The Third Sector Network is an alliance of umbrella bodies representing voluntary and community organisations, trade unions, housing associations, social enterprise, co-operatives and mutuals. See www.ncvo-vol.org.uk/thirdsectornetwork
⁴ A Blackmore, 2004, *Standing Apart, Working Together: A study of the myths and realities of voluntary and community sector independence* NCVO

Table 10.2
Examples of different types of civil society organisations

Name	What are they	Examples
General charities	Organisations registered with the Charity Commission that meet NCVO's "General Charities" definition (see appendix A1).	Cancer Research UK, St Ives and District Mencap Society
Faith groups	Faith groups are systems of religious belief. Organisations are included if they fall under the umbrella of a faith group, and any profits derived are not used for private gain.	The Archbishops' Council, Peckham Mosque Trust
Universities	Organisations which provide higher education, and are authorised by the UK government to award degree-level qualifications.	University of Cambridge, Cumbria Institute of the Arts
Independent schools	A school with the freedom to set its own curriculum and freedom in the choice of its pupils. Independent schools are not dependent on Government or Local Authority finance, and usually charge fees for tuition.	Eton College, The Cavendish School
Independent museums	Museums, galleries and archives registered with the Charity Commission which are outside the control of central and local government.	Ironbridge Gorge Museum Trust, The Museum of East Asian Art
Housing associations	Not-for-profit organisations which provide housing for people in need.	Anchor Trust, Rosebery Housing Association
Industrial and provident societies	Organisations conducting an industry, business or trade, either as a co-operative or for the benefit of the community, and registered under the Industrial and Provident Societies Act 1965.	Rugby Football Union, Blackburn with Darwen Community Business Limited

Table 10.2 cont.
Examples of different types of civil society organisations

Name	What are they	Examples
Co-operatives	Autonomous associations of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises.	Derry Credit Union, Anglia Farmers Limited
Working men's clubs	Private clubs which provide recreation and social facilities for their members.	Woodhouse Hill Working Men's Club, Bloomfield Club and Institute
Benevolent societies	Societies established for benevolent or charitable purposes, registered with the Charity Commission or the Financial Services Authority. Beneficiaries are usually restricted to certain groups, for example certain professions, and their relatives.	Architects Benevolent Society, Book Trade Benevolent Society
Building societies	Financial institutions that offers savings accounts and mortgages as their main business. They are mutual, and so people who have an account are members with voting rights.	Nationwide Building Society, Darlington Building Society
CICs	Limited companies which operate as businesses providing community benefit.	Kent Community Recycling Community Interest Company, Investing For Good Community Interest Company
Trade associations & Professional bodies	Registered charities excluded from the General Charities definition as they provide services for a subset of the population, usually a single trade. Some also have regulatory responsibilities for their profession.	General Medical Council, The Institution of Mechanical Engineers
Trade unions	Organisations which regulate relations between workers and their employers.	UNISON: The Public Service Union, Skipton Staff Association
Political parties	Voluntary associations, based on a common ideology, with the aim of gaining power – usually through proposing candidates for elections.	The Labour Party, United Kingdom Independence Party
Excepted charities	Excepted charities, although required to comply with charity law, are not required to register with the Charity Commission. Common classes of excepted charities include scout and guide groups; armed forces' charities; religious charities connected with particular denominations and certain voluntary schools and universities.	Scout Group, Methodist Church
Sports clubs	Sports clubs which are set up for the benefit of a community or its members whose purpose is not to generate profits private profit. Some sports clubs are registered as Community Amateur Sports Clubs with Her Majesty's Revenue and Customs.	Almondsbury Town Football Club, Runcorn Rowing Club
Informal community groups	These are organisations with no legal form. They are usually very small groups of people who come together for a common purpose.	Knitting circle, book group

Source: NCVO

Universities

Many countries perceive universities to be part of civil society, though arguably this has not been the public perception in the UK. Here, they are sometimes perceived as part of the state because they receive the majority of their funding from statutory sources.

Their inclusion in the Civil Society Almanac stems from our argument that they are a vital part of civil society, sharing many characteristics (such as a reliance upon donated income) with other civil society organisations. Moreover, they are independently governed and most have charitable status. In England and Wales universities are mainly exempt charities. This means that they are entitled to the same financial benefits as registered charities, but are exempt from Charity Commission regulation, because they are accountable to, and overseen by, the Higher Education Funding Councils. Nevertheless they are generally subject to charity law (with some specific exemptions) and trustees have the same duties and responsibilities as those of registered charities.

Data in this chapter was supplied the Higher Education Statistics Agency (HESA), however any inferences or conclusions drawn from this data are the responsibility of NCVO.

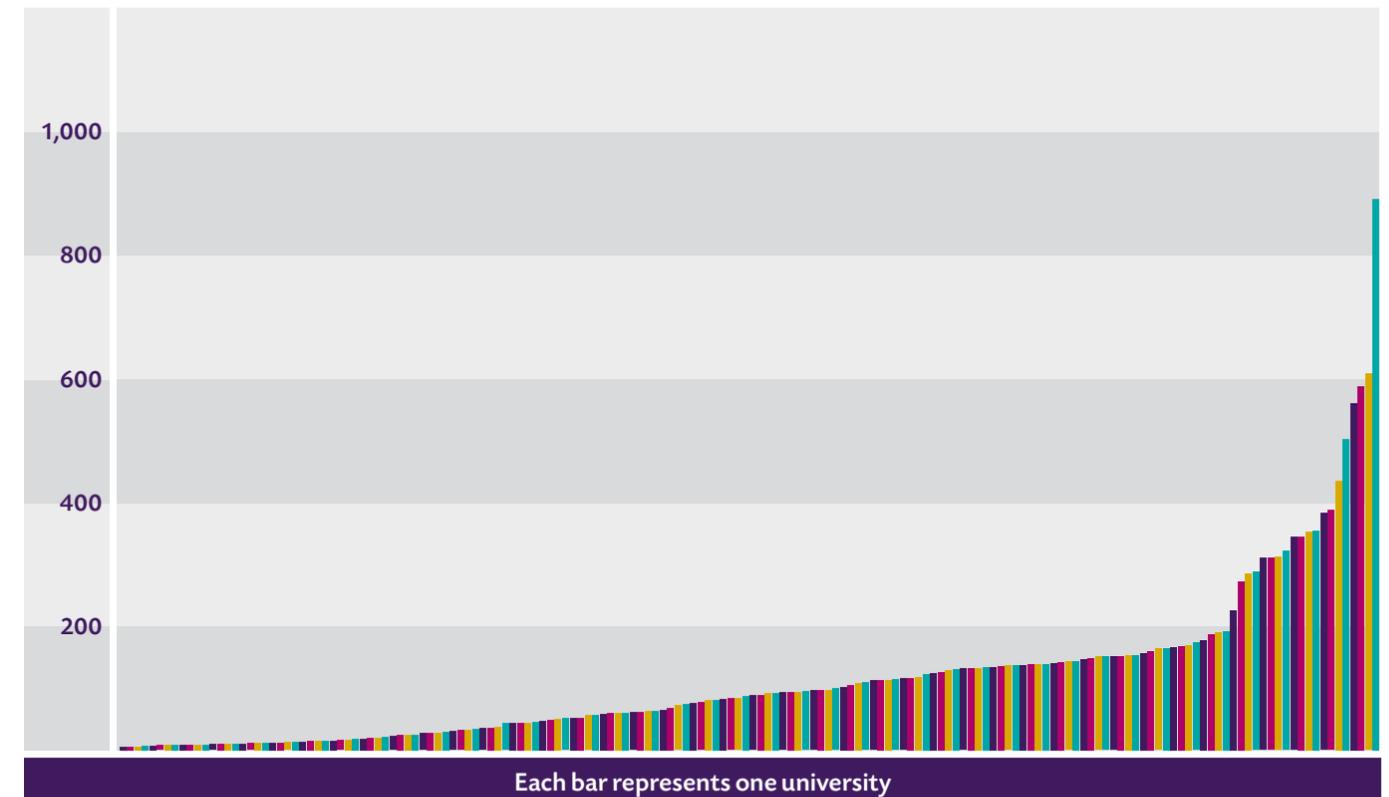
11.1 EXECUTIVE SUMMARY

The total income of universities 2005/06 was £19.5 billion with an almost identical expenditure of £19.3 billion. This close match is not a coincidence of aggregating figures, as around 90% of universities spend within 5% of their income. This highlights that they have little chance to save, living carefully to ensure they don't overspend, but pushing right up to their limit.

There is no one dominant source of income for universities, with direct public funding, tuition fees and research grants all making up significant portions. While the smaller universities rely most heavily on direct public funding, the largest universities are most successful in securing research grants and contracts. As education is now a devolved issue, funding of universities in Scotland, Wales and Northern Ireland will increasingly take a different path to those in England.

'...the smaller the university, the more reliant it tends to be on direct funding from government'

Figure 11.1
Income of individual universities, 2005/06 (£ millions)



Source: NCVO, Higher Education Statistics Agency (HESA)

11.2 ANALYSIS

11.2.1 Income and expenditure

The total income of universities in 2005/06 was £19.5 billion, roughly two-thirds of the income of General Charities. They are estimated to have educated 2.3 million students. The profile of universities is different from general charities however, with of course far fewer organisations that as a rule are much larger. Like most parts of civil society there are still a larger number of smaller entities with fewer, very large institutions (fig 11.1). The smaller universities tend to be those focused on particular subject areas, such as the arts or nursing, contrasting with the more general universities that require much larger incomes to sustain a wide gamut of subjects.

Expenditure was £19.5 billion in 2005/06, which represents 99% of income. Most organisations generate a larger surplus than this; which suggests careful financial management by universities is the norm. The fact that universities as a whole retained so little for reinvestment in 2005/06 reflects continuing funding constraints in the sector although the introduction of variable tuition fees in 2006 will alleviate these pressures in time.

The desire by government to increase student numbers to 50% of under 30-year-olds, the pressure to increase wages of academic staff whose relative incomes have fallen steadily, tight government funding and the expansion of the university system have all put pressure on universities. Therefore the consequent desire both to charge variable fees to

home students in England and increase numbers of international students who pay substantially more is not surprising. Universities are also increasingly focusing on securing additional donations from alumni, which has proved very lucrative for universities in the USA, and it will be interesting to see whether this source of income increases substantially in the future.

11.2.2 Sources of income

Universities obtain income from a variety of sources. As fig 11.3 shows, the smaller the university, the more reliant it tends to be on direct funding from government. Conversely the large universities rely more heavily on research grants for their income, with the 19 largest universities taking two-thirds of the grants and contracts on offer. Tuition fees account for almost a quarter of income to universities, being most important to those universities with £50 – £250 million of income where it accounts for almost 30% of their revenue.

Education is now a devolved responsibility in the UK and this has given rise to variations in policy, particularly in funding policy. Most significant in this respect is the decision to introduce variable tuition fees in England. The government has argued that this will give English universities greater financial independence by changing the balance between public and private sources of funding. However, some opposition to student contributions remains and in Scotland where the new government is planning to abolish the graduate endowment this is seen as politically unfeasible.

The Research Assessment Exercise (RAE) produces a periodic measure of research quality that provides a basis for funding allocations. The selective funding of research has produced a high degree of concentration with the leading research universities receiving much of the available resource. Some of these universities are also very successful in pulling in donations and endowments, although other institutions are developing their fundraising capacity with government support. However, it is likely that there will continue to be significant variations in universities' ability to raise voluntary income, although the total raised is likely to increase markedly over time. This may impact on fundraising income in other parts of the sector.

11.2.3 Assets and liabilities

Universities held almost £32 billion of assets in 2005/06, with liabilities of just over £5 billion. Over four-fifths of the fixed assets were held as tangible assets, highlighting that much of the universities' asset base is contained in the buildings and land they use to run their universities. Investment assets made up just 13% of the assets held by universities. However, as figure 11.5 shows, they enjoyed a healthy return on their investments.

Looking at individual university performance (figure 11.6), this mirrors the aggregated success, with almost three-quarters producing healthy returns. Only one in ten secured a return less than 4.6%¹, though interestingly it was the very largest universities that performed least well, with over one in five universities not achieving a return above above 4.6%.

'The total income of universities in 2005/06 was £19.5 billion'

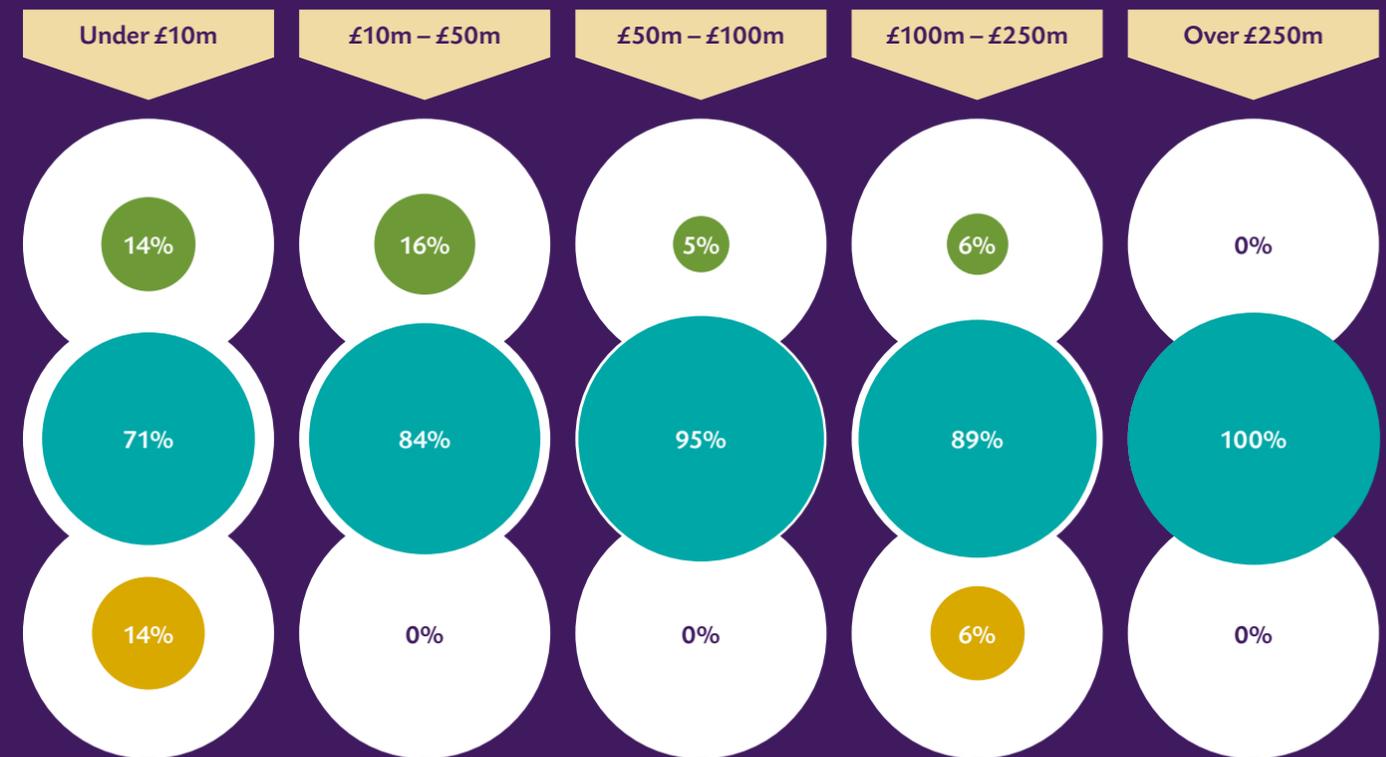
Most universities spend all their income

While universities as a whole spent 99% of their income, this aggregating may mask differences between individual universities. However figure 11.2 shows that this not the case, 89% of universities spend within 5% of their total income.

