



Digest of findings from the Third Sector Trends Study in Yorkshire and the Humber 2016

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Third Sector Trends Study

The Third Sector Trends study was conceived and originally commissioned by Northern Rock Foundation with research conducted by the Universities of Southampton, Teesside and Durham. The Community Foundation Tyne & Wear and Northumberland was a co-funder of the research and is now responsible for its legacy. The Community Foundation is now collaborating with partners including St Chad's College at the University of Durham, Joseph Rowntree Foundation and IPPR North to expand and continue the research.



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These studies were undertaken in parallel and therefore I also extend my thanks to funders for making that work possible and for allowing me to report statistics from across the North of England in this report.

Many organisations have helped to promote the study in both the public sector and the third sector. Several local councils, health authorities and Big Lottery helped to promote the study by sending details to their lists of contacts. Support was also given by the region's sub-regional infrastructure bodies and community foundations, together with most local Councils for Voluntary Services and Rural Community Councils.

I am immensely grateful to the many people in Third Sector organisations who have contributed to this study by completing our questionnaires. I hope that our findings will be useful for them and for the whole sector.

Stephanie Rich, Research Associate at St Chad's College, provided tireless support in garnering the large sample of respondents by contacting organisations and individuals for the duration of the fieldwork and assisted with the recoding of free text answers on the survey questionnaires.

I also acknowledge the role of my fellow research colleagues: Professor Fred Robinson at St Chad's College and Dr Victoria Bell and Dr Peter van der Graaf at Teesside University who were heavily involved in undertaking fieldwork and preliminary analysis in the Third Sector Trends studies from 2008 to 2014 and upon which the current research was built.

1

Executive summary of key findings

This report provides a digest of findings from the Third Sector Trends study in Yorkshire and the Humber and provides headline statistics for each of its four sub-regions: West Yorkshire, South Yorkshire, East Yorkshire and North Yorkshire.

This report sits alongside similar statistical digests produced for North East England and North West England. The three regional studies collectively cover the whole of the North of England using the same research methodology, so there is scope for more in-depth analysis in the coming months.

This process began with the publication of a summary of key findings and their implications in March 2017.¹ Future lines of analysis, drawing upon Third Sector Trends data, will include:

- How the Third Sector is addressing issues surrounding poverty and social disadvantage in Northern England.
- The role of business in supporting the work of the Third Sector in Northern England.
- How local public sector organisations and grant-making charitable foundations can work together in complementary ways to support the work of the Third Sector in Northern England.
- Making sense of 'added value' produced by the Third Sector through formal and informal intra-sector relationships in Northern England.
- The role of infrastructure organisations in supporting the Third Sector (conducted by IPPR).

This report produces a digest of headline findings for Yorkshire and the Humber and, as such, provides a broad overview of the structure and dynamics of the Third Sector. The principal statistical findings from this report on Third Sector in Yorkshire and the Humber are as follows:

1.1 Sector size, structure and resources

Size of the Third Sector²

- There are about 10,250 Third Sector organisations (TSOs) in Yorkshire and the Humber (excluding small informal groups).
- In Yorkshire and the Humber, the sector is dominated by micro TSOs with income below £10,000 (4,878) and smaller sized TSOs with income between £10,000 and £100,000 (3,423).
- There are about 1,300 medium sized charities with income between £100,000 and £500,000, and about 650 charities which have income above £500,000.

Employees

- In 2016 there were 85,000 full-time equivalent employees, compared with 110,000 in North West England, and 37,500 in North East England. Across the North there are 233,000 FTE employees.

¹ See Chapman, T. and Hunter, J. (2017) Third Sector Trends in the North of England, Manchester: IPPR North: http://www.ippr.org/files/publications/pdf/third-sector-trends-in-the-north-of-England_Mar2017.pdf?noredirect=1 The three regional digests will be available at this web address: <http://www.communityfoundation.org.uk/third-sector-trends-study>.

² These estimates are produced using Charity Commission categories of charity size by income which are not used for the remainder of the report. In this study micro TSOs are defined as those with income below £10,000, small TSOs are defined as income between £10,001 and £50,000; medium TSOs income £50,001 - £250,000 and larger TSOs £250,001 to £1m. Biggest TSOs are £1m income or above – see Figure 7.2 for details and further explanation.

- TSOs reported a net decline in the number of full-time staff in 2013 (-12%) and 2016 (-3%), while there was a net increase in part-time staff in 2013 (+8%) and 2016 (+14%), suggesting a shift from full-time to part-time employment.
- The Third Sector workforce accounts for between 3-4% of regional employment in Yorkshire and the Humber, as is the case in North West England and North East England.
- The economic value, by salaries, of employees is estimated across the North at £4.7bn. Regional estimates for Yorkshire and the Humber are £1.8bn, North West £2.2bn, and North East £750m.

Volunteers

- In Yorkshire and the Humber, it is estimated that there are 341,700 volunteers who deliver 24,530,000 hours of work.
- The replacement value of such work by employees would be between £176m and £297m.
- 80% of TSOs 'agree' or 'strongly agree' that most volunteers arrive by 'word of mouth'.
- 48% of TSOs make a big effort to recruit volunteers by holding events or advertising.
- Only 18% of TSOs rely on other organisations, such as a CVS or volunteer bureau, to find volunteers for them.

Income of Third Sector organisations

- In Yorkshire and the Humber, 64% of TSOs experienced income stability – the same as reported in the in 2013 survey.
- About 18% of TSOs in Yorkshire and the Humber had significantly rising income in the last two years, an increase from 13% in 2013.
- In 2013, 24% of TSOs reported falling income in the previous two years in Yorkshire and the Humber. In 2016 this has fallen to 19%.
- In Yorkshire and the Humber, reliance on income sources is changing. While grants are the most important source of income in the sector, reliance on contracts has fallen while earned income from other sources of trading has increased.