Figure 11.2

Individual expenditure by universities by income band, 2005/06 (%)

- Expenditure is 95% of income or less
- Expenditure is between 105% and 95% of income
- Expenditure is 105% of income or more



Source: NCVO, HESA

11.2 ANALYSIS cont.

11.2.4 Conclusion

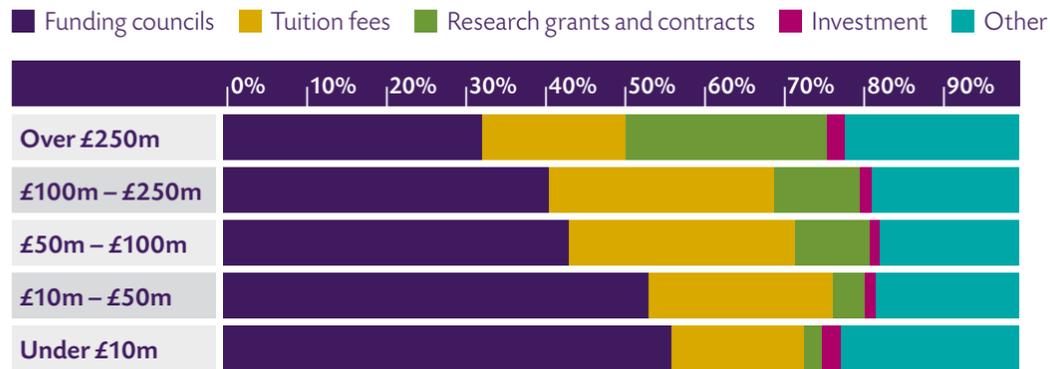
Universities make up a significant financial portion of civil society organisations. Providing one of the cornerstones of the 1601 charity act's heads of charity, the advancement of education, centuries old establishments that have built up significant wealth sit alongside more recent entrants.

Britain's universities have worldwide reputations. However with the emerging Asian economies heavily funding all levels of education and a resurgent belief in many countries in education as a driver of innovation and therefore economic growth, maintaining this reputation will be a challenge in the future.

While much of this wealth is tied up in the buildings and land they use, universities more than any other part of civil society spend as close to their income levels as possible.

Figure 11.3

Source of income by size of university 2005/06



Source: NCVO, HESA

Table 11.4

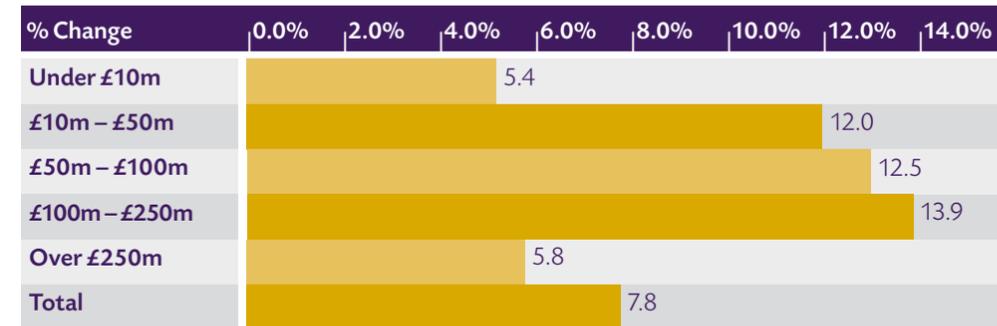
Top 10 universities by income, 2005/06 (£millions)

Institution	Income	Expenditure	Assets
The University of Cambridge	890.8	882.4	2,298.1
The University of Oxford	608.8	606.2	1,334.6
The University of Manchester	588.2	611.3	544.8
University College London	561.6	554.0	537.2
Imperial College of Science, Technology & Medicine	503.4	503.4	548.4
The University of Edinburgh	435.6	428.7	1,018.4
King's College London	388.0	376.0	558.8
The University of Leeds	383.2	378.8	291.7
The University of Birmingham	354.9	338.8	547.6
The Open University	352.7	343.2	142.5

Source: NCVO, HESA

Figure 11.5

Rate of return of university investments by income band, 2005/06 (%)



Source: NCVO, HESA

Figure 11.6

Individual university returns on investments, 2005/06 (%)

- Return on investments greater than 7.6%
- Return on investments between 4.6% and 7.6%
- Return on investments less than 4.6%



Source: NCVO, HESA

Note: For universities investment assets defined as fixed investment assets + endowment assets

11.3 DATA SUMMARY

Table 11.7

University financial overview by income band, 2005/06

	Under £10m	£10m – £50m	£50m – £100m	£100m – £250m	Over £250m	Total
Number	14	45	37	53	19	168
Income (£millions)	110.7	1,138.8	2,822.8	7,571.4	7,859.4	19,503.1
Expenditure (£millions)	109.1	1,119.2	2,786.2	7,511.0	7,786.8	19,312.2
Net assets (£millions)	202.7	1,383.0	2,834.2	7,786.8	10,875.8	23,082.5
Average income	7.9	25.3	76.3	142.9	413.7	116.1
Student numbers						2,287,525

Source: NCVO, HESA

Table 11.8

Breakdown of university income by income band, 2005/06 (£millions)

	Under £10m	£10m – £50m	£50m – £100m	£100m – £250m	Over £250m	Total
Funding councils	62.3	608.2	1,226.3	3,096.2	2,551.2	7,544.1
Tuition fees	18.3	263.5	802.7	2,143.7	1,412.6	4,640.8
Research grants and contracts	2.6	47.2	266.3	819.5	1,985.1	3,120.6
Services for government	0.7	17.0	67.1	143.6	204.3	432.6
Other services	5.2	22.4	69.9	232.0	450.3	779.7
Earned (accommodation, catering and conferences)	4.3	75.2	186.2	541.5	355.0	1,162.2
Grants from local authorities	0.0	0.0	0.4	2.0	0.0	2.4
Grants from health bodies	0.0	8.7	19.8	86.6	198.4	313.6
Investment	2.5	16.4	37.3	103.6	183.3	343.1
Other	14.8	80.2	146.9	402.7	519.3	1,163.9
Total	110.7	1,138.8	2,822.8	7,571.4	7,859.4	19,503.1

Source: NCVO, HESA

Table 11.9

Balance sheet of universities, 2005/06 (£millions)

	Under £10m	£10m – £50m	£50m – £100m	£100m – £250m	Over £250m	Total
Intangible assets	-0.4	269.2	0.3	-11.2	8.3	266
Tangible assets	153.6	1,121.2	2,999.9	8,717.0	8,255.4	21,247
Investment assets	6.6	7.0	137.0	128.0	584.4	863
Endowment assets	39.5	130.3	161.2	618.9	2,570.4	3,520
Fixed assets	199.3	1,527.7	3,298.4	9,452.7	11,418.6	25,897
Current assets	34.3	259.6	818.6	1,952.8	2,848.8	5,914
Liabilities due within 1 year	17.7	203.5	636.3	1,723.4	2,125.3	4,706
Net current assets	16.6	56.0	182.3	229.3	723.4	1,208
Total assets less current liabilities	215.9	1,583.7	3,480.7	9,682.0	12,142.0	27,104
Liabilities due after 1 year	12.0	170.4	591.6	1,754.8	1,214.7	3,743
Provisions	1.2	30.3	55.0	140.5	51.5	278
Net assets	202.7	1,383.0	2,834.2	7,786.8	10,875.8	23,083

Source: NCVO, HESA

Footnotes

¹ 4.6% is the average Bank of England interest rate for the period covered, and is used here as only as a rough guide to performance.

Independent Schools

The advancement of education has been a charitable purpose for over 400 years and therefore most independent schools have charitable status. Throughout the twentieth century education was one of three named heads of charity generally presumed to benefit the public. The Charities Act 2006 removes this presumption and will require all charities to demonstrate public benefit. The aim is to promote public trust and confidence in charity, by making it clear what charity is for and why charitable organisations deserve the benefits they receive, including public support, as well as to ensure parity between different types of charity.

The Independent Schools Council provided a population from which the estimates in this chapter were then developed. Financial data on those schools which are registered charities was provided by GuideStar UK. This data was used to estimate totals for all schools.

12.1 EXECUTIVE SUMMARY

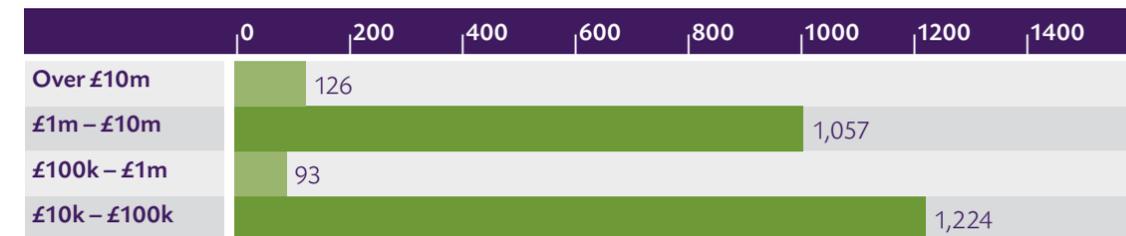
The 2,500 Independent schools had an income of £5.2 billion in 2005/06, amounting to £8,460 per pupil. There are broadly two types of school – large general schools and small specialist schools. Each has distinctive needs and drivers impacting upon them.

Larger schools earned more money per pupil than smaller schools. They are not only bigger because they have a greater intake, but because they obtain significantly more income from each pupil enrolled. Schools in the largest income band earn over £4,000 per pupil more than those schools in the next largest band and over four times those in the next one down. This suggests the larger independent schools will pull even further ahead financially.

Independent schools made a low return on their investments. With the largest and smallest schools performing worst. This suggests that there is good potential to increase revenue from this source.

‘Independent schools had an income of £5.2 billion in 2005/06’

Figure 12.1
Number of independent schools by income band, 2005/06



Source: Independent Schools Council (ISC), NCVO, GuideStar UK

12.2 ANALYSIS

12.2.1 Overview

Independent schools had an income of £5.2 billion in 2005/06, with an expenditure of just over £5 billion. This amounts to an income of £8,460 per pupil for each of the 620,000 pupils enrolled in the 2,500 schools. The profile of independent schools is quite distinct, as fig 12.1 shows. The majority of schools fall into two sizes, which is a reflection of two quite distinct types of schools with different needs and ways of operating. The bigger income band consists of the larger schools more normally associated with the independent school sector while those in the smaller band are made up of a variety of different types of schools including religious, those using alternative educational systems, and specialist schools for children with a variety of difficulties including physical handicaps and learning difficulties.

12.2.2 Pupil numbers

As one would expect, pupil numbers reflect the financial size of the school, with economically larger schools having a larger intake. Therefore, though almost half the number of schools are in the smallest income band, they make up only 18% of the student numbers. Conversely over three-quarters of independent school students are enrolled in schools with an income of over £1 million, despite them making up less than half the number of schools (figure 12.2).

Larger schools also earn more *per pupil*, with the differences being surprisingly large (figure 12.3). Those schools with an income over £10 million earn over 10 times the income *per pupil* than those schools with incomes below £100k. They also earn more than four times more income per pupil than those schools with an income between £100k and £1million. Therefore it is not just the increase in student numbers that accounts for the difference in income, but the amount

earned from each one as well. Looking at the income profile of these smallest schools, 85% of the income comes from earned income which is primarily school fees, meaning that they do not rely heavily on grants to supplement the school fees. It may be therefore that many of the smallest schools rely on widespread volunteering to function effectively, operating on less than a fully commercial basis.

12.2.3 Assets

Over two-thirds of fixed assets held by independent schools are tangible assets, made up of the school buildings and grounds from which they operate. However they still have almost £3 billion of investment assets, amounting to a quarter of their total asset base. Returns on these assets this year have been low, with the largest and smallest schools performing worst. This suggests an area for greater potential income generation for independent schools.

Figure 12.2 Number of schools and pupils by income band, 2005/06 (%)

- £10k – £100k
- £100k – £1m
- £1m – £10m
- Over £10m

Source: ISC, NCVO, GuideStar UK

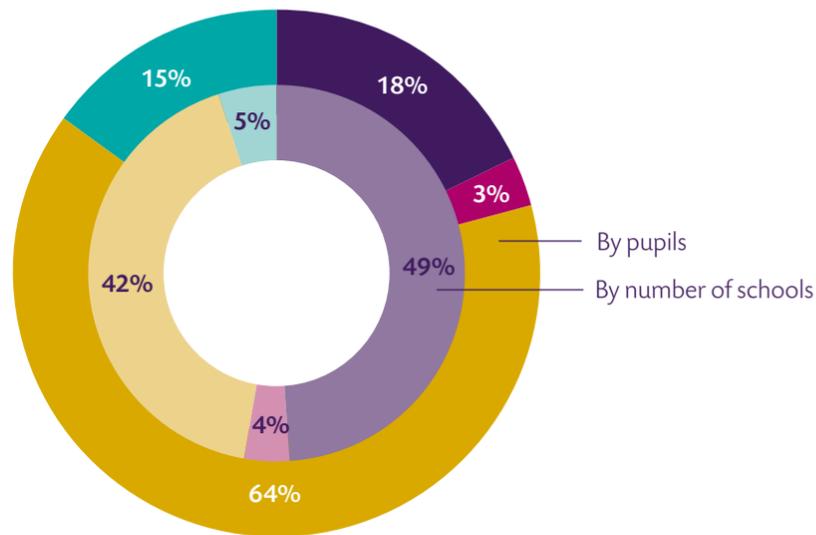
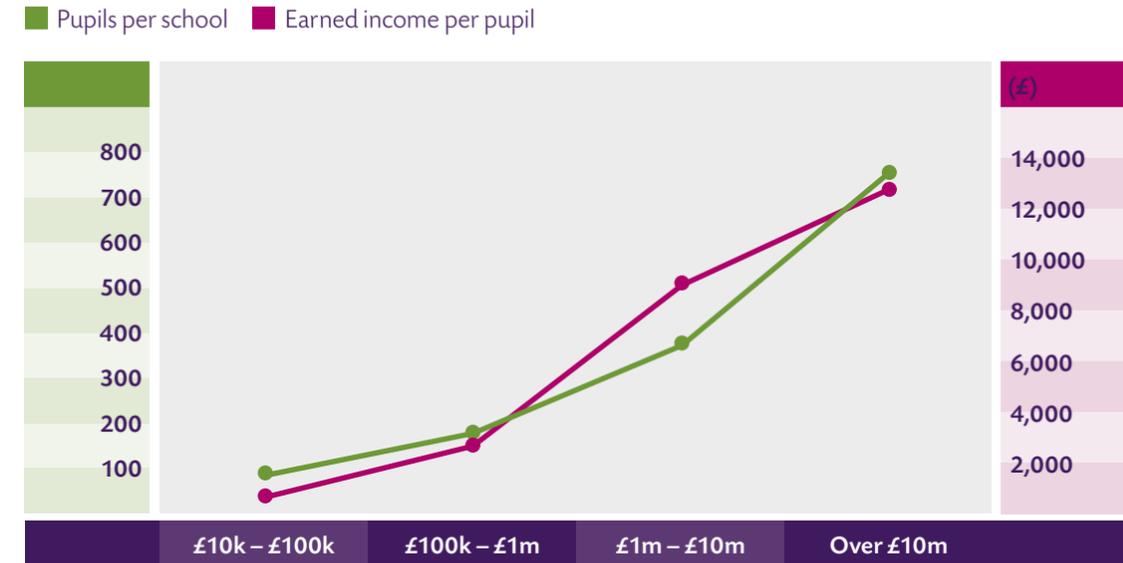


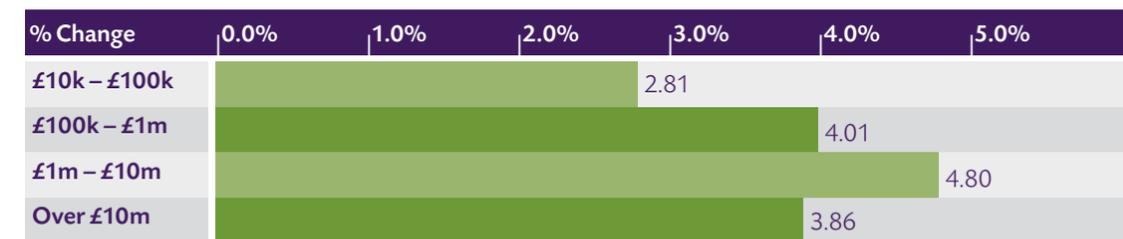
Figure 12.3 Pupils per school and earned income per school, 2005/06