Assets and use of reserves

- In terms of TSOs' ownership of financial assets and reserves, there is very little variation between the regions of the North of England.
- In Yorkshire and the Humber, the percentage of TSOs with property assets rises as organisations become larger in size: from 31% of smaller TSOs to 57% of the largest TSOs.
- Only 5% of small TSOs have property valued at over £250,000 compared with 14% of medium sized TSOs and 37% of larger TSOs.
- About 61% of TSOs in Yorkshire and the Humber have no investment assets. Those TSOs which do have assets rises from 32% of the smallest TSOs to 57% of the largest TSOs.
- Only 12% of TSOs in Yorkshire and the Humber have no current account reserves, a fall from 19% in 2013.
- 47% of TSOs have not used their reserves over the last financial year
- Relatively few TSOs (18%) have used reserves for development purposes (such as taking on a new member of staff, planning a new service, buying property or other fixed assets).

"TSOs in the poorest areas are twice as likely to be financially vulnerable (30%) when compared with the richest areas (14%)."

- Larger TSOs are much more likely to have invested in development (26%), but only 4% of the largest TSOs have invested heavily in development.
- 27% of TSOs have used their reserves for essential costs (such as wages, utility bills or rent) down from 33% in 2013.
- Medium sized TSOs were the most likely to have drawn on their reserves for essential costs (34%).
- Only 12% of TSOs with rising income have used their reserves for 'essential costs' compared with 55% of those TSOs with declining income.

"In Yorkshire and the Humber TSOs are more likely to accept contracts to deliver public services than in neighbouring northern regions. But it is mainly larger TSOs (60%) that enter this field compared with a quarter of medium sized organisations."

Organisational wellbeing

- The percentage of TSOs in a strong or very strong financial position is similar across all three regions: North West England 29%, Yorkshire and the Humber 32% and North East England 29%.
- The percentage of TSOs in a vulnerable financial position is also similar: North West England 23%, Yorkshire and the Humber 24% and North East England 21%.
- The likelihood of TSOs being in a strong or very strong financial position is not affected by the relative affluence or wealth of areas across the North of England (30%).
- There is a close association between areas of deprivation and higher levels of financial vulnerability amongst TSOs in all regions: North West England (29%), Yorkshire and the Humber (28%) but in North East England to a lesser extent (22%).
- Financial stability is stronger in richer areas, and particularly so in North West England (46%) and North East England (49%), but less so in Yorkshire and the Humber (35%).
- TSOs serving people from minority ethnic groups or of racial origins are the most likely to be in a weak financial position (33%), followed by TSOs tackling concerns about gender and sexuality (32%).
- TSOs serving people in general (23%) and people in rural areas (21%) are the least likely to be in a vulnerable financial situation.

"TSOs which are mainly funded by the public sector are more likely to be in a vulnerable position financial position (31%) when compared with those funded mainly by the private sector (15%) or community sector (17%)."

1.2 Principal sources of income

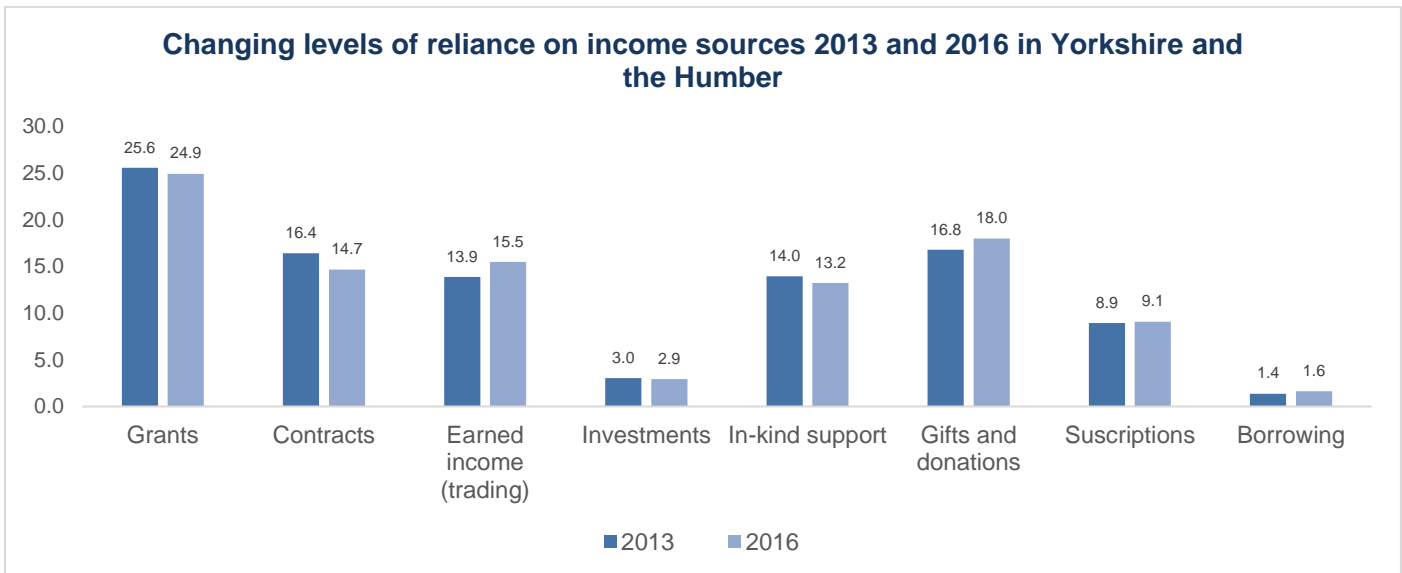
Public service by contract

- TSOs in Yorkshire and the Humber are more likely to deliver public sector services by contract (18%) than is the case in North West England (14%) and North East England (11%).
- Only a relatively small proportion of TSOs are currently delivering public sector contracts in Yorkshire and the Humber (18%).
- 38% of TSOs in Yorkshire and the Humber will not consider bidding for public sector contracts as this is contrary to their mission (risen from 33% in 2013).
- The percentage of TSOs delivering contracts has risen from 15% to 18% between 2013 and 2016.