Source: ISC, NCVO, GuideStar UK

‘Larger schools also earn more per pupil’

Figure 12.4 Investment returns by income band, 2005/06 (%)



Source: ISC, NCVO, GuideStar UK

12.3 DATA SUMMARY

Table 12.5

Independent schools basic financial statistics by income band, 2005/06

	Under 100K	£100k – £1m	£1m – £10m	Over £10m	Total
Number	1,224	93	1,057	126	2,500
Income (£millions)	116	57	3,749	1,323	5,245
Expenditure (£millions)	105	56	3,617	1,276	5,054
Net assets (£millions)	378	91	4,323	3,117	7,909
Student numbers	110,907	17,668	396,523	94,902	620,000

Source: ISC, NCVO, GuideStar UK

Table 12.6

Independent schools pupil statistics by income band, 2005/06

	Under 100K	£100k – £1m	£1m – £10m	Over £10m	Total
Total number of schools	1,224	93	1,057	126	2,500
Total number of pupils	110,907	17,668	396,523	94,902	620,000
Pupils per school	91	190	375	755	248
Income per pupil (£)	1,042	3,253	9,455	13,938	8,459

Source: ISC, NCVO, GuideStar UK

Table 12.7

Independent schools balance sheet, 2005/06 (£millions)

	Under 100K	£100k – £1m	£1m – £10m	Over £10m	Total
Intangible assets	0.0	0.0	9.0	0.0	9.0
Tangible assets	204.0	48.7	4,034.1	1,748.1	6,034.9
Investment assets	212.8	46.8	832.9	1,630.0	2,722.5
Fixed assets	416.8	95.6	4,876.1	3,378.1	8,766.5
Current assets	61.0	15.7	809.7	353.7	1,240.1
Liabilities due within one year	62.7	13.8	792.3	304.9	1,173.7
Net current assets	-1.7	1.9	17.3	48.8	66.4
Liabilities due after one year	37.5	6.7	564.7	303.6	912.5
Provisions	0.0	0.0	5.3	5.8	11.1
Net assets	377.6	90.7	4,323.4	3,117.5	7,909.2

Source: ISC, NCVO, GuideStar UK

Chapter 13

Trade Unions

The trade union movement has long been a major vehicle for collective action, not only furthering the interests of union members, but also campaigning for a fair deal at work and for social justice more broadly. unions, like friendly societies and other mutual organisations, emerged from a different tradition to the philanthropic impulse behind charities, and as such the two have rarely been compared. However, whilst not traditionally considered to be part of the 'Third Sector', trade unions are an important element of civil society. Historically they have been highly visible, but arguably are less influential today than they once were.

The Certification Officer for Trade Unions provided financial information for all trade unions, based on their annual audited accounts.

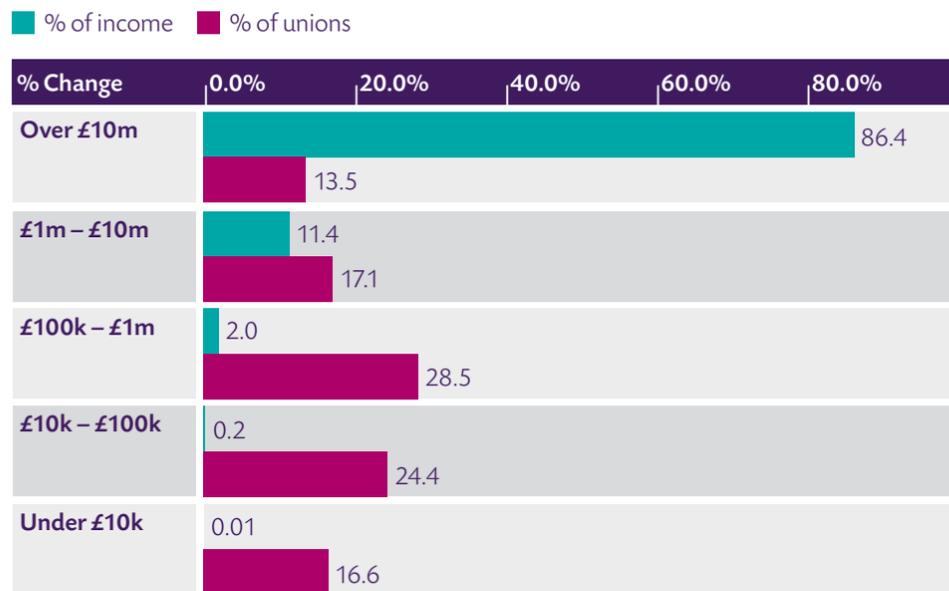
13.1 EXECUTIVE SUMMARY

In 2005/6 there were 193 trade unions in the UK with a combined income of £1.03 billion. A series of mergers in recent years now means that members and resources are concentrated in a smaller number of larger trade unions, with the 26 largest unions accounting for 88% of the membership and 86% of income.

Membership subscriptions are the main source of income and one that is relatively predictable and stable; most also have sizeable assets and investments. However, expenditure is increasing and in some cases is higher than income, suggesting that a number of unions are having to draw on their reserves.

In 2005/06 there were 193 trade unions, with a combined income of £1.03 billion

Figure 13.1
Number and income of trade unions by income band, 2005/06 (%)



Source: NCVO, Certification Officer for Trade Unions

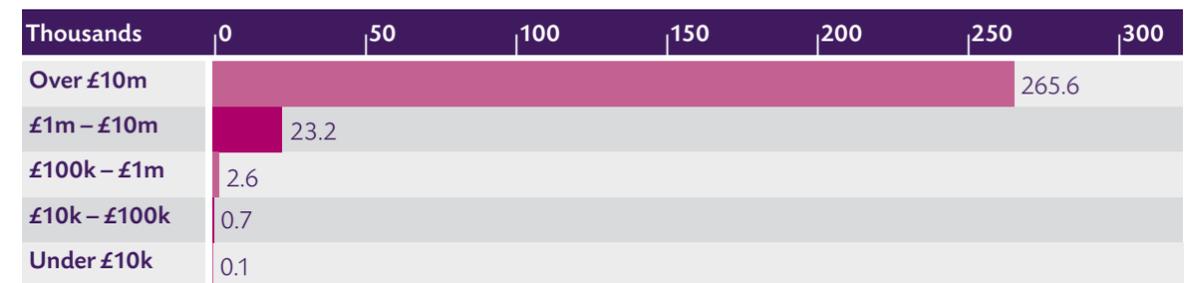
13.2 ANALYSIS

13.2.1 Overview
In 2005/06 there were 193 trade unions, with a combined income of £1.03 billion. In terms of the size and scope, there are significant variations between unions. At one end of the spectrum are unions that specialise in solely representing specific groups of workers, such as nurses, firemen or actors; at the other are much larger organisations with a wide general membership. The number of unions in the different income categories seems to be fairly evenly balanced compared to other types of civil society organisations. However, recent mergers have led to the creation of a smaller number of very large 'super unions', giving rise to one of the largest concentrations of resources in any part of civil society, with the top five trade unions commanding almost half the total income (figure 13.1).

13.2.2 Membership
The total number of union members in the UK stood at just over 7.5 million people in 2005/06, about a quarter of the UK workforce (26.4%). This is higher than figures published by Government, which are based on responses to the annual Labour Force Survey (LFS). However, the most recent analysis of the LFS highlights problems with non-response rates to the survey, which could lead to under-reporting of membership levels and therefore explain some of the difference. Moreover we report membership figures by unions and it is possible that some people may be members of more than one union, for example students eligible for free union membership. Also the LFS only looks at union members *in employment*. It would be interesting in future almanacs if we could explore these discrepancies further.

According to the Department for Trade and Industry (now Department for Business, Enterprise and Regulatory Reform), union membership has been on a long term decline since the early 1980s, with membership almost halving since 1980¹. This perhaps reflects changing patterns of employment, such as higher levels of mobility and more flexible employment patterns, as well as a decline in traditional 'trades' and nationalised industries. As a consequence today there are a smaller number of large unions with a wider and more general membership. As figure 13.2 shows, the 26 largest unions account for 88% of the total membership, with an average of over 265,000 members each.

Figure 13.2
Average membership per income band for trade unions, 2005/06 (thousand members per union)



Source: NCVO, Certification Officer for Trade Unions

'The total number of union members in the UK stood at just over 7.5 million in 2005/06'

13.2 ANALYSIS cont.

Individual expenditure by trade unions

Although unions have a more stable income base than other organisations, with a relatively steadily and predictable income flow from member's subscriptions, more than a third of those with an annual income less than £1 million pounds and almost a quarter over £1 million spent more than they earned. While this may be for a good reason, is planned and organisations have set aside money to cover the excess expenditure, it is not sustainable in the longer term if it means that reserves are being eroded.

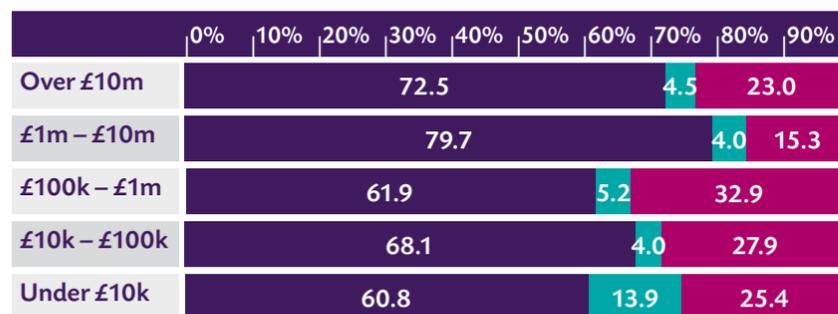
Figure 13.3
Income compared to expenditure by trade unions, 2005/06

- Expenditure is less than income
- Expenditure is more than income



Figure 13.4
Breakdown of trade union income by income band, 2005/06 (%)

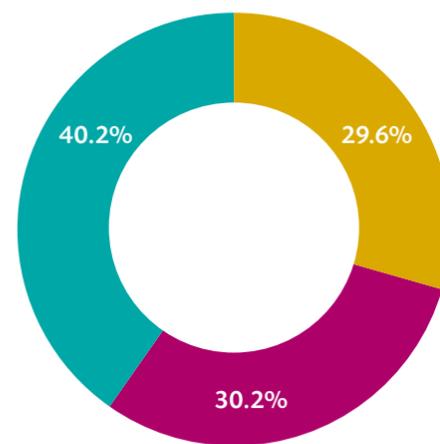
- Membership
- Investments
- Other



Source: NCVO, Certification Officer for Trade Unions

Figure 13.5
Different types of assets held by trade unions, 2005/06 (%)

- Fixed assets
- Other assets
- Investment assets



Source: NCVO, Certification Officer for Trade Unions

With membership subscriptions the main source of income for unions (figure 13.4), a correlation between membership levels and income is to be expected. Therefore the trend towards mergers may be an appropriate response to falling membership, enabling unions to maintain their role and potential influence by concentrating membership and resources in this way. However, this may also give rise to new challenges for these merged unions, for example in their ability to adequately represent a more diverse range of interests and to be accountable to a much wider membership.

13.2.3 Assets and liabilities

Trade Unions had assets of £1.2 billion in 2005/06 with corresponding liabilities of £506 million. This represents funds of £711 million. Again the larger

organisations dominated with 83% of the assets and 78% of the funds. However even trade unions in the £10k to £100k income band had almost a million pounds worth of investments. Therefore asset management is an important and integral part of the organisational strategy of almost all trade unions to ensure the best possible returns.

Only about 40p of every pound of assets is invested by trade unions; the rest is divided between fixed assets and 'other' assets. The high value of other assets may be due to the rolling income from monthly membership subscriptions and high expenditure compared to total assets, meaning a larger than normal share needs to be kept in easily usable forms such as deposits in bank accounts.

13.2.4 Conclusion

This first year of data can no more than provide a snapshot of trade unions with no historical perspective. It provides confirmation that trade unions form a group of organisations with a sizeable income and assets. The few super unions have many thousands of members that are capable of wielding considerable influence. This is in contrast to the more specialised unions whose membership is based on specific sub-sectors of the economy, such as nurses, fireman or actors.

Looking at the longer term, statistics from the Department for Business, Enterprise and Regulatory Reform highlight that the number and membership of trade unions have been falling steadily since the early eighties. Although this decline has slowed since the mid nineties, it remains to be seen whether this decline will be halted.

There is a wide variation in the amount of reserves held by all sizes of trade unions. They do not need large reserves due to the steady and predictable income flows that arise from member's subscriptions but are obviously more secure the larger the amount held. With the long-term decline in membership levels, these funds may be used as a buffer against falling income.

Figure 13.6
Expenditure of organisations compared to funds held, 2005/06

- More than 1 year's expenditure in funds
- Between 0 and 1 year's expenditure in funds
- Expenditure greater than funds

Source: NCVO, Certification Officer for Trade Unions



13.3 DATA SUMMARY

Table 13.7

Expenditure of trade unions by size, 2005/06 (£millions)

Income band	Expenditure
Under £10k	0.1
£10k – £100k	1.7
£100k – £1m	20.1
£1m – £10m	108.1
Over £10m	857.1
Total	987.6

Source: NCVO, Certification Officer for Trade Unions

Table 13.8

Assets and liabilities of trade unions by size, 2005/06 (£millions)

Income band	Fixed assets	Other assets	Investment assets	Total assets	Liabilities
Under £10k	0.1	0.6	0.1	0.8	0.1
£10k – £100k	0.2	1.6	0.8	2.6	0.4
£100k – £1m	4.9	13.1	13.9	32.2	4.4
£1m – £10m	44.1	70.4	57.0	171.5	47.3
Over £10m	310.7	281.9	417.3	1,009.9	454.1
Total	359.9	367.7	489.1	1,217.0	506.3

Source: NCVO, Certification Officer for Trade Unions

Table 13.9

Membership of trade unions by size, 2005/06 (members)

Income band	Male Members	Female Members	Members	Members/Union
Under £10k	1,516	741	2,257	81
£10k – £100k	18,268	13,705	31,973	680
£100k – £1m	70,318	71,752	142,070	2,583
£1m – £10m	470,435	296,782	767,217	23,249
Over £10m	3,307,833	3,331,930	6,639,763	265,591
Total	3,868,584	3,715,449	7,584,033	39,500

Source: NCVO, Certification Officer for Trade Unions

Footnotes

¹ <http://www.dti.gov.uk/employment/research-evaluation/trade-union-statistics/page10928.html>

'Trade unions had assets of £1.2 billion in 2005/06'

Political Parties

Political parties in civil society

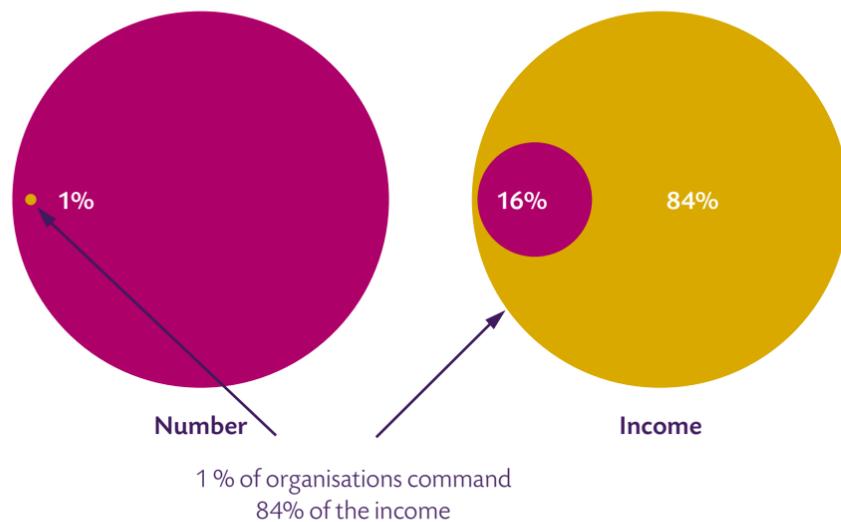
Political parties enable citizens to organise around a common agenda and put forward proposals for achieving social, economic and political progress. If elected, they also play a vital role in holding those in power accountable for that agenda. Equally importantly, their mass-membership structure identifies them as important institutions in associational life. They are therefore an essential part of the public realm and a focus for debates about the 'good society'.