- 54% TSOs which work within a single local authority deliver contracts.

Partnership bidding for grants and contracts

- Partnership bidding is more common as TSOs get bigger: only 7% of micro TSOs have made successful bids compared with 53% of the largest TSOs.
- 33% of medium sized TSOs are not considering bidding in partnership for grants or contracts, while another 30% are only tentatively considering this idea.
- Amongst medium sized TSOs which have made partnership bids, about two thirds of them have been successful.



Grant funding

- 64% of TSOs have made applications for a grant from local foundations in the last two years. Small TSOs were the least likely to have made an application (53%) while medium sized TSOs were the most likely to have done so (81%).
- Amongst TSOs which have made applications to a local grant making foundation in the last two years, 83% were successful in winning at least one grant.
- Success rates were the highest amongst medium and larger TSOs (83-85%), although success rates were also high for the smallest TSOs (81%).
- Levels of applications to national grant making foundations are generally lower (53%) than to local grant makers (64%).
- Smaller TSOs were the least likely to make such grant applications (35%) whilst the largest organisations were most likely to do so (76%).
- Success rates for at least one application to national grant making foundations are considerably lower (69% compared with 83% for local grant making foundations).
- 69% of medium sized TSOs have made at least one application to a public-sector organisation for a grant in the last two years compared with 76% of larger and 50% of smaller TSOs.
- Success rates in winning at least one grant are high for TSOs of all sizes, although medium sized organisations were slightly less likely to win at least one grant (78%).

Factors TSOs consider when applying for grants

- Having a good relationship with the funder is regarded as an important factor by most TSOs (63%); small organisations are more likely to feel that this is important (65%) compared with 61% of the largest TSOs.

- Many TSOs are influenced by their previous success in winning a grant from a funder (57%), medium sized TSOs are the most likely to feel that this is important in their considerations (59%).
- The simplicity of the grant application process is much more important to small TSOs (65%) than for the largest organisations (40%).
- Knowing that a grant funder makes a lot of awards in the local area is an important consideration for 53% of TSOs, smaller and medium sized organisations tend to feel that this factor is of greater importance (57%) than the larger TSOs (47%).
- Smaller TSOs are more likely to consider it important that a grant maker has a regional representative in the area (42%) compared with 33% of larger TSOs.
- Relatively few TSOs think it is important that a grant funder will allow them to work on their own when receiving grants rather than working with partners. Independent working seems to be of more importance to smaller TSOs (47%) than for the larger organisations (24%).
- Smaller TSOs are also much more likely (39%) than larger TSOs (22%) to feel that the location of the grant funder in the region is important in their considerations.

“Smaller TSOs prefer to apply for grants from local grant makers, or from national grant makers which have a regional representative. They want simple application processes and are more likely than bigger TSOs to apply for grants if they are sure that they can work independently.”

Earned income from trading and contracts

- 73% of TSOs in Yorkshire and the Humber rely on earned income to some extent.
- Many TSOs which earn over 81% of their income, state that grants remain essential to them: 23% state that grants are ‘a most important’ source of income and a further 52% state that they are ‘important’ or of ‘some importance’.
- Only 13% of TSOs which earn more than 81% of their income from trading or contracts state that grants are of ‘no importance’ to them.
- Cooperative and Community Benefit Societies³ are the most dependent on earned income with 63% earning more than 61% of their income.
- About 30% of Community Interest Companies and 35% of Companies Limited Guarantee earn over 61% of their income.
- Independent Registered Charities are much more likely to earn more than 61% of their income (29%) when compared with Federated Registered Charities (15%).
- Charitable Incorporated Organisations are less likely to earn over 61% of their income (20%) than most other legal forms, and nearly 60% earn no income or less than 20%.
- Informal voluntary or community organisations, which tend to be very small, have very low levels of reliance on earned income: 75% earn none or less than 20% of their income.

“Few TSOs can successfully operate without sources of income subsidy. It is entirely legitimate, therefore, that TSOs which are good at earning income, but cannot survive on that income alone, should continue to seek other sources of financial support, such as grants, gifts, subscriptions and so on to pursue their social mission successfully.”

³ The term Industrial and Provident Society (IPS) became redundant following the *Co-operative and Community Benefit Societies Act 2014* in Great Britain (but not Northern Ireland). IPSs are now known as ‘co-operative’ or ‘community benefit societies’. In the Third Sector Trends study, such societies are included providing that they invest profits wholly towards social purposes rather than private personal benefit.

1.3 TSOs working arrangements

The activities of TSOs

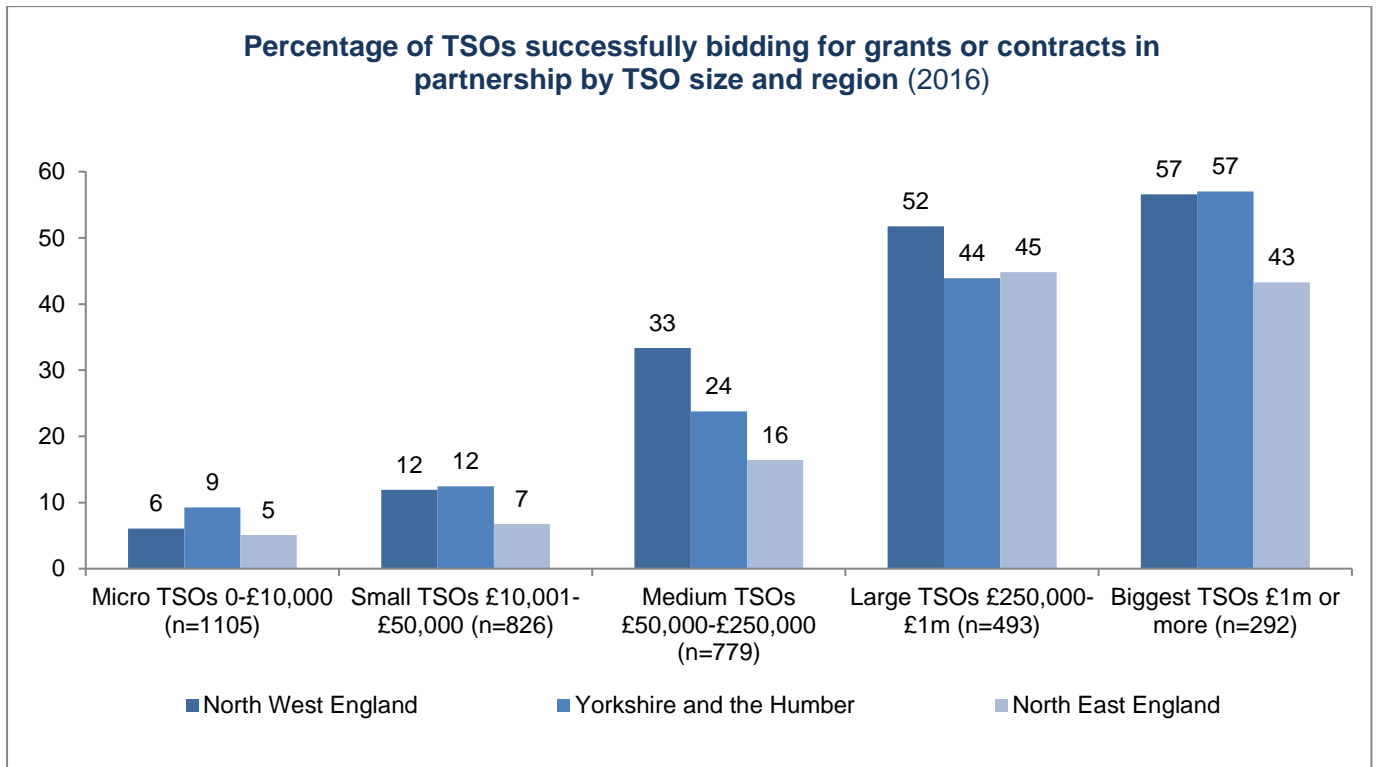
- The Third Sector mainly works at a local level. 30% of TSOs work solely at the neighbourhood or village level.
- About 70% of TSOs work within the boundaries of one local authority in Yorkshire and the Humber.
- 29% of TSOs provide primary 'front-line services' to their beneficiaries (such as accommodation, training, social care, community transport etc.)
- 20% of TSOs provide secondary services such as information, advice and guidance.
- 12% of TSOs support the Third Sector: of which, 9% provide infrastructure support and 3% are grant makers.
- 27% of TSOs are very small and provide support for immediate social needs, while 13% cater for societies, arts, sport and other such activities.
- Children and young people, older people and people with disabilities are the most commonly served beneficiary groups, followed by people with mental and physical health conditions or physical disabilities.
- TSOs attending to issues surrounding gender and sexuality or people from a specific ethnic or racial group are the least populous.

“Many TSOs, across the North of England, contribute to issues surrounding deprivation, including those which tackle poverty (20%), unemployment and worklessness (20%) and urban disadvantage (22%). Most TSOs support two or more of these areas of concern – but the collective effort accounts for 33% of all TSOs”.

Relationships within the Third Sector

- TSOs in Yorkshire and the Humber are more inclined towards building informal relationships with other TSOs (87%) than in the North of England in general (81%).
- Most small TSOs have useful informal relationships (81%) but not to the extent of medium (89%) and larger organisations (97%).
- Smaller TSOs tend to be less inclined to working closely but informally with other TSOs (69%) when compared with medium (83%) or larger TSOs (90%).
- Relatively few smaller TSOs work in formal partnership relationships (27%) compared with 48% of medium and 65% of larger TSOs – many more TSOs have an interest in working in such relationships in future (26%).

“Larger TSOs have become more likely to bid for grants in partnership which is an indication of growing sector integration of effort. But there are limits – many larger TSOs eschew the idea of partnership working because they prefer to operate independently.”



Relationships with the Private Sector

- In Yorkshire and the Humber, 41% of TSOs state that money from business is of ‘some’ or ‘great’ importance to them, compared with 37-38% in Northern England. The largest TSOs are much more likely to gain such financial support.
- 31% of TSOs are provided with facilities to support their work by the private sector
- 30% of TSOs gain volunteer support from business.
- 30% of TSOs get free expert advice from business, the biggest TSOs are more likely to receive such support (43%).
- Media and PR support is accepted at more similar levels across the sector although larger TSOs tend to get more support than smaller TSOs.

“The private sector invests significant resource in the Third Sector - more so than many observers may have expected. But few TSOs are acting or planning to act to build stronger connections with the private sector.”

1.4 Expectations and preparation for the future

Income and expenditure

- Optimism about increasing income over the next two years is more prevalent in Yorkshire and the Humber (41%) than in North East England and North West England (35%).
- TSOs in Yorkshire and the Humber were more optimistic about income increasing in 2016 (41%) compared with 2013 (35%).

- Smaller TSOs in Yorkshire and the Humber (36%) are the least likely to expect income to increase in the next two years, compared with 42% of medium and 47% of larger TSOs. Larger TSOs are the most likely to expect income to decline (22%) compared with 18% of medium and 14% of small TSOs.
- In Yorkshire and the Humber 18% of TSOs expect statutory income to increase compared with 19% in North West and 14% in North East England. 48% expect statutory income to decrease (48% in North West and 51% in North East England).
- In Yorkshire and the Humber, 55% of larger TSOs and 53% of medium sized TSOs expect such income to decline.
- There is widespread expectation that expenditure will increase in Yorkshire and the Humber (50% compared with 45% in North West and 46% in North East England)
- In Yorkshire and the Humber medium sized TSOs (55%) are the most likely to expect a significant rise in expenditure.
- Very few TSOs in Yorkshire and the Humber (7%) anticipate decreasing expenditure although the larger TSOs are the most likely to hold this expectation (14%).