Worryingly for the parties (and, some have argued, wider democracy) is the long term decline in party membership. For example, forty years ago 44% of electors said they identified 'very strongly' with a particular party; but in 2001 only 14% said the same.

It is perhaps no coincidence that turnout at elections has declined over the same period. Yet this has been accompanied by a rise in the number of people who are members of, or active in a charity, community group, public body or campaigning organisation. This suggests that people are willing to engage in issues that concern them, but see voluntary action as a more effective way of making a difference than engaging in politics.

Financial information on political parties in this chapter is based on a sample of their accounts submitted to the Electoral Commission and collated by NCVO. Political parties' finances will change based on the electoral cycle, so it is important to note that the year selected did contain a general election.

Figure 14.1
Number and income of political parties, 2005/06 (%)



Source: NCVO, Electoral Commission

14.1 EXECUTIVE SUMMARY

The total income of political parties in 2004/05 was £71.7 million. Labour and the Conservatives dominate the political scene in the UK, between them taking 84% of the total income of political parties. Almost half their income is made up of donations, with only 8% coming from membership subscriptions, contrasting with 26% for other parties.

Membership is not skewed so strongly towards the largest parties. This is reflected in the more modest 64% of the total membership which the top two command, a 20% smaller share than for income. The smaller parties were also better at obtaining income from membership subscriptions, with parties with incomes of between £100k and £1m earning an average of just over £12 per person, compared to under £9.50 for the largest parties.

The finances of many parties are in a serious state with many being technically insolvent. Labour and the Conservatives owe almost three times the value of their assets. This level of indebtedness by political parties is unique among all organisations within in the UK economy. However political parties operate on a different cycle than other organisations, being heavily influenced by the timings of elections.

14.2 ANALYSIS

14.2.1 Income and expenditure

There are 163 political parties¹ with a total income of £71.7 million. Only a small group of 29 have significant incomes and the landscape is dominated by just two – Labour and the Conservatives. Together these two make up 84% of the income.

As well as the increased visibility that comes from being in government and forming the official opposition, these parties have the financial muscle to dominate the political landscape. They can spend more on advertising, employ more staff, buy marketing information about prospective voters and produce more leaflets and flyers.

This is highlighted by their spending in 2005/06, during which an election was held (figure 14.2).

How successful were these parties at translating their expenditure into political success?

Figure 14.3 shows that the Liberal Democrats gained most percentage points of the vote for every pound spent while Labour and the Conservatives were the second and third worst respectively. However this is likely to be due to diminishing returns with the big parties willing and able to spend far more knowing that it won't bring in as many votes comparatively, but may still bring in enough to give electoral success. As Labour and the Co-operative party work together, and usually sponsor the same MPs, it was not possible to separate out the success of each respective party and therefore the Co-operative party has not been included in the figure.

How much does it cost to set up a political party?

The answer is £150 initially and then a £25 annual registration fee. 24 organisations had an income of exactly £25 for the two years 2004 and 2005. Britain has a history of people setting up eccentric parties to contest elections and these 24 organisations include the Idle Toad Party and Adam Lyal's Witchery Tour Party. A further 26 parties had an income of under £500. While this is the minimum, it is of course far more expensive to run a party with a chance of electoral success.

Figure 14.2
Top 10 political parties by expenditure, 2005/06 (£millions)

	0	10	20	30	40	50	60
Labour	50.4						
Conservatives	39.6						
Liberal Democrats	3.6						
Co-operative Party	1.2						
Sinn Fein	1.2						
SNP	0.8						
SDLP	0.7						
Ulster Unionists	0.7						
Plaid Cymru	0.6						
UKIP	0.5						

Source: NCVO, Electoral Commission

14.2 ANALYSIS cont.

14.2.2 Membership

Despite the discrepancies in earning and spending power, this is not reflected to the same extent in membership figures, where the two big parties have a combined total of just under two-thirds (64%) of popular membership. They also earn comparatively less from their membership, garnering an average of 8% of their total income from membership subscriptions compared to 26% for the rest of the parties. Instead donations dominate their income streams, earning them almost half (48%) their income. This would suggest that the larger parties are relying less on their mass membership and more on individual backers to fund their activities. In some respects this is not dissonant with other organisations in civil society, where the perception seems to be that organisations are becoming more reliant upon a smaller core of more committed supporters.

Membership subscriptions to parties are usually not fixed, with a minimum rate above which members are free to choose their membership subscription level. As figure 14.4 shows, it is the mid-sized political parties that are the best at extracting higher subscriptions from their membership.

With the long term downward trend in political party membership, apart from Labour and the Conservatives who rely little on membership income, parties will have to increase the subscription charged to each member in order to maintain income levels. This is compounded by the continuing rise in single issue organisations and charities that are increasingly viewed as an alternative repository for political views.

These organisations compete for ‘political coverage’ in the media and may squeeze the smaller political parties further out of the media. The shifting trends in democratic engagement (see box at start of chapter) are further complicating the political landscape to which political parties will have to respond.

14.2.3 Assets and liabilities

Political parties as a whole were technically insolvent in 2005/06, owing far more than the assets they held. Again it was the top two parties that dominated, with net liabilities (assets – liabilities) of £46 million. This would seriously concern most organisations and highlights the level of competition that exists in the political arena and the willingness to push finances to the brink of viability in order to gain political advantage. It also highlights the confidence that the top two parties have in being able to draw in millions of funds if needed to cover their debts. Furthermore most of these assets were fixed assets and therefore difficult to release quickly if needed.

However it is not only the top two parties that have heavy liabilities, as figure 14.5 shows, there are other smaller parties that are also in the same position. Political parties operate in an unusual financial cycle of high spending during election years and lower spending in other years. Therefore these levels of liabilities may be a reflection of the accounts falling in an election year. It would be interesting to investigate how parties operate financially given their unusual position and the arrangements in place to service their liabilities.

14.2.4 Conclusion

The election system in the UK favours two-party politics, making it extremely difficult for smaller parties to gain representation in parliament. Therefore the dominance of the two largest parties is likely to continue for the foreseeable future unless there is a change to the voting system. Given the devolved administrations chose to adopt a fairer system than that used for the UK parliament, this is not such a remote prospect as once was.

There is an on-going parliamentary enquiry into the funding of political parties which may well change the nature of how they operate in the future, with state funding, caps on donations and further caps on spending all being suggested. This is complicated by the role of trade unions in funding the Labour party contrasted against individuals funding the Conservative party. Evidence from the USA suggests parties are particularly adept at getting round funding restrictions, whether this will happen in the UK remains to be seen.

Political parties occupy a unique position in the sector, and probably across the whole of the UK economy, with many parties being technically insolvent. Given the uneven balance of expenditure between election and non-election years, the financial situations of parties need to be seen in the light of this (normally four year) cycle.

Figure 14.3

Amount spent by each political party for each percentage point of the vote won (2005 election) (£1000s)



Source: NCVO, Electoral Commission

Figure 14.4

Average membership income per size of political party, 2005/06 (£)



Source: NCVO, Electoral Commission

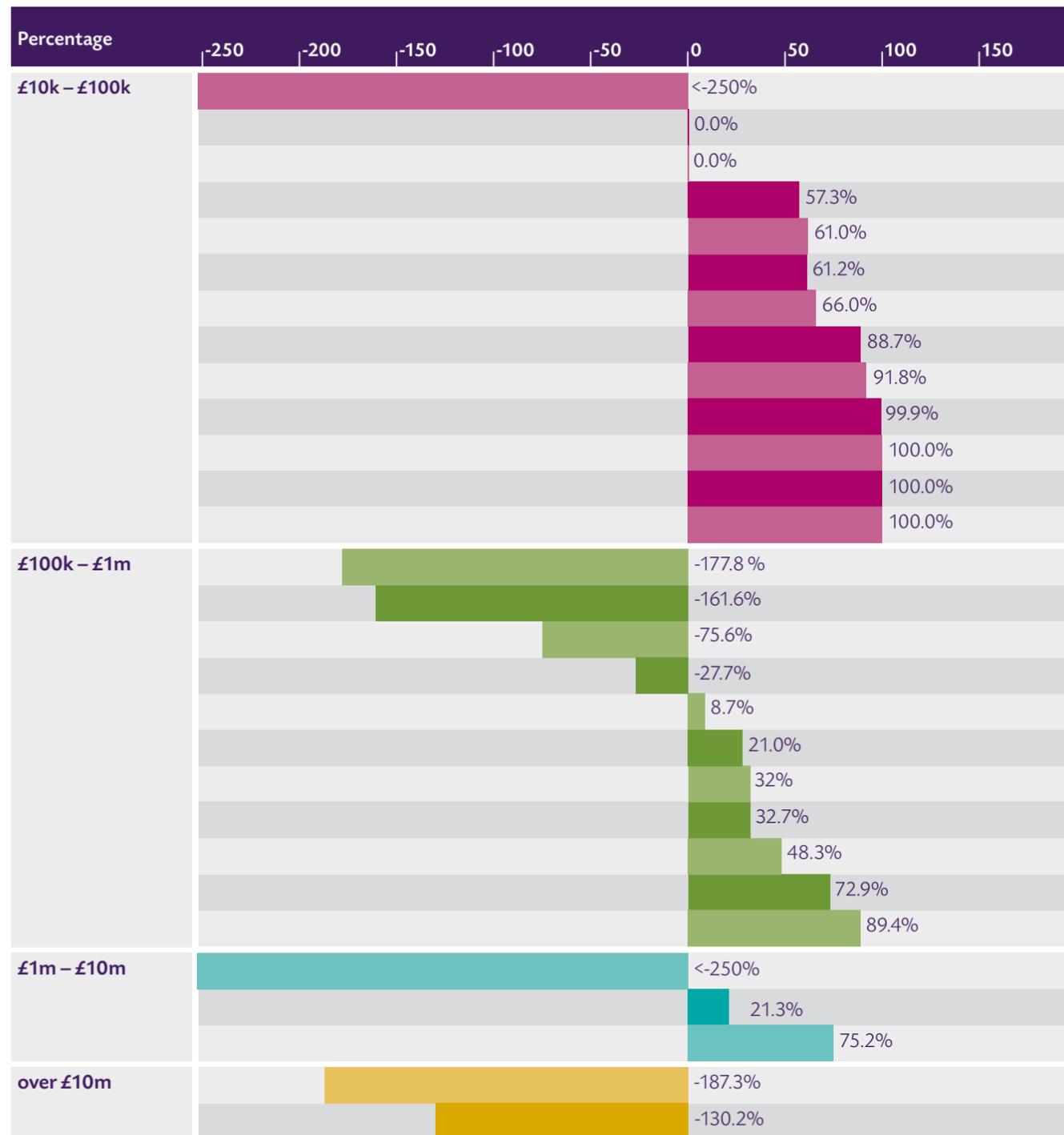
14.2

ANALYSIS cont.

Figure 14.5

Net assets as a percentage of total assets by income band for political parties, 2005/06 (%)

Each bar represents one political party



Source: NCVO, Electoral Commission

14.3

DATA SUMMARY

Table 14.6

Number and total income (£1000s) of political parties by income band, 2005/06

	Number of parties	Income	% of Orgs	% of Income
Under £10k	134	210	82	0.3
£10k – £100k	13	593	8	1
£100k – £1m	11	4,835	7	7
£1m – £10m	3	5,881	2	8
Over £10m	2	60,188	1	84
Total	163	71,707	100%	100%

Source: NCVO, Electoral Commission

Table 14.7

Income of political parties by income band, 2005/06 (£1000s)

	Donations	Earned	Affiliates	Membership	Fundraising	Grants	Other
Under £10k	65	11	0	50	35	0	46
£10k – £100k	166	86	0	172	74	27	68
£100k – £1m	1,861	184	489	1,006	360	660	275
£1m – £10m	814	504	48	1,767	1,423	427	898
Over £10m	28,695	5,837	8,097	4,578	1,128	5,081	6,771
Total	31,601	6,622	8,634	7,574	3,021	6,196	8,057

Source: NCVO, Electoral Commission

Table 14.8

Expenditure of political parties by income band, 2005/06 (£1000s)

	Total expenditure	Election campaign	Other	% of total expenditure
Under £10k	217	65	152	0.2
£10k – £100k	616	42	574	1
£100k – £1m	5,208	1,280	3,928	5
£1m – £10m	6,025	549	5,477	6
Over £10m	89,993	31,185	58,808	88
Total	102,059	33,120	68,939	100

Source: NCVO, Electoral Commission

14.3

DATA SUMMARY cont.

Table 14.9

Assets of political parties by income band, 2005/06 (£1000s)

	Fixed assets	Current assets	Total assets	Liabilities	Net assets
Under £10k	2	104	106	10	96
£10k – £100k	97	171	268	109	159
£100k – £1m	1,679	1,033	2,712	1,926	786
£1m – £10m	245	1,696	1,941	2,106	-165
Over £10m	21,462	7,293	28,755	74,584	-45,829
Total	23,485	10,297	33,782	78,736	-44,954

Source: NCVO, Electoral Commission

Table 14.10

Membership of political parties by income band, 2005/06

	Total membership	Average number of members	Total membership income (£1000s)	Average income per member (£)
Under £10k	18,301	137	50	2.74
£10k – £100k	18,539	1,426	172	9.28
£100k – £1m	83,454	7,587	1,006	12.06
£1m – £10m	156,065	52,022	1,767	11.32
Over £10m	488,026	244,013	4,578	9.38
Total	764,385	4,689	7,574	9.91

Source: NCVO, Electoral Commission

‘...the Liberal Democrats gained most percentage points of the vote for every pound spent’

Table 14.11

Political party staff by income band, 2005/06

	Number of staff	Staff costs (£)	Expenditure spent on staff (%)	Staff per organisation	Average cost per staff member (£)
Under £10k	0	0	0	0	0
£10k – £100k	6	88,085	14	0.5	14,907
£100k – £1m	79	1,331,312	26	7	16,758
£1m – £10m	76	2,581,172	43	25	33,963
Over £10m	541	21,875,894	24	271	40,436
Total	702	25,876,462	25	4	36,843

Source: NCVO, Electoral Commission

Table 14.12

Top 10 political parties, 2005/06 (£1000s)

Party name	Income	Expenditure	Assets
Labour Party (The)	35,694	50,354	-27,548
Conservative and Unionist Party GB	24,494	39,639	-18,282
Liberal Democrats	3,661	3,630	301
Co-operative Party	1,122	1,196	292
Scottish National Party	1,097	1,200	-759
Sinn Fein	715	713	11
Social Democratic and Labour Party (SDLP)	647	587	219
Ulster Unionist Party	599	835	491
Plaid Cymru – The Party of Wales	567	497	198
United Kingdom Independence Party	474	673	-48

Source: NCVO, Electoral Commission

Footnotes

¹Only those parties that registered accounts in both 2005 and 2006 were included.

Co-operatives

and FSA Registered Organisations

This chapter has been made possible by the kind assistance of Co-operatives^{uk}. The data in the first part of this chapter is based on information on members of Co-operatives^{uk}. While this includes most co-operatives, it does not include all. Therefore this chapter should be taken as a minimum size of co-operatives in the UK.

There were a number of co-operatives for which we only had information about their total profit/loss. Using the information we had, we estimated their other financial statistics. In line with erring on the side of caution, this extrapolation was based on the information we have for the smallest organisations, which would produce the most conservative estimates. Given that most of the larger co-operatives are known, we are confident that these organisations were overwhelmingly in the smaller brackets.