“Many TSOs feel that they are ‘living on a knife edge’. This is understandable because many organisations have few assets or reserves. But the signs are that fewer TSOs are drawing as heavily upon their reserves for essential costs (27%) as was the case in 2013 (33%).”

Employees and volunteers

- 33% of TSOs in Yorkshire and the Humber think that the number of paid staff will increase (up from 26%) in 2013 compared with 31% in North West England and 28% in North East England.
- There is widespread optimism about increasing numbers of paid staff (33%), rising to 37% of the largest TSOs. That stated, 20% of larger TSOs expect staff numbers to decrease in the next two years.
- Expectations about increased numbers of volunteers are also high in Yorkshire and the Humber (45%) which is about the same level as in 2013. TSOs in North East England (36%) and North West England (42%) are less optimistic in this respect.
- In Yorkshire and the Humber, larger TSOs are the most likely to believe that volunteer numbers will increase (53%) compared with 35% of small TSOs.

Demand for services

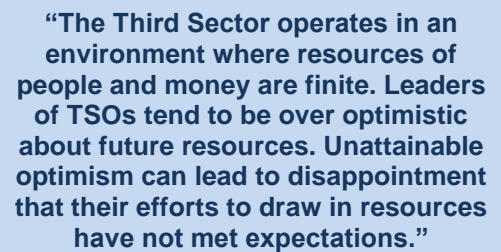
- A majority of TSOs in Yorkshire and the Humber expect that demand for their services will increase (73%, compared with 70% in North West and 62% in North East England); very few TSOs believe that demand will fall for their services across the North of England (1%).
- There are general expectations that demand for services will increase (73%), and especially amongst the largest TSOs (85%). Very few TSOs expect that demand will decrease (1%).

Partnership working

- There is a widespread expectation in Yorkshire and the Humber that working in partnerships will increase (57% compared with 56% in North West and 51% in North East England), but this is a lower percentage than in 2013 (65%).
- There is a general expectation of increased partnership working across the sector (57%). Only 3% expect that partnership working will decrease. Large TSOs are the most likely to expect increasing partnership working (68%).

Preparing for and investing in the future

- 41% of TSOs in Yorkshire and the Humber are acting to increase earned income compared with 36% in North West and 39% in North East England.
- 22% of TSOs in Yorkshire and the Humber are acting to increase donations – the same percentage as in North East (22%) and North West (22%) England.
- Borrowing is an unpopular option in all regions and only 3-5% of TSOs are acting to do so. Similarly, very few TSOs are acting on merging with other TSOs (4-6% across the North of England).
- In Yorkshire and the Humber 28% of TSOs are changing practices to meet future challenges and opportunities compared with 25% in North West and 21% in North East England.
- Only 23% of TSOs in North East England and 27% in North West England are acting to work more closely with other TSOs, while in Yorkshire and the Humber 30% of TSOs are doing so.
- TSOs in Yorkshire and the Humber are more likely to be acting to work with public sector organisations (28%) compared with North West (21%) and North East England (20%).
- In Yorkshire and the Humber, TSOs are about as likely to be acting to work with private sector businesses (9%) as in North West England (9%) but more so than in North East England (6%).



“The Third Sector operates in an environment where resources of people and money are finite. Leaders of TSOs tend to be over optimistic about future resources. Unattainable optimism can lead to disappointment that their efforts to draw in resources have not met expectations.”

2

The Third Sector Trends Study

This report presents key findings from the 2016 Third Sector Trends study in Yorkshire and the Humber and for each of its four sub-regions: West Yorkshire, South Yorkshire, East Yorkshire and North Yorkshire.

The Third Sector Trends study was conceived and originally commissioned by Northern Rock Foundation with research conducted by the Universities of Southampton, Teesside and Durham. The Community Foundation Tyne & Wear and Northumberland was a co-funder of the research and is now responsible for its legacy. The Community Foundation is collaborating with partners including St Chad's College at the University of Durham, Joseph Rowntree Foundation and IPPR North to expand and continue the research.

The Third Sector Trends survey was designed to examine how TSOs fare over time in the context of change.⁴ The findings presented in this report are based on a robust research methodology which has evolved over the last eight years to produce comparable time-series data. The sample structure has been checked against comparable national studies to ensure that findings are as reliable as possible – and especially so when making estimates about sector employment and volunteering.⁵

What is the Third Sector?

The terms 'Third Sector' and 'TSO' are widely recognised internationally by academics and policy makers and are therefore adopted in this study.

However, it should be noted that the present UK government uses different terminology. Following the 2010 election, the Office for the Third Sector was renamed the Office for Civil Society. Similarly, individual TSOs are sometimes referred to in government documentation as 'Voluntary, Community and Social Enterprise Sector' organisations (VCSEs), or as Civil Society Organisations (CSOs).⁶

The term 'Third Sector' is not always well known, recognised or understood by people who work or volunteer within civil society (or what is more commonly known as the voluntary and community sector). So, it is useful to define which organisations are included.

The National Audit Office (NAO) defines the Third Sector as follows:

*"The third sector is the term used to describe the range of organisations which are neither state nor the private sector. Third sector organisations (TSOs) include small local community organisations, and large, established, national and international voluntary or charitable organisations. Some rely solely on the efforts of volunteers; others employ paid professional staff and have management structures and processes similar to those of businesses, large or small; many are registered charities whilst others operate as co-operatives, "social enterprises" or companies limited by guarantee... All share some common characteristics in the social, environmental or cultural objectives they pursue; their independence from government; and the reinvestment of surpluses for those same objectives."*⁷

As the above quotation indicates, there are several categories of Third Sector organisation (TSO). The following categories are usefully distinguished by the National Audit Office.