15.1 EXECUTIVE SUMMARY

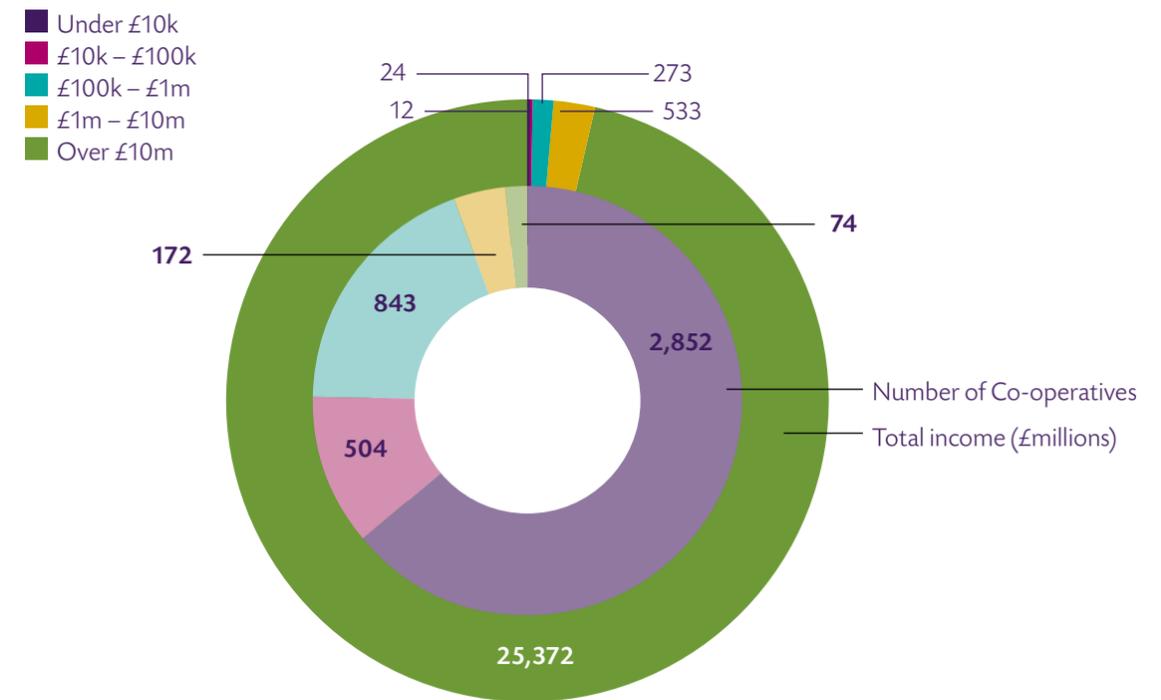
Co-operatives are social businesses that are jointly owned and democratically controlled by their members and run according to the set of principles developed by the International Co-operatives Alliance. In the main they are legally established as Industrial and Provident Societies, which also includes societies operating for the benefit of the community (known as 'Bencoms'). As organisations working for mutual and/or community benefit, rather than the benefit of investors, and committed to sustainable economic and social development, co-operatives and bencoms play a key role within civil society.

Co-operatives had an income of **£26.2 billion in 2005/06**, making them a major part of civil society. Most co-operative resources are concentrated in the largest organisations, with a large number of much smaller organisations. This was matched by greater surpluses being generated in the larger organisations. However per member, it was the £1m to £10 million band that created the biggest surpluses.

Co-operatives held funds of **£7.4 billion in 2005/06**, £673 for each of the 11 million members. They generated a healthy rate of return of almost 8%. While this return was mostly down to the largest co-operatives performing particularly well, co-operatives of all sizes achieved good average returns.

There were a total of **9,963 further civil society organisations registered with the FSA with a total income of £12.3 billion**. These included benevolent societies, building societies, friendly societies, working men's clubs and industrial and provident societies. While the different legal forms can be confusing, each has been set up to respond to a different need within society.

Figure 15.1
Number and income (£millions) of co-operatives by income band, 2005/06



Source: Co-operatives^{uk}

15.2 ANALYSIS

11.2.1 Overview

There were a total of 11 million members of 4,445 co-operatives in 2005/06, over half of which were small organisations. Income totalled £26.2 billion, making co-operatives a major part of civil society. Like most parts of civil society, the majority of organisations in this part of the sector are small, with a few much larger associations. Most of the incoming resources are concentrated in the 74 largest co-operatives (figure 15.1). Some of these organisations stretch back to the nineteenth century when the co-operative movement first flourished while others are much more recent. This has been in

response to the growing interest in alternative business models, of which the co-operative model is a central alternative.

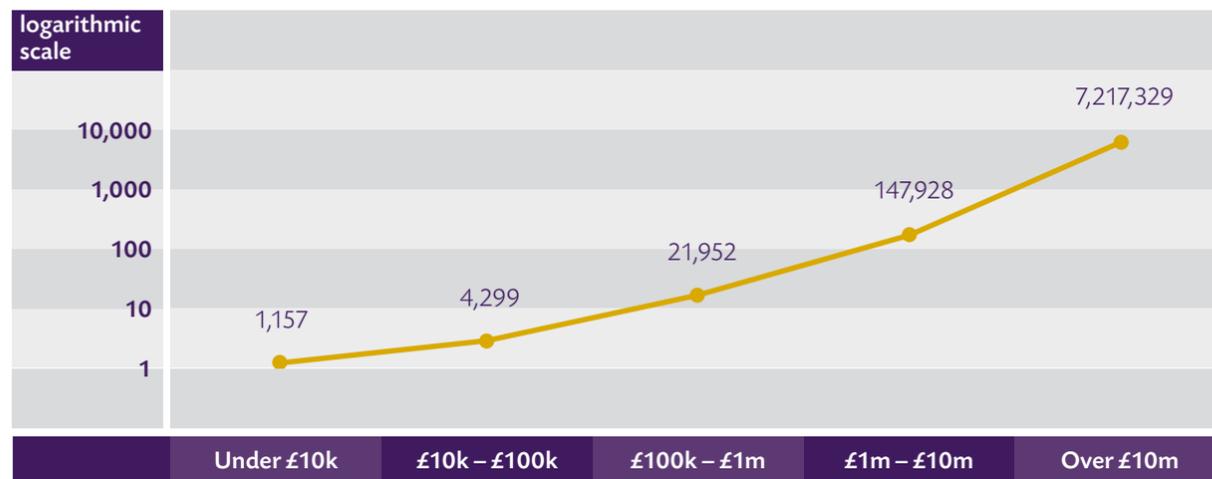
Greater surpluses were produced by the larger organisations (figure 15.2), with the largest organisations earning many times more than the smaller organisations. This is unsurprising given the larger memberships and greater funds invested in these organisations, yet the scale of the difference is striking – those in the largest band generated almost 50 times the surpluses of the next band down.

However as this surplus is shared amongst more members this does not necessarily

translate into a better return for the co-operative’s membership. As figure 15.3 shows, it was the £1m to £10m band that made the greatest surplus per member.

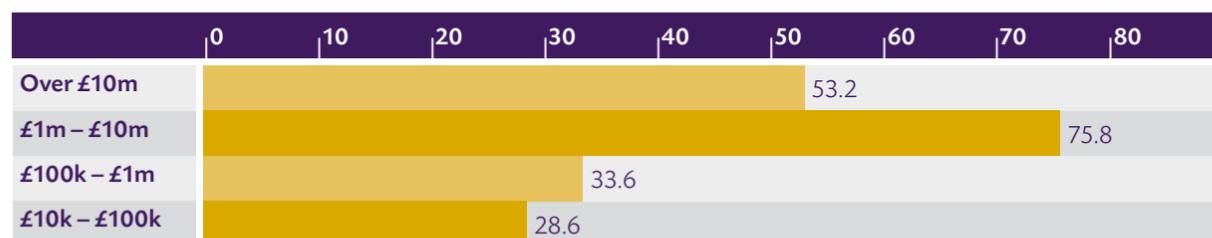
‘Co-operatives held total funds in 2005/06 of £7.4 billion’

Figure 15.2
Surplus per co-operative by income band, 2005/06 (£1000s)



Source: Co-operatives^{uk}

Figure 15.3
Co-operative surpluses per member, 2005/06 (£)



Note: Under £10k band not included due to lack of data
Source: Co-operatives^{uk}

15.2.2 Funds

Co-operatives held total funds in 2005/06 of £7.4 billion. These funds are owned by the 11 million members of the co-operatives themselves. This translates into an average fund of £673 per member. Those co-operatives in the £1 million – £10 million band have funds per member of over £1,300 while the other bands have funds of between £600 and £700 per member.

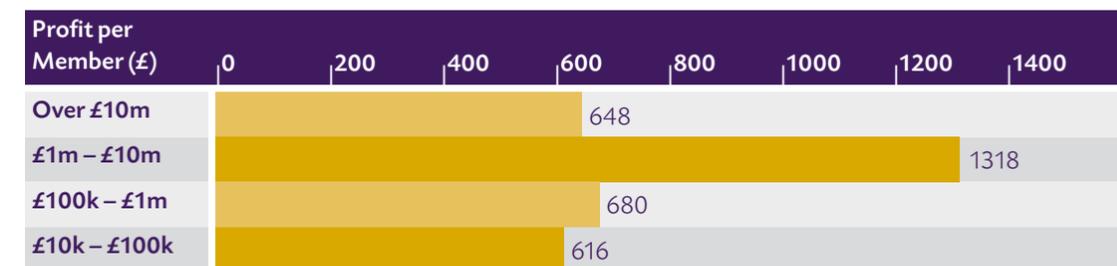
Another way of looking at the success of co-operatives is to look at the surplus they achieved for every pound in the fund. As figure 15.5 shows, all co-operatives returned more than 4.6%, though it was the smallest and largest co-operatives that performed the best.

15.2.3 Conclusion

Co-operatives form a major part of civil society. Rooted in values of mutual help and shared ownership, they can form highly successful businesses that rival the private sector in size and achievement.

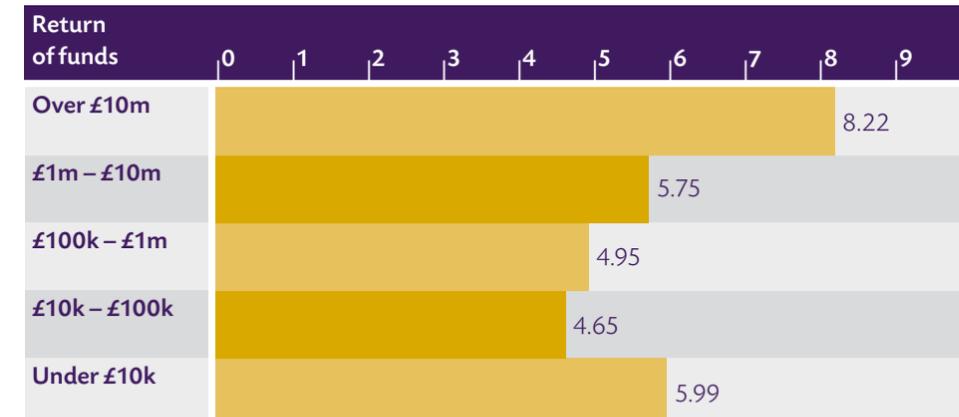
The strong co-operative tradition across Europe, combined with renewed interest in mutual and community business models, points to a healthy future for this part of the sector.

Figure 15.4
Co-operatives funds per member, 2005/06 (£)



Note: Under £10k band not included due to lack of data
Source: Co-operatives^{uk}

Figure 15.5
Return on co-operative funds by income band, 2005/06 (%)



Source: Co-operatives^{uk}

15.3 DATA SUMMARY

Table 15.6

Financial breakdown of co-operatives, 2005/06 (£millions)

Income band	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
No. of co-operatives	2,852	504	843	172	74	4,445
Total income	11.7	23.5	272.9	533.3	25,371.6	26,213.0
Total profit/loss	3.3	2.2	18.5	25.4	534.1	583.5
Total expenditure	8.4	21.3	254.4	507.9	24,837.5	25,629.5
Total shareholders funds	55.1	46.6	374.1	442.3	6,499.4	7,417.5

Source: Co-operatives^{uk}

Table 15.7

Membership of co-operatives, 2005/06

Income band	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Members	25,330	75,670	550,368	335,466	10,037,518	11,024,352
Members per org	9	150	653	1,950	135,642	2,480

Source: Co-operatives^{uk}

‘There were a total of 11 million members of 4,445 co-operatives in 2005/06’

15.4 OTHER ORGANISATIONS REGISTERED WITH THE FINANCIAL SERVICES AUTHORITY

The Financial Services Authority (FSA) has a number of legal forms for both mutual and public benefit organisations. This section looks at these legal forms. Many co-operatives register with the FSA, as do many mutual societies (however they also take other forms such as companies and limited liability partnerships). It is hoped that the majority of those co-operatives that do not have been captured through the Co-operatives^{uk} information examined above. For other mutual societies, unless they are a CIC, we do not have this information at present and therefore these civil society organisations will be missing from this analysis.

Whilst these organisations supply annual returns to the FSA, to obtain a complete set is prohibitively expensive. However it was possible to obtain the names of all organisations so they could be cross-referenced with other registers. Therefore we have used data from a number of sources to try to map as much of this part of the sector as possible.

The first sources were Co-operatives^{uk} and the National Housing Federation. The second source was the Inter-Departmental Business Register (IDBR). Though the register itself is confidential, we were able to obtain the information we required in aggregate form. The third source was the umbrella bodies of the various FSA legal forms.

Whilst the data we obtained did not provide a comprehensive picture of this part of the sector, it allowed us to make reasonable estimates. We hope, in future almanacs, to be able to improve upon the information we have. How each part of the FSA was dealt with is set out below.

Benevolent societies

These societies are established for benevolent or charitable purposes, and can be registered with the Charity Commission or the FSA. In contrast to other societies registered to the FSA, benefits of these societies must be distributed wider than their members. Data was obtained from GuideStar UK, the FSA register and the IDBR, although only turnover and staff numbers are available.

Building societies

Information on Building Societies was obtained from the Building Societies Association, with information available for all societies. The assets of Building Societies are not included in final totals, as they are made up primarily of members' deposits.

Friendly societies

Friendly societies are mutually-owned organisations which provide life assurance and assistance to members during sickness, unemployment and retirement. They do not become members of Co-operatives^{uk}, and so data was collected using the FSA register and the IDBR. The total is likely to be an underestimate of the value of Friendly Societies.

Industrial and provident societies

A report produced by the Registry of Friendly Societies (which regulated Industrial and Provident Societies until the Financial Services Authority took over in December 2001), provided seven categories of industrial and provident societies (in descending order of economic value):

- Housing societies,
- Clubs,
- General Service societies,
- Agricultural societies,
- Specially Authorised societies,
- Wholesale and productive societies,
- Fishing societies,
- Retail societies.

Each of these categories has significant representation in the Co-operatives^{uk} membership, although the estimated breakdown was gained using the FSA register and the IDBR.

Working men's clubs

These organisations provide recreational and social facilities for their members. A large number of other clubs, such as British Legion, conservative, liberal, labour, sports and social clubs are registered as Industrial and Provident Societies rather than Working Men's Clubs. Information on these organisations was found on the FSA register and the IDBR.

Table 15.8 sets out the known number of organisations and income based on the categories above. For clarity we have removed organisations that are members of Co-operatives^{uk} and therefore included in the first part of this chapter.

Housing Associations

This chapter was possible with the kind assistance of the National Housing Federation. However any faults with the statistics produced lie with NCVO alone.

15.4.1 Conclusion

The wide range of legal forms that are possible under the FSA for civil society organisations is often confusing, both generally and for groups looking to register. This has arisen because the different forms have been set up over an extended period stretching back to the Victorian age to respond to multiple and changing needs of civil society. Whether the FSA decides to simplify their register, and whether it is possible while still responding to the needs of the organisations registered, remains to be seen.

The civil society organisations registered with the FSA are grouped around the values of a 'social economy' based on societal benefit. This contrasts with the organisations based on maximising share-holder value that is associated with companies registering with Companies House. With new organisational forms such as CICs (that register with Companies House) blurring these boundaries, the evolution of how the different legal forms fit together and where they are based is likely to further complicate in the future.

Table 15.8

Number of organisations and income of societies registered with the FSA (which are not members of Co-operatives^{uk}), 2005/06

Income band	Organisations	Income (£m)
Building societies	63	3,952
Benevolent societies*	2,223	293
Friendly societies	415	462
Industrial and provident societies*	5,538	3,638
Agricultural societies	64	2
Clubs	2,429	284
Fishing societies	0	0
General service societies	1,009	238
Housing societies	1,877	3,099
Retail societies	55	<1
Wholesale and productive societies	12	1
Specially authorised societies	92	12
Working men's clubs	1,724	338
Total	9,963	12,319

Source for building societies: Building Societies Association

Sources for other societies: Financial Services Authority (number of organisations), Office for National Statistics (income)

Other sources: Co-operatives^{uk}, GuideStar UK

16.1 EXECUTIVE SUMMARY

5.3 million people live in 2.3 million houses owned by housing associations in 2005/06. This represents roughly 10% of all UK homes and therefore housing associations have a significant role to play in the development of communities.

The total income of housing associations was £10.8 billion in 2005/06, almost 90% of which was accounted for by the 334 organisations with incomes of over £10 million. Incomes are likely to rise further in the future as the stock transfer from local authorities that began in the 1990s continues.

Housing associations held assets of £57 billion in 2005/06, with £5 billion of liabilities. However most of these assets will be the housing stock which forms the basis of their business.

‘Housing associations had a total income of £10.8 billion in 2005/06’

16.2 ANALYSIS

16.2.1 Number

Over 5 million people live in accommodation owned by housing associations in over 2 million homes. This represents roughly 10% of all UK housing. Like most parts of civil society, the majority of organisations in this part of the sector are very small in size with a few much larger associations, as shown in figure 16.1. Some of these larger organisations are the result of the large stock transfers from local authorities since the 1990s. Many associations have also pursued strong growth strategies involving mergers with other housing associations. This may well be a reflection of the competitive, business-like environment that this part of the sector operates in. It is a challenge to these housing associations to maximise their local roots, networks and experience as they grow.

The largest housing associations with incomes over £10 million have an average of almost 6,000 units each, boosted by some very large organisations managing tens of thousands of properties. They are large, complex organisations that have a significant impact on a huge number of people. As such, they shape the perception and direction of this part of the social housing sector. Furthermore they have a significant part to play in the long-term development of everything from community cohesion to environmental goals. For example, housing contributes 15% of the UK’s greenhouse gas emissions and therefore government strategies aimed at tackling climate change will have to involve housing associations.

16.2.2 Income

Housing associations had a total income of £10.8 billion in 2005/06 most of which, as expected, was in the form of rent from lettings. The vast majority of this rent comes from social housing, however a small but significant proportion (£665m) came from non-social housing. This can take a number of forms such as student housing, nursing homes or market rented property. It also includes proceeds from sales.

Current expenditure totalled £9.2 billion in 2005/06, over £1.5 billion less than income. However this does not include significant capital expenditure by housing associations, which is likely to push total expenditure much closer to income levels.

16.2.3 Assets and Liabilities

Housing Associations had substantial assets of £57 billion in 2005/06 against liabilities of just £5 billion, almost £50 billion of which is held by the largest organisations with incomes of over £10 million. However most of these will be tangible assets in the form of the houses which the charities rent out.

Figure 16.1
Number and housing stock of housing organisations per income band, 2005/06 (%)



Source: National Housing Federation (NHF), Communities Scotland (CS), Welsh Assembly Government (WAG), Northern Ireland Federation of Housing Associations (NIFHA)

‘Over 5 million people live in accommodation owned by housing associations in over 2 million homes’

16.2 ANALYSIS cont.

Social businesses who are building neighbourhoods

Housing associations build and manage homes for more than five million people, investing approximately £3 billion a year to build new social homes as a result of their ability to match public subsidy with private funds. Born in their current form to respond to the housing crisis of the late 60s and early 70s, their achievements represent the most consistently successful social policy in the four decades since. Over that time housing associations have successfully risen to every challenge presented to them including the introduction of private finance, the transfer of more than a million homes from local authorities and the delivery of continued financial viability in a time of rent control.

Social rented housing will always need to be subsidised from some pot of money, either directly through grant or indirectly using free or subsidised land, or both. The amount it costs to build and service a social rented home over its lifetime is not covered by the restricted rental income from that home. That is why the government gives grant – a proportion of building costs – in the first place. Associations, able to match this grant with investment from private lenders and investment from their own resources, have traditionally matched the

grant pound for pound. More recently, that balance has moved in favour of the taxpayer to closer to 60 per cent borrowing, 40 per cent grant. Since the introduction of this “mixed funded” approach housing associations have secured £32bn of private finance for investment in affordable homes.

In addition, England’s 1,300 housing associations currently spend more than 500 million of their own money each year investing in communities by providing service far beyond direct housing activities: activities such as training; new business support and mentoring; providing leisure facilities and opportunities; advice services; warden schemes; food co-ops and partnering with others to improve the general health and well being of their customers. We believe that this direct investment attracts at least as much again in support from charitable trusts, Europe, local government, venture philanthropy and elsewhere.

Housing associations will play a major role in helping government to deliver its planned major increase in the number of new homes built. Reflecting their role as the social businesses that have delivered the new affordable housing for England for the last few decades on, as far as the taxpayer is concerned, an essentially ‘buy one, get one free’ basis. Understandably government

will want to maximise the value for money to the public purse and is challenging associations to provide more homes for less grant. Housing associations are ready to rise to this challenge, but also committed to protecting the long term viability of the housing association sector and the tenants it has served so well for so long.



Gavin Smart
Assistant Director – Research & Futures,
National Housing Federation

16.3 DATA SUMMARY

Table 16.2

Number of housing associations by income band, 2005/06

	Under £10k	£100k – £1m	£1m – £10m	Over £10m	Total
Number of orgs	1,230	18	297	334	1,879
Number of units	8,255	4,386	299,840	1,984,215	2,296,696
Number of people housed	19,152	10,176	695,629	4,603,379	5,328,335

Source: NHF, CS, WAG, NIFHA

Table 16.3

Income of housing associations by income band, 2005/06 (£millions)

Income band	Under £10k	£100k – £1m	£1m – £10m	Over £10m	Total
Social housing – lettings	28	15	1,143	7,573	8,759
Social housing – grants	0	0	50	256	306
Social housing – other	6	3	113	929	1,050
Non-social housing – lettings	0.4	0.2	31	181	213
Non-social housing – other	0.2	0.1	68	383	452
Total income	34.3	18.2	1,404	9,322	10,779

Source: NHF, CS, WAG, NIFHA

Table 16.4

Current expenditure of housing associations by income band, 2005/06 (£millions)

Income band	Under £10k	£100k – £1m	£1m – £10m	Over £10m	Total
Social housing – lettings	22.3	11.8	1,031.9	6,596.5	7,662.5
Social housing – other	2.2	1.2	98.3	796.1	897.9
Non-social housing – lettings	0	0	21.3	130.3	151.6
Non-social housing – other	2.2	1.2	67.5	382.7	453.6
Total current expenditure	26.7	14.2	1,217.9	7,904.4	9,163.2

Source: NHF, CS, WAG, NIFHA

Table 16.5

Assets of housing associations by income band, 2005/06 (£millions)

Income band	Under £10k	£100k – £1m	£1m – £10m	Over £10m	Total
Assets	247	131	7,242	49,763	57,384
Liabilities & provisions	29	15	928	3,934	4,906
Net assets	218	116	6,314	45,828	52,477

Source: NHF, CS, WAG, NIFHA

Social Enterprise Activity

17.1 INTRODUCTION

The idea of people coming together to trade for a social objective is not new, as the co-operative tradition exemplifies. However, since the 1990s interest in this type of activity has increased, both within civil society and government. The Office of the Third Sector defines social enterprises as “businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners”. Yet social enterprise is perhaps better defined as an activity undertaken by a much wider range of organisations within civil society, both in direct furtherance of their goals (primary purpose) and as a means to generate income which can then be spent on furthering their goals (secondary purpose).

How social enterprise is perceived may be linked to questions of identity and ideological preference, as well as practical considerations. For some it is about developing an alternative approach to markets and wealth creation; for others it is a means of generating income. This is reflected in the choice of legal form. Yet alongside these distinctive identities, are a number of synergies between the different types of organisation, including their roots in civil society and a commitment to a broad set of shared principles and values¹. Many civil society organisations engage in social enterprise activities and the needs of all these organisations need to be considered in this context.

A focus of government interest has been on organisational forms and particularly on those that they identify as social businesses. This can be seen, for example, in the creation of a new legal form, the Community Interest Company (see box), and in attempts to assess the size and scope of this part of the sector. In 2005 the Department for Trade and Industry’s Social Enterprise Unit undertook a survey of social enterprises, defined as companies limited by guarantee and industrial and provident societies that derive 25% or more of their income from trading. This survey identified around 15,000 social enterprises in the UK with a turnover of just under £18 billion².

However, our evidence suggests that social enterprise is, in fact, the primary source of income for many types of civil society organisation, with £77 billion³ being earned through enterprising activity. This amounts to almost three-quarters of the entire income of the sector. Therefore using a narrow definition of social enterprise that links the concept to a particular organisational form underestimates the importance of social enterprise as an activity within civil society as a whole. A broader understanding is needed to ensure that there is an appropriate mix of generic and specialist information and support available to all organisations engaging in social enterprise, not least to enable people to choose the right legal form for their organisation.

Community interest companies (CICs)
A CIC is a limited company established for community purposes (the ‘community interest test’), with an asset lock to ensure that its assets and profits are used to further these purposes. In part the aim is to give companies with a social purpose a brand identity, making them both easier to identify and easier to distinguish as a social (rather than a ‘for profit’) company in future.

CICs were only established in 2005. In 2005/06 there were 233 CICs with an income of £161 million and 957 staff. It has not been possible to calculate their expenditure and therefore this has not been included this year. However, given their limited number, we believe this would not make a significant difference to the size of civil society, although we expect this part of civil society to grow in the future.

‘...social enterprise is ... the primary source of income for many types of civil society organisation, with £77 billion being earned through enterprising activity’

Footnotes

¹ For more details see www.ncvo-vol.org.uk/thirdsectornetwork

² IFF Research Ltd (2005) A Survey of Social Enterprises across the UK. http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov.uk/third_sector/survey_social_enterprise_across_uk.pdf

³ For further information on the method used to arrive at this figure, please visit www.ncvo-vol.org.uk/almanac

Other Civil Society Organisations

Civil society covers a bewildering variety of activities, purposes, legal forms and organisational forms. Some, though not all, are regulated or have umbrella bodies and for some there are comprehensive records making a study of these organisations easier.

18.1 INTRODUCTION

This chapter covers those civil society organisations for which we have less information and for which it has been necessary to make less robust estimates. In future almanacs we hope to have further information which will enable more detailed analysis of the size and scope of these areas. We have used three methods to produce estimates.

The first method is only to include those figures for parts of the sector about which we are certain, and then simply not count the remainder. The second method is to extrapolate up from those organisations in that part of the sector that we know about. Where this has been undertaken we have used the most conservative estimates available.

The last – and least-favoured – method is to use information from other published reports. Where this approach has been undertaken we have erred on the conservative side of the figures given so as to not knowingly ‘boost’ the size and contribution of the area under review. Collectively, these three methods under-represent the size of the sector. However in the interests of not over-stating our claim, we believe in adopting a cautious approach. It will probably mean that future editions of the Almanac produce larger estimates of size and scope, which will be based on better information rather than on any genuine increases in operating capacity.

18.2 MUSEUMS

Museums are (usually) not-for-profit institutions benefiting society and many, if not all, are registered with the charity commission and therefore would naturally fall within the realm of civil society. Museums can be split roughly into three types. While there will be overlaps and in some cases it will be unclear which type of museum sits where, this is accurate enough to obtain usable estimates. The first type of museum is the large, nationally renowned museums such as the Tate group, the Natural History Museum and so on. Looking at the Articles of Association of these groups, they are ultimately owned and controlled by central government. This means they do not form part of civil society as they are not independent and are therefore not included in this almanac.

The second type of museum is smaller ones ultimately controlled by local authorities. Likewise they are also not independent and so not included.

The last type are the independent museums, which are included. Our starting point for this data was the charity register. While there are many museums registered with the Charity Commission, it has not been possible to carry out an audit to establish those that are not. Therefore if there are museums that are not registered they have not been included in the almanac. The museums on the register were split into the three types described above and only those that were independent were counted. This method gave a total of 1,118 independent museums with an income of £224 million and an expenditure of £199 million. Total assets were worth £691 million.

‘...1,118 independent museums with an income of £224 million’

18.3 FAITH GROUPS

The advancement of religion has been a legal charitable purpose since 1601, though defining this in law has often been contentious. The Charities Act 2006 updates the legal definition to include ‘a religion which involves belief in more than one god, and a religion which does not involve belief in a god’. The majority of religious bodies that are legally charitable are registered with the Charity Commission. However some are excepted charities, meaning that they are required to comply with charity law, but not required to register with the Commission.

In recent years public policy has given greater prominence to the role of faith communities and faith-based organisations within civil society. However, these have not been clearly defined: for example, some emphasise the role of religious institutions and congregations, others the role of faith as a motivating force for collective action and engagement in civil society. As this almanac focuses on organisations, we will be looking at faith groups from an organisational perspective.

There are a wide range of faith groups in the UK, with no central regulatory body and no one legal form. While most faith groups have a central organisation or hierarchy, most operate on a devolved financial basis and therefore each part of the faith group is its own organisation with its own legal identity. This presents difficulties when trying to obtain consolidated information. Ideally this almanac would like to include all organisations associated with faith groups that are not-for-profit. For example, with the Church of England (CofE) this extends beyond the church hierarchy and churches to include, for example, community and church groups, courses and (non-profit) book stores and cafes associated with the CofE.

The main faith groups in the UK are the Anglican and Catholic churches. Fortunately many organisations in these groups are registered charities, and therefore we are able to obtain financial information from these organisations. However one major caveat is that consecrated buildings do not need to be declared as assets. While it may have been once thought that churches would remain as churches more or less in perpetuity, this is now not the case with some churches being sold off for income.

Church buildings could amount to assets worth billions of pounds, however in many cases the fabric of such buildings is centuries old and in poor repair, making them more of a liability than an asset. Given the scale of church building in the UK, this exclusion will have an impact on the size of the asset base of civil society organisations and it is hoped this anomaly will be corrected for in future almanacs.

There are a number of publications looking at faith groups. The most comprehensive is the UK Christian Handbook of Religious trends¹. The fifth edition lists over 100 faiths with a total of fifty-three and a half thousand churches, though does not give the number of organisations associated with each religion. It also gives a church membership of seven and a half million but gives little in the way of financial information.

Halfpenny and Reid² looked in detail at Jewish financial resources in 1997, finding an income of half a billion pounds and an expenditure of £400 million, with net assets of £750 million. Although it would have been possible to make estimates based on this report, it was felt that the data was not recent enough to obtain accurate figures.

While The UK Christian Handbook lists over 100 faiths, most are extremely small, and therefore make a limited economic contribution to civil society. As it was not possible to obtain financial details on all these groups, only two sets of faith groups are counted. The first are those that are on the charity register and supply annual returns to the Charity Commission and the second are excepted charities.