⁴ Initiated in North East England and Cumbria in 2008, originally funded by the Northern Rock Foundation, the biennial survey has received the following levels of responses; 2010 n=1,055; 2012 n=1,700; 2014 n=1,318; and in 2016 n=1,369. Formerly, Cumbria data were included in North East England Reports for 2010 and 2012. In 2014 a separate report was published, funded by Cumbria Community Foundation. In 2016, Cumbria data are reported here in the first North West England study.

⁵ Full details on comparability checks can be found in Chapman (2017) which is available from the author.

⁶ For a full explanation of the use of both sets of terminology, see Alcock, P. (2010) *Big society or civil society? A new policy environment for the third sector*, Birmingham: Third Sector Research Centre.

⁷ Bourne, J. (2005) *Working with the Third Sector*, London, National Audit Office.

■ **Voluntary and community sector**

Includes registered charities, as well as non-charitable non-profit organisations, associations, self-help groups and community groups. Most involve some aspect of voluntary activity, though many are also professional organisations with paid staff. 'Community organisations' tend to be focused on localities or groups within the community; many are dependent entirely or almost entirely on voluntary activity.

■ **General charities**

Charities registered with the Charity Commission except those considered part of the government apparatus, such as universities, and those financial institutions considered part of the corporate sector.

■ **Social enterprise**

A business 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.

■ **Mutuals and co-operatives**

Membership-based organisations run on a democratic basis for the benefit of their members. Members may be their employees or their consumers or be drawn from the wider community. Some employee co-operatives may be essentially private businesses but many mutuals and co-operatives consider themselves part of the social enterprise sector.

This study includes all the above organisations within its definition of the Third Sector. As is the case in the NAO definition, financial institutions, hospital trusts, for-profit cooperatives, private schools and universities are also excluded from this study of the Third Sector.

The Yorkshire and the Humber Study

Third Sector Trends research began in Yorkshire and the Humber in 2010 with a baseline statistical analysis on the size and structure of the sector undertaken by Southampton University, NCVO and the Third Sector Research Centre.⁸

The first wave of the Third Sector Trends survey was commissioned in 2012 by Involve Yorkshire & Humber and JRF. Its aim was to produce robust survey evidence using the research techniques which had been developed for the Northern Rock Foundation Third Sector Trends Study in North East England and Cumbria from 2008.⁹

The objective was to produce replicable evidence in Yorkshire and the Humber for comparison with the North East and Cumbria, and to produce reliable indicators of sector size and strengths in Yorkshire and the Humber.

In 2013, the study sought to collect data on the following issues:

- Data on **organisational characteristics**: including age, geographical location, legal form, income, number of employees and volunteers and spatial range of operation.
- Data on **organisational purpose** of TSOs: including beneficiaries, services offered, service orientation, and the ethos of organisations in relation to planning, practice and values.
- Data on **organisational assets**: including property, investments and cash in hand reserves, importance of different sources of income, proportion of income which is earned, and the extent to which reserves have been used in the last financial year.

⁸ Kane, D. and Mohan, J. (2010) *Mapping Registered Third Sector Organisations in Yorkshire and the Humber*, Newcastle: Northern Rock Foundation. www.nr-foundation.org.uk/resources/third-sector-trends.

⁹ Chapman, T. (2014) *Third Sector Trends in Yorkshire and the Humber, Durham, St Chad's College*. The survey attracted 1,007 responses.

- Data on **contracting and partnership working**: knowledge of contract opportunities, interest in and extent of partnership working and perceptions of public sector officers' views of the value of TSOs.
- **Trends data**: including changes in levels of income and numbers of employees and volunteers, expectations about future levels of contract working, expectations about future assets, sources of financial resource and opportunities to lever such resources.
- Evidence on **organisational foresight and capability**: including possession of a training budget, training provision, training priorities, strategic priorities and action planning.

In 2016, a second wave of the Yorkshire and the Humber Third Sector Trends study was commissioned by JRF. Most of the above objectives were retained. In addition, some new areas of analysis were introduced:

- **The role of volunteers** in the Third Sector, identify routes to volunteering and explore how TSOs benefit from taking on volunteers.
- **The role of private sector business** in supporting the work of the Third Sector by investing resources of money, skills, people and facility.
- **Routes to grant funding** which TSOs take in Yorkshire and the Humber – to find out if some parts of the sector are served less well or more generously than others to inform the policies of grant makers.

Survey methodology

The survey was undertaken between September and December 2016 using an online questionnaire hosted by Bristol Online Survey. A total of 1,083 responses were received in Yorkshire and the Humber in 2016 (compared with a response of 1,007 in 2013).

This represents a response rate of 10.6% for the survey based upon NCVO¹⁰ estimates on a population of 10,248 TSOs in Yorkshire and the Humber.

Parallel studies were undertaken using the same methodology in North West England (n=1,462) and North East England (n=1,012), producing a total survey response of 3,557 in the North of England.

Long-term trend analysis is only currently possible in North East England and Cumbria where four biennial surveys have been undertaken. Where appropriate, data from these surveys is presented to demonstrate how change has occurred over time which will help to inform the interpretation of Yorkshire and the Humber survey data.

Comparisons with North East England and North West England are also drawn from the complete Third Sector Trends study dataset for the North of England in 2016.

¹⁰ Civil Society Almanac 2016: <https://data.ncvo.org.uk/a/almanac16/geography-2/>

Third Sector Trends in policy context

This is a longitudinal research programme which aims to explore how the Third Sector responds to social, economic and political change. Since the research began, there have been enormous transformations in the economic and political landscape which TSOs have had to navigate.

The study began at the point of the demise of the Northern Rock bank in 2008 which led to economic turmoil in European and United States banking systems following a collapse in the sub-prime mortgage market.

Prior to 2008 the New Labour government invested heavily in the Third Sector to tackle social, economic and regeneration issues such as child poverty, public health, education, employability, neighbourhood renewal and so on.

Many TSOs benefitted from a long period of sustained investment through government programmes such as the Neighbourhood Renewal Fund and New Deal for Communities. Much investment in strengthening the Third Sector from government and other sources accompanied these initiatives, including *ChangeUp*, *Capacitybuilders*, *Future Builders*, amongst others.¹¹

Following the general election of 2010 the new Conservative and Liberal Democrat coalition government presided over a long and deepening commitment to reduce the public sector borrowing requirement which led to significant cuts in government spending especially at local authority level.

In 2015 the Conservatives won a surprise majority in Parliament which led to a deepening resolve to reduce public spending. In 2016, the government also observed its manifesto commitment to hold a referendum on membership of the European Community. The vote to leave the European Union led to the resignation of David Cameron and the installation of Theresa May as Prime Minister. Her decision to hold a snap election in 2017, expecting a landslide majority, concluded in the establishment of a minority government.

As this research report is published, it is simply not known whether the government will sustain its commitment to austerity measures or how Brexit negotiations with the European Union will impact on the social, economic, political or legislative landscape in the UK.

This study has, in short, taken place at a time of great uncertainty. The predictions respondents offered about their future opportunities and challenges were made without knowledge of another election or its consequences in fiscal terms or in relation to Brexit.

Commentary on the potential impact of major political and economic transformations by bodies which represent the interests of the Third Sector can often be alarmist.¹² Claims that the Third Sector faces impending doom are so common that an impression is given that the sector operates in a climate of perpetual crisis.

But as the NCVO¹³ has recently shown, (see for further discussion in Chapter 13) the lasting impact of political and economic change over the last ten years has been less dramatic than expected. There have not been wholesale cuts to sector income, but rather, there has been a good deal of continuity.

In 2013, the first wave of the Third Sector Trends study was underway in Yorkshire and the Humber, Professor Peter Alcock, then Director of the *Third Sector Research Centre* stated:

¹¹ Investment in Third Sector development was not limited to government funding. Amongst others, Big Lottery committed substantial investment through, for example, the BASIS fund: <http://www.biglotteryfund.org.uk/global-content/programmes/england/basis>.

¹² For example, identifying the extent to which the Third Sector has suffered from government cuts is not a straightforward matter. Some attempts have been made to monitor the extent of cuts by, for example, *Voluntary Sector Cuts* where TSOs are explicitly asked to submit evidence which is mapped nationally. In this campaign "We're defining a cut as a statutory body (in central, local or regional government, including government agencies, local authorities, PCTs and others, or from the European Union) informing you that you will receive less money than they had previously agreed to provide, as part of a grant, a contract or another formal funding arrangement. This may include them asking you to make efficiency savings as part of an existing contract or cancelling a grant which they had previously agreed to provide. We're not including funding applications that have been turned down, but we are interested in funding programmes that have been cancelled, or continuation funding that is withdrawn due to budget cuts." For further details see: <http://voluntarysectorcuts.org.uk/>.

¹³ Civil Society Almanac 2017, London: NCVO.

“Some may see the prospects for 2013 to be more doom and gloom. However, I think such pessimism comes from a short-sighted perspective on social change. A key lesson from the past is to take the long view on the political and organisational changes that affect voluntary action. Despite the fears of cuts, mergers and closures; history will not judge this to be a time of ‘crisis’ for the sector. Patterns of individual activity and organisational development show resilience over time and general incremental growth.”¹⁴

Professor Alcock, as this report confirms, was correct in his assertion. The sky has not fallen in on the Third Sector. But this does not mean that life has necessarily been easy. TSOs have had to adapt to a changing political and economic environment and as such, this report will show who some of the winners and losers have been in this process.

Yorkshire and the Humber: the regional context

Yorkshire and The Humber is a large region covering an area of 15,408 square kilometres. It had a population of 5.2 million in 2011. Over 80 per cent of the population live in urban areas (that is, towns with a population above 10,000).¹⁵

The region was, until recently, divided into four sub-regional administrative and economic areas which are used extensively in the analysis undertaken in this report.¹⁶

- **West Yorkshire** is the most densely populated of the four sub-regions. 2.2m people live in this area of 2,000 square km, amounting to over 40 per cent of the total regional population.
- **South Yorkshire** is the second most densely populated sub-region and has 1.3 million residents in an area of 1,500 square km.
- **East Yorkshire (Humber)**¹⁷ has a population of 0.9 million residents in an area of 3,500 square km.
- **North Yorkshire** is the largest of the four sub-regions spatially. It is largely rural with a population of 0.8 million people living in an area of 8,300 square km.

In a large region which is spatially and economically varied, it is tempting to assume that generalisations cannot easily be made about the structure and dynamics of the Third Sector, nor about the needs of its beneficiaries. However, there is much evidence drawn from the 2013 Third Sector Trends study to show that the context within which TSOs work is subject to more general social, political and economic factors and that organisations with shared characteristics tackle these issues in similar ways.

This is a region, however, which is also undergoing considerable change – not merely in response to the austerity policies of national government as outlined above, but also due to changes in patterns of regional governance.

¹⁴ Alcock, P. (2013) ‘Crisis? What crisis?’, *Third Sector Online*, 7th January 2013. See:

<http://www.thirdsector.co.uk/Governance/article/1165606/pete-alcock-crisis-crisis/>. For a more detailed exposition of the media portrayal of Third Sector crises, see Taylor, R. and Alcock, P. (2012) *From crisis to mixed picture to phoney war: tracing Third Sector discourse in the 2008/9 recession*, Third Sector Research Centre Research Report No. 87, Birmingham: Third Sector Research Centre.

¹⁵ For a more detailed portrait of the region see Kay, I. (2010) *Portrait of Yorkshire and the Humber*, London: ONS. and ONS (2012) *Regional Profiles: Key Statistics - Yorkshire and The Humber*, London: ONS, http://www.ons.gov.uk/ons/dcp171780_275367.pdf.