We believe those on the charity register make up a significant proportion of the wealth of faith groups. For example, the Church of England operates across 42 dioceses in England (plus two more covering the Isle of Man and the rest of the world). Each of these dioceses has a “Board of Finance” registered with the Charity Commission, encompassing the main financial activities of the diocese. In some cases the Diocese also registers a “Board of Education” with the Charity Commission (otherwise educational activities are contained within the Board of Finance). The Church of England also has a central registered Charity, the Archbishop’s Council. While the combined income of the Diocesan and central charities is £620m, there are also a large number of other Church of England affiliated charities. The Church of England itself gives a figure of £1,000m, but there will be significant transfers between these Church of England charities which would not show up in consolidated accounts.³ In total there were 10,213 faith based charities on the register in 2005/06, with an income of £3.19 billion and an expenditure of £2.9 billion. They hold £11.9 billion of assets.

Looking at faith groups that are excepted charities, the Cabinet Office’s Regulatory Impact Assessment for the Charities Act gave estimates for faith groups that were excepted charities. The most conservative estimate was 2,734 excepted faith groups with an income above £100k. This would add a minimum of £273.4 million to the total income of faith groups.

Therefore the recorded income for faith groups in this almanac is £3.46 billion.

Table 18.1

Types and numbers of excepted charities with an income over £100k

Organisation	Number required to register at £100k threshold
Armed Forces	1,000–2,000
Baptist Union of Great Britain	200–300 (rough estimate by the Commission July 2003)
British and Foreign Unitarian Association	None
Church in Wales	55
Church of England	1,800– 2,000
Fellowship of Independent Evangelical	Less than 75 (estimated)
Grace Baptist Churches	5
Guide Association	No information received
Methodist Church	650
Presbyterian Church of Wales	4/5
Religious Society of Friends	Limited number required to register
Roman Catholic	No information received
Scout Association	Unable to estimate (no central figures)
United Reformed Church	Unable to estimate (no central figures)
University of Buckingham	1

Source: Cabinet Office

18.4 OTHER EXCEPTED CHARITIES

Excepted charities, although required to comply with charity law, are not required to register with the Charity Commission. They were created by the Charities Act (1960) with the justification that the existence of these charities was publicly documented elsewhere or that there was little public interest in them. The register, unlike now, was not at that time designed to provide the basis for the systematic monitoring of the sector. Common classes of excepted charities include scout and guide groups; armed forces' charities; religious charities connected with particular denominations and certain voluntary schools and universities. Registration is voluntary and therefore different numbers of organisations in each of these classes will have registered. This has resulted in a black hole of information about the size, scope and number of these organisations.

The Cabinet Office⁴, in the run up to the Charities Act (2006), carried out a Regulatory Impact Assessment of the proposed changes. For this assessment a consultation was carried out in the last quarter of 2002 which elicited 1,087 written responses, of which 88 related to excepted charities. Although unclear, it appears that it was on the basis of this response that the estimate in table 18.1 of excepted charities with an income over £100,000 was obtained. As this is the only systematic information available on excepted charities, this will be used as the basis for our estimates.

This produces an estimate of between 3,790 and 5,091 excepted charities with an income over £100k. The report suggests a figure of 5,000 should be used as the number is likely to be closer to the maximum due to the lack of information from various groups of organisations. As this almanac explicitly wishes to be conservative in its estimates, a figure of 4,000 excepted charities will be used, all with an income of exactly £100k. This equates to an income from excepted charities of £400 million (we have not inflated this figure to 2005/06 levels to again err on the side of caution). Where appropriate, we have included excepted charities in the relevant sections of the almanac.

Although excepted charities with incomes under £100k are not included, as the larger charities are likely to make up the bulk of the economic value of excepted charities, this should not make a substantial economic impact.

The 2006 Charities Act requires excepted charities with incomes over £100k to register with the Commission and therefore this lack of information should be less of a problem in the future.

18.5 CHARITABLE INCORPORATED ORGANISATIONS

The Charities Act 2006 created a new legal form, the Charitable Incorporated Organisation (CIO), to enable charities to become incorporated without also having to become a company. The main benefit of incorporation is to give the organisation a legal identity, thereby limiting the personal liability of trustees. The Charitable Incorporated Organisation will only be available to charities and will be registered with the Charity Commission (rather than with Companies House as is currently the case with Charitable Companies) thus avoiding the dual responsibilities of having to comply with both charity law and company law. It is expected that this legal form will become available sometime in 2008.

18.6 SPORTS CLUBS

Sports clubs can take on a wide variety of legal forms as well as being unincorporated associations. Table 18.2 lists some common forms that clubs take. There is no single registering authority and no umbrella body which systematically collects financial information across the range of sports clubs.

Furthermore sports clubs can be set up for private gain and these organisations do not form part of civil society. Only those clubs that are set up solely for the benefit of their members or the community are included. Unfortunately there has been little in the way of systematic study of sports clubs, and what there has been has not been separated out to distinguish between these types.

This makes the collection of information on this part of civil society problematic.

The Central Council of Physical Recreation (CCPR) is the national alliance of governing and representative bodies of sport and recreation with 270 members representing an estimated 15,000 sports clubs across the UK. The CCPR carries out ad-hoc research on the state of clubs. In a 2003 report they commissioned, 'Citizenship in Action: Voluntary Sector Sport and Recreation'⁵, there was estimated to be 151,000 clubs in total in the UK. This was based on an earlier survey of sports clubs in Scotland carried out by Allison in 2001⁶. Allison conducted a detailed mapping survey across Scotland using a wide variety of starting points including governing bodies, local sports councils, relevant departments in local authorities, universities, colleges and other sources. She concluded there were around 13,000 sports clubs in Scotland. Nichols scaled this figure up to the UK using population figures from the 2001 census. While this is recognised as not an ideal manner of estimating UK sports clubs, there are no other estimates to go on. In the future it is hoped better information will be available.

The CCPR's Sports Club Survey⁷ in 2007 conducted an online questionnaire with 2,022 responses from sport clubs representing 43 different sports. The survey found the average income of sport clubs to be £49,410 with an average surplus of £1,647. It is difficult to tell whether there is a bias in responses towards the larger sports clubs. However, given that 30% of respondents were unincorporated associations and a further 31% registered Community Amateur Sports Clubs, the survey's reach extended down to the hardest to reach clubs, and therefore significant bias is less likely.

Combining these sources would equate to a total income of sports clubs of £7.46 billion with an expenditure of £7.21 billion. The 2007 survey found a variety of forms for sports clubs, as given in table 18.2. To remove those clubs that might be for private gain, Limited Companies and 'others' are removed, reducing the totals by 18% to 122,000 clubs with an income of £6.1 billion with an expenditure of £5.9 billion. As some Sports Clubs are charities and Industrial and Provident Societies, there is overlap with other parts of civil society. This duplication will be accounted for when calculating its total size.

Table 18.2 Forms of sports clubs and number of clubs using each form (%)

Club form	% of clubs using legal form
Registered community amateur sports clubs	31
Unincorporated association	30
Limited company	9
Registered charity	8
Private members club	3
Voluntary club	2
Standard club	2
Trust/industrial and provident society	2
Affiliated with other unions/clubs	2
Registered club	1
University sports club	1
Other	9

Source: Central Council of Physical Recreation (CCPR)

'...the recorded income for faith groups in this almanac is £3.46 billion.'

18.7 INFORMAL ORGANISATIONS

Despite the focus in this almanac on the larger organisations that are registered, most civil society organisations are informal community groups where people come together for a common purpose. However as they are informal and have no legal form they are difficult to identify. Therefore there have been no systematic studies of the size of these 'under the radar' organisations across the UK.

Goodall⁸ in 2000 estimated there to be 28,200 voluntary and community organisations in the South-East. Based on population estimates, this would mean roughly 210,000 nationwide. However this research was at the more accessible end of the spectrum.

In 2001 the New Economics Foundation⁹ estimated there to be between 600 and 900,000 groups. This was based on a combination of a number of local studies such as the Local Voluntary Activity Surveys (LOVAS) carried out by the Home Office and a local study carried out by the Southwark Action for Voluntary Councils.

Even this research probably does not capture the large number of extremely informal groups that form a central part of civil society – book groups, knitting circles, a group of friends playing sport regularly and so on. Therefore we consider this to be a conservative estimate of the number of these organisations. For the almanac we have used the New Economics Foundation study in the absence of better data.

What this demonstrates is a clear gap in the evidence base of the sector around these very informal groups. Even though they are, by nature, difficult to capture, nevertheless more research needs to be done in this area to ensure the full scope of civil society organisations are accounted for.

Footnotes

¹ Brierley, P. (2005) UK Christian Handbook: Religious Trends 5. Worcester: Trinity Press

² Halfpenny, P. & Reid, M. (2000) The financial resources of the UK Jewish voluntary sector Jewish Policy Research: Report no. 1 http://www.jpr.org.uk/Reports/PJC_Reports/no_1_2000/index.htm

³ <http://www.cofe.anglican.org/info/funding/>

⁴ Cabinet Office (2005) Regulatory Impact Assessment : Charities Bill London: Crown Copyright

⁵ Nichols, G (2003) Citizenship in Action: Voluntary Sector Sport and Recreation

⁶ Allison, M (2001) Sports Clubs in Scotland: Research Report no. 75 Centre for Leisure Research, University of Edinburgh: Edinburgh

⁷ CCPR's (2007) Sports Club Survey: <http://www.ccpr.org.uk/NR/rdonlyres/279DBDE9-4C3E-407E-869F-B33D0C29B79E/0/CCPR2007CCPRSportsClubSurvey2007.pdf>

⁸ Goodall, R. (2000) HOW many?! The RAISE voluntary sector baseline research <http://www.raise-networks.org.uk/inform/docDisplay.cfm?DocID=180>

⁹ Macgillivray, A. et al. (2001) Low Flying Heroes: Micro-social enterprise below the radar screen London: New Economics Foundation

Appendices

Methodology

This expanded almanac is based on data from a wide range of sources. The core general charities statistics continues to be based on data provided by GuideStar UK, but this year has been supplemented by accounts-based data on other parts of civil society. Survey data on giving, workforce and volunteering continues to be the backbone of information in these areas.

Due to the number of areas of civil society covered and the variety of methods used, only a brief outline of the methodology can be given here. For further information on any of these areas visit www.ncvo-vol.org.uk/almanac.

A1.1 GENERAL CHARITIES DEFINITION

As in previous almanacs, the general charities definition is used in this edition. This is to enable comparison over time for this core part of the sector. However we recognise its limitations as a definition and therefore have moved to include civil society organisations within the almanac as well. The clear limits to the definition enable the production of robust, clearly defined estimates for both numbers of organisations and their financial characteristics. Included in the 'General Charity' definition are those registered charities that meet the following criteria:

formality

People and their activities have a structured organisational form. This may take the form of a constitution or a formal set of rules. any definition using this attribute will exclude large numbers of informal, community-based activities and temporary forms of activity.

independence

Organisations are constitutionally and institutionally separate from the statutory and private sectors. This would exclude registered charities which are also non-departmental public bodies (NDPBs) or quasi non-governmental organisations (quangos) such as the British Council.

non-profit-distribution

Organisations do not distribute profits to shareholders or owners. While undertaking activities such as trading to generate a surplus is not excluded, proceeds should not be for the personal benefit of any individuals connected with the organisation and should be directed towards achieving the organisation's charitable objectives.

self-governance

Organisations are truly independent in determining their own course. This would exclude, for example, organisations that are charities within the national health service, on the basis that they are ultimately controlled by a statutory body.

voluntarism

There is a meaningful degree of voluntarism in terms of money or time. The donation of time includes that given by trustees.

private benefit versus public benefit

Organisations do not exist solely for the benefit of their own members but have a wider public benefit. This may, however, include certain organisations that mainly benefit a specific group of people or even just their members when the objectives of the organisation provide a function that would otherwise need to be provided from statutory sources (such as disability associations or community transport).

General charity methodology

Financial information on general charities is based on the Charity Commission register and accounts data collected by GuideStar UK. The general charities definition is applied to all charities on the register, producing a usable population for England and Wales. Financial data from GuideStar UK is available for a sample of these organisations. Figure A1.1 shows the sampling totals used.

Before use the data is cleaned to remove significant errors, and undergoes a series of checks to ensure validity. These checks include:

- comparison of income, expenditure, balance sheet and workforce data between this year and last year to look for particularly large increases and decreases, and
- construction of various ratios between financial variables (for example between income and expenditure, and investments and dividend income) to look for anomalies.

Those few records that had financial returns other than one year in length were converted to one year and where accounts were submitted in a foreign currency they were converted to Pounds Sterling using an average of the exchange rate over the year. Organisations have a range of financial year ends, distributed throughout the year. To ensure consistency all values were converted to April 2006 prices using the retail price index.

Table A1.1

Types and numbers of excepted charities with an income over £100k

	Under £10k	£10k – £100k	£100k – £1m	£1m – £10m	Over £10m	Total
Registered with Charity Commission	94,690	49,003	19,345	4,715	652	168,405
General charities	79,312	43,201	16,803	3,112	332	142,760
Sample	3,410	27,122	11,192	2,151	265	44,140
Sample (% of general charities)	4.3	62.8	66.6	69.1	79.8	30.9

Source: NCVO, GuideStar UK, Charity Commission

A1.2 WORKFORCE

Once cleaned, mean amounts are produced for all financial variables within each income band and are multiplied to the UK population size by income band. Supplementary data from the Scottish Council for Voluntary Organisations and the Northern Ireland Council for Voluntary Action is used to produce estimates of the UK population.

Due to rounding figures, some percentage totals may not sum to 100%.

Museums

All the independent museums included in this almanac are registered with the Charity Commission. In the absence of a central register, keyword searches were performed on the Charity Commission register to find organisations. Financial data was produced using GuideStar UK data and the same method as general charities. All the selected organisations are also general charities, and have been included as duplicates when calculating the total size of civil society.

Other organisations registered with the Charity Commission

Some organisations excluded from the general charities definition were included as other parts of civil society. For these organisations, a similar process was followed to that of general charities in order to produce figures for income, expenditure, assets and staff numbers. The parts of civil society this included are:

- Trade associations and professional bodies,
- Common investment funds
- Faith groups¹
- Benevolent societies²

The statistics presented in chapter 7 are based on the Labour Force Survey (LFS). The LFS surveys an estimated 60,000 private households every quarter. By pooling data for unique individuals from four quarters, appropriate sample sizes can be found in order to produce reliable estimates of the voluntary sector workforce. Weighting is used within the LFS to compensate for non-response rates in certain groups and produce population estimates. All of the LFS data presented within this chapter has been re-weighted using the population estimates from the 2001 Census and so are not directly comparable with those released previously.

To identify the employment sector of a respondent, a two-stage self-classification process is used. Respondents are first asked whether they work for 'a private firm, business or a limited company' or 'some other kind of organisation'. Those respondents who choose the second option are then asked, 'what kind of non-private organisation is it?' They are then presented with a range of option including 'charity, voluntary organisation or trust'.

For the purposes of the analysis for the Almanac, responses to these questions were recoded into a sector variable and defined as 'private', 'public' or 'voluntary'.

More information on workforce levels over the last ten years and a detailed methodology can be found in the UK Workforce Almanac 2007 (NCVO/ Workforce Hub).

A1.3 INDIVIDUAL GIVING

Chapter 6 is based on data collected in the CAF/NCVO Individual Giving Survey, which runs as a module in the ONS Omnibus Survey three times (June, October and February) per year. The ONS Omnibus Survey is carried out as a face-to-face survey using Computer Assisted Personal Interviewing (CAPI) in respondents' homes. Respondents are asked about their donations to charity over the previous four weeks, which causes they give to and how much they have given to each cause. Adults in Northern Ireland are not surveyed, although annual population estimates are UK-wide, as results are extrapolated to cover Northern Ireland. The Omnibus Survey uses random probability sampling stratified by region, car ownership, socio-economic status and age. The sample is drawn from the Royal Mail's Postcode Address File (PAF) of 'small users'. Further detail on methodology can be found in the appendices of UK Giving 2007 (NCVO/ CAF) and/or from www.statistics.gov.uk/about/services/omnibus/.

A1.4 CITIZENSHIP

The most recent statistics on volunteering are available from the Citizenship Survey (2005), a biennial survey providing a detailed review of trends and attitudes towards citizenship and active citizenship in England and Wales. This provides the data for Chapter 8. This survey was previously carried out under the title Home Office Citizenship Survey (HOCS) in 2001 and 2003. The results of the survey are published in 4 reports and figures in the Almanac are based on the Active Communities report.

While the HOCS covers England and Wales, the 2005 Citizenship Survey: Active Communities Topic Report data only applies to England. All extrapolated figures are based on population statistics from the Office for National Statistics (ONS) as of mid 2005.

A1.5 OTHER PARTS OF CIVIL SOCIETY

Co-operatives

Data on co-operatives was provided by Co-operativesUK and based on the accounts of member organisations from a variety of sources. In many cases, a figure was not available for income on the accounts and so an estimation of income was made based on the profit/loss of the smallest organisations. Some organisations appear in both the Housing Association and Co-operativesUK data, these organisations have been marked as duplicates for the purposes of calculating the total size of civil society.

Housing associations

Detailed housing association data for England was provided by the National Housing Federation and is based on the audited accounts of Registered Social Landlords in England. The majority of the data is based on those organisations which manage 250 or more housing units, with extrapolation performed to estimate the incomes of the smaller associations. These organisations can take a wide variety of forms, including charities, co-operatives and industrial and provident societies. Duplicates have been removed when calculating the total size of civil society.

To produce figures for the whole of the UK, the numbers of organisations and housing units in nations other than England were sourced from the Communities Scotland, Welsh Assembly Government and Northern Ireland Federation of Housing Associations. The financial variables were then extrapolated to this population using the average income per housing unit for England.

Independent schools

A list of member schools was provided by the Independent Schools Council (ISC). By looking at member schools which are registered with the Charity Commission, a sample of Charitable Schools could be produced using GuideStar UK data. For the remaining non-ISC schools, an estimate of the number of schools and pupils was provided by ISC. By assuming that these schools are mostly very small, a conservative estimate of their income was found by using the income per pupil of the smallest ISC schools.

Universities

Comprehensive financial data was sourced for all UK Universities from the Higher Education Statistics Agency (HESA) and aggregated to produce totals for the UK. HESA data is based on the annual accounts of universities.

Glossary

Trade unions

Comprehensive financial data was sourced for all UK Trade Unions from the Certification Office and aggregated to produce totals for the UK. The Certification Office is the regulator of Trade Unions and uses returned annual accounts to compile their data.

Political parties

The accounts of registered political parties are available from the Electoral Commission. These accounts were input by NCVO, ensuring a 100% sample of the largest and most-well-known parties and a significant sample of the remaining parties. To be included in the population, a party had to return accounts in both 2004 and 2005.

Building societies

Building Society data was provided from the Building Societies Association which collects data from the annual accounts of its members. The accounts of these organisations are largely based around the assets they hold but income and expenditure figures are reported. Building Societies are regulated by the Financial Services Authority.

Industrial and provident societies, friendly societies and working men's clubs

A register of industrial and provident societies, friendly societies and working men's clubs is kept by the Financial Services Authority. By comparing this data to the Inter-Departmental Business Register (IDBR) held by ONS, a sample of these organisations could be found. It is believed that those organisations matched to the IDBR will represent the larger Industrial and Provident Societies, so based on this assumption the raw sample figures were used, rather than attempting to extrapolate. For this reason, the figures reported are an underestimate of the total value of these organisations.

The organisations provided by Co-operatives^{uk} were compared to the FSA register to ensure duplicates were removed.

Community interest companies

A list of Community Interest Companies (CICs) is available from the CIC regulator, and the accounts of these organisations can be sourced from Companies House. The first CICs were registered in August 2005, and so only a small amount of activity will fall into the dates covered in this Almanac. For those organisations registered before May 2006, accounts data was gathered from Companies House and input by NCVO. Supplementary data was also obtained from the Inter-Departmental Business Register.

Footnotes

¹ The numbers of faith groups were supplemented by also including an estimate of excepted charities which fall into this category. There are also many smaller faith groups which are neither registered or excepted charities, these are not currently included.

² 50 of the reported benevolent societies are registered with the FSA rather than the Charity Commission. The income of these organisations was estimated using the Inter-Departmental Business Register from ONS.

Balance sheet

A summary of the assets and liabilities of an organisation at a particular date, usually at the end of the financial year.

Capacity-building

Increasing the ability of individuals, organisations or communities to take action and achieve their objectives.

Charitable foundations and trusts

General charities whose primary purpose is awarding grants to other voluntary organisations, other institutions or individuals.

Charities Act

In December 2006 the government passed the Charities Act, an overhaul of the 400-year-old charity law.

Civic participation

Civic participation (or vertical participation) relates to participation in state affairs. It includes participation in political processes and governance.

Civil participation

Civil participation (or horizontal participation) relates to participation in community activities and in less formal types of association.

Civil society

Civil society is the sphere where people come together to pursue their collective interests and make a positive difference to their lives and/or the lives of others.

Community foundation

A fund-raising and grant-making charity established to generate resources for local charities in a specific geographic area (or 'community') and to promote the effective use of these resources.

Community interest company

A limited company which operates as a business providing community benefit.

Compact (The)

The agreement between the government and the whole voluntary and community sector made in 1998 and designed to improve their relationship for mutual advantage.

Company limited by guarantee

An incorporated organisation which has a legal personality separate to that of its members. In the event of business ceasing, guarantors are liable to contribute a (usually very small) amount towards winding up the company.

Co-operative

An autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Core costs

An organisation's overhead or central costs, as opposed to project costs.

Corporate social responsibility

Corporate social responsibility (CSR) is a broad concept covering the range of ways in which companies respond to social and environmental factors, alongside making a profit.

Current assets

Assets that can be converted into cash within a year (i.e. cash in bank, petty cash, money owed to organisations and goods for sale).

Debtors

People or organisations that owe an organisation money.

Depreciation

The gradual decrease in the value of assets held.

Excepted charities

Charities with a small annual turnover and no significant assets. They are 'excepted' from registration – they can choose to register if they wish do so.

Exempt charities

Charities that are not registered and are not subject to the supervisory jurisdiction of the Charity Commission (e.g. universities, leading museums).

Fixed assets

Assets held on a long-term basis. They can be either fixed assets for charitable use (which include real estate and equipment) or investments.

Functional classification of expenditure

The classification of expenditure used in the SORP to identify the cost of different functions or activities (such as management and administration).

General charity

General charities are defined in National Account terms as 'private, non-profit-making bodies serving persons'. This excludes sacramental religious bodies or places of worship.

Gifts in kind

A gift of goods and services rather than cash.

Mutual society

An organisation which is owned by its members and run for their benefit.

Not-for-profit sector

All non-profit organisations including those for private benefit, and those that are non-commercial (e.g. housing associations). The category includes quangos and other organisations close to government (e.g. universities).

Organic growth

In the context of general charities finances, organic growth is that which arises through existing organisations expanding their activities, rather than new organisations being created or the effects of inflation.

Percentile

The value of a variable below which a certain percent of observations fall.

Registered charities

Charities registered with the Charity Commission. A charity must register if it has a permanent endowment, a total income of more than £5,000 a year or a rateable occupation of any land, including buildings.

Registered Social Landlord

An organisation, usually a housing association, which is registered with the Housing Corporation and able to provide social housing.

Restricted funds

Funds for which the donor has specified a use. These funds must be spent in accordance with the donor's wishes and trustees cannot make the decision to remove the restriction.

Service-level agreement

An agreement used by local authorities to fund particular services provided by voluntary organisations.

Social capital

The stock of active connections among people including the trust, mutual understanding, shared values and behaviours that bind members of communities and make co-operative action possible.

Social enterprise

Trading for a social purpose. A wide range of organisations fit the definition of social enterprise. These include co-ops, community business, trading arms of charities and a variety of other businesses that use their trading activity to meet social goals.

Statement of financial activities (SOFA)

Financial statement introduced especially for charities in the SORP. It replaces the income and expenditure account.

Statement of Recommended Practice (SORP)

Official recommendation on the way a charity should report annually on its resources and activities.

Statutory authority

An organisation that is required by law to provide public services (i.e. statutory services) and receives central or local government funding.

Third sector

Used as a synonym for voluntary sector.

Trustees

The group of (unpaid) people responsible for the control and management of a charity.

Turnover

In this publication, turnover is usually used as a synonym for income, and represents the money received by an organisation from its normal business activities.

Unincorporated organisation

An association of people which has no legal constitution, and is not regarded as an entity separate from its members. Also known as informal organisations.

Unrestricted funds

Funds held for the general purposes of the charity, to be spent within the stated objects.

Acronyms and Abbreviations

BERR	Department for Business, Enterprise and Regulatory Reform	LSC	Learning and Skills Council
BLF	Big Lottery Fund	NCVO	National Council for Voluntary Organisations
BSA	Building Societies Association	NDPB	Non-departmental public body
CAF	Charities Aid Foundation	NHF	National Housing Federation
CASC	Community Amateur Sports Club	NICVA	Northern Ireland Council for Voluntary Action
CCPR	Central Council of Physical Recreation	ONS	Office for National Statistics
CIC	Community interest company	OSCR	Office of the Scottish Charity Regulator
CIO	Charitable Incorporated Organisation	OTS	Office of the Third Sector
CLG	Communities and Local Government (also DCLG)	RAE	Research Assessment Exercise
CofE	Church of England	RSL	Registered Social Landlord
CSO	Civil society organisation	S3RI	Southampton Statistical Sciences Research Institute
DTI	Department for Trade and Industry	SCVO	Scottish Council for Voluntary Organisations
FSA	Financial Services Authority	SIC(92)	1992 Standard Industrial Classification
FTE	Full-time equivalent	SOC	Standard Occupational Classification
GDP	Gross Domestic Product	VCO	Voluntary and community organisation
HESA	Higher Education Statistics Agency	VCS	Voluntary and community sector
IDBR	Inter Departmental Business Register	WCVA	Wales Council for Voluntary Action
IGS	Individual Giving Survey		
ISC	Independent Schools Council		
IPS	Industrial and Provident Society		
LFS	Labour Force Survey		

Resources and Further Reading

BOOKS, REPORTS AND ARTICLES

Carrington, D. (2005) 'Financing the Voluntary and Community Sector – future prospects and possibilities' In *Voluntary action: meeting the challenges of the 21st century*. London: NCVO: www.ncvo-vol.org.uk/policy/index.asp?id=1125

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MacGillivray, A. Conaty, P. & Wadhams, C. (2001) *Low Flying Heroes: Micro-social enterprise below the radar screen*. London, New Economics Foundation. www.neweconomics.org

NCVO/ CAF (2007) *UK Giving 2007: Results of the 2006/07 Individual Giving Survey on charitable giving with special reports on gender and causes* www.ncvo-vol.org.uk/giving

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Remuneration Economics (2007) *19th Annual voluntary sector salary survey*. Surrey: Remuneration Economics: www.celre.co.uk/Charity/index.asp

Salamon, L., Sokolowski, W. and List, R. (2003) *Global civil society: an overview*. Baltimore: Johns Hopkins Center for Civil Society: <http://www.jhu.edu/~cnp/>

Sayer, K (2003) *Practical guide to charity accounting*. London: Directory of Social Change: www.dsc.org.uk/acatalog/finance.html

WEBSITES

Association of Charitable Foundations – information on grant-making organisations in the UK: www.acf.org.uk

Big Lottery Fund: www.biglotteryfund.org.uk

CCPR: www.ccpr.org.uk

Certification Officer (for Trade Unions): www.certoffice.org

Charity Commission: Facts and figures on registered charities:

www.charity-commission.gov.uk/registeredcharities/factfigures.asp

Charity Commission's Statement of Recommended Practice (SORP) on accounting practices: www.charity-commission.gov.uk/investigations/sorp/sorp05docs.asp

Co-operatives UK: www.cooperatives-uk.coop

Electoral Commission: www.electoralcommission.org.uk

Financial Services Authority: www.fsa.gov.uk/Pages/Doing/small_firms/MSR/index.shtml

GuideStar: Data on charities in England and Wales: www.guidestar.org.uk

Higher Education Statistics Agency: www.hesa.ac.uk

HM Revenue and Customs: Statistics on charitable donations and tax relief: www.hmrc.gov.uk/stats/charities/menu.htm

Housing Corporation: www.housingcorp.gov.uk

Hubs: national partnerships offering free services, information and support to the VCS, covering Finance, Governance, ICT, Performance, Volunteering, and Workforce: www.hubs.org.uk

Independent Schools Council: www.isc.co.uk

Institute of Fundraising – the membership body for UK fundraisers, with information on giving and fundraising: www.institute-of-fundraising.org.uk

Institute for Volunteering Research: www.ivr.org.uk

Johns Hopkins University: Comparative Nonprofit Sector Project. The project holds comparative data for 35 countries: www.jhu.edu/~cnp

National Lottery Commission: www.natlotcomm.gov.uk

National Housing Federation: www.housing.org.uk

NCVO: Research at NCVO: www.ncvo-vol.org.uk/research

NCVO Sustainable Funding Project: www.ncvo-sfp.org.uk

Northern Ireland Council for Voluntary Action (NICVA): www.nicva.org

Office of the Scottish Charities Regulator: www.oscr.org.uk

Office of the Third Sector Research: www.cabinetoffice.gov.uk/third_sector/Research_and_statistics.aspx

Scottish Council for Voluntary Organisations (SCVO): www.scvo.org.uk

Third Sector Foresight Project: Provides information about trends affecting the voluntary and community sector: www.ncvo-vol.org.uk/3s4

UK Workforce Hub: www.ukworkforcehub.org.uk

Wales Council for Voluntary Action (WCVA): www.wcva.org.uk

The Authors

AUTHORS

Oliver Reichardt leads on NCVO's work on the size and scope of the third sector. As well as the Almanac and related publications he is also looking at the measurement of quality in public service provision.

David Kane leads on the quantitative analysis of data for NCVO's work on the size and scope of the Civil Society. David joined the research team in January 2007 from West Sussex County Council.

Dr Belinda Pratten is Senior Policy Officer at NCVO where she has played a leading role in developing work on civil society and citizen engagement and on the value and values of the sector. Prior to this Belinda was senior lecturer in Health and Social Policy at London Metropolitan University, where she undertook extensive research examining the role of voluntary and community organisations in facilitating community participation in health.

Karl Wilding is NCVO's Head of Research. His research interests include mapping the changing third sector economy and the relationship between new technologies and voluntary action. He is trustee of the Association for Research in the Voluntary and Community Sector and an Honorary Senior Visiting Fellow at the Centre for Charity Effectiveness, Cass Business School in London.

CONTRIBUTING AUTHORS

Jenny Clark manages the UK Workforce Hub and NCVO's research on the voluntary and community sector workforce. Current work includes regular analysis of the Labour Force Survey to gain a comprehensive understanding of voluntary and community sector employment. This analysis forms a key part of the new UK Voluntary Sector Workforce Almanac 2007. Jenny also manages and is author of the new Voluntary Sector Skills Survey 2007, a large-scale representative survey of the skills needs of over 2,500 voluntary organisations.

Véronique Jochum leads the research team's work on voluntary action and citizen engagement. Recent publications include: Faith and voluntary action: an overview of current evidence and debates. Véronique is also co-author of the annual Voluntary Sector Strategic Analysis.

Dr Patricia Walls manages NCVO's research programme on charitable giving which includes annual publication of UK Giving, the results of survey run on behalf of NCVO and the Charities Aid Foundation (CAF) by the Office for National Statistics (ONS), as part of its Omnibus Survey. She also works jointly with colleagues at the Voluntary Sector Studies Network in hosting the annual Researching the Voluntary Sector Conference.

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www.ccpr.org.uk

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David Taylor
www.certoffice.org

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Richard Harrison, John Lowe
www.cafonline.org

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www.mcb.org.uk

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Gordon McCullough
www.nicva.org

Office for National Statistics (ONS):
Gail Rowles, John Perry, Verity Sweeney
www.statistics.gov.uk

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Phil Hope MP
www.cabinetoffice.gov.uk/third_sector

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