¹⁶ The current UK Government does not recognise these formal regional boundaries and abolished key agencies which operated at a regional level. This led to the closure of the Government Office for Yorkshire and the Humber region in March 2011 and the Regional Development Agency, Yorkshire Forward, in March 2012, see: House of Commons Library (2013) *The Abolition of Regional Government*, 27th March. See also, Involve Yorkshire & Humber (2012) *Changes to Governance Structures and Arrangements in Yorkshire and Humber*, Leeds: Involve Yorkshire and Humber. However, the boundaries provide a useful basis for comparative measurement with other data sets on the structure and functions of the Third Sector in the region including the NTSS and the previous TST study undertaken by Kane and Mohan in 2010.

¹⁷ Humber is a former sub-region of the former Yorkshire and the Humber administrative region. The area includes four unitary authorities: East Riding of Yorkshire, Hull, North East Lincolnshire and North Lincolnshire. While there have been some controversies surrounding the naming of this sub-region, the term Humber is adopted as this is currently used by the Local Economic Partnership, see: <http://www.humberlep.org/>.

When the 2013 survey report was published, many tiers of regional governance had already been abolished including the regional development agency, Yorkshire Forward, and Government Office for Yorkshire and the Humber. Within the Third Sector itself, the agency which co-financed the 2013 Third Sector Trends study, Involve Yorkshire & Humber, closed due to loss of core funding - leaving a significant gap in the sector's regional capacity to address policy and intelligence issues.

While some regional institutions have gone, new sub-regional bodies are emerging. The former Chancellor's 'Northern Powerhouse' initiative to strength northern economy was accompanied by other significant developments including the establishment of four Local Enterprise Partnerships in Yorkshire.¹⁸ This was followed by new initiatives to set up Combined Authorities¹⁹ which empowered areas to take devolved powers over issues such as transport, health, housing and skills.

Direct Third Sector representation on these new partnerships and authorities is somewhat limited and it is not yet known how well they will serve the interests of the sector and in turn bring advantages to the beneficiaries they serve. What is clear, however, is that if the Third Sector is to have an influential voice on these new regional decision-making institutions, it needs good quality intelligence to inform debates rather than relying on small-scale snapshot studies or anecdotal evidence.

It is not the purpose of this research, however, to produce recommendations to the Third Sector in Yorkshire on how it should attempt to shape policy or voice its claims on resources. But rather, it is to provide robust independent evidence which can be used, where appropriate, to strengthen that voice.

¹⁸ There are four LEPs in Yorkshire and the Humber: Leeds City Region Enterprise Partnership; York, North Yorkshire and East Riding Enterprise Partnership; Humber Local Enterprise Partnership; and Sheffield City Region Local Enterprise Partnership. A map of the LEPs and links to websites can be found here: <http://www.lepnetwork.net/the-network-of-leps/>.

¹⁹ A briefing from the House of Commons Library on the purpose of Combined Authorities can be found here: <http://researchbriefings.files.parliament.uk/documents/SN06649/SN06649.pdf>. In Yorkshire and the Humber there are currently two authorities: Sheffield City Region and West Yorkshire Combined Authority. Details on each of the Combined Authorities can be found at this Local Government Association website address: <https://www.local.gov.uk/topics/devolution/combined-authorities>.

3

Employment in the Third Sector

It is possible to make good estimates of the number of full-time equivalent (FTE) employees in the Third Sector in Yorkshire and the Humber and its neighbouring regions. It is estimated that in 2016 there were 110,000 FTE employees in North West England, 85,000 in Yorkshire and the Humber and 37,500 in North East England. Across the North there were 233,000 FTE employees.²⁰

- TSOs reported a net decline in the number of full-time staff in 2013 (-12%) and 2016 (-3%), while there was a net increase in part-time staff in 2013 (+8%) and 2016 (+14%), suggesting a shift from full-time to part-time employment.²¹
- The Third Sector workforce accounts for between 3-4% of regional employment in Yorkshire and the Humber and across the North of England.
- The economic value, by salaries, of employees is estimated across the North at £4.7bn. Regional estimates are as follows, Yorkshire and the Humber £1.8bn, North West England £2.2bn, and North East England £750m.²²

Figure 3.1 shows the percentage change over the last two years in TSOs reporting rising, stable or falling employee numbers across Northern England. A mixed picture can be noted with 20% of TSOs increasing the number of full-time employees compared with 22% with falling numbers. The situation has improved since 2013 when only 18% of TSOs reported rising numbers of full-time employees and 30% reported falling numbers.

By contrast, about 30% of TSOs report rising numbers of part-time employees compared with 19% of TSOs with falling numbers – reinforcing the evidence that the proportion of part-time staff may be increasing across the North. These data indicate that variations between regions are not particularly marked. The situation has improved since 2013 when only 29% of TSOs reported rising numbers of part-time staff.

Figure 3.1

Change in employment rates in the last two years 2016 (2013 in parentheses)

	North West England	Yorkshire and the Humber	North East England	North of England
Increase in full-time employees	18.5	21.4 (18.3)	21.3	20.1
Full-time employees stable	59.7	54.8 (51.9)	57.9	57.6
Fall in full-time employees	21.8	23.8 (29.8)	20.9	22.3
TSO Employers, N=	719	562 (553)	508	1,800
Increase in part-time employees	29.3	33.1 (29.4)	25.8	29.6
Part-time employees stable	51.1	47.9 (50.1)	56.9	51.6
Fall in part-time employees	19.6	19.0 (20.5)	17.3	18.8
TSO Employers, N=	828	721 (673)	589	2,149

²⁰ For detailed comparisons with national data, see Chapman and Robinson (2014b). It should be noted that NCVO estimates on employment are somewhat lower than for the Third Sector Trends study. This is largely due to their reliance on Labour Force Survey data which are much less comprehensive than those available to this study when initial benchmarks were established in North East England, Cumbria and Yorkshire and the Humber by Kane and Mohan (2010 a,b,c)

²¹ Comparable time series data from North East England since 2010 strongly suggests that there has been a progressive shift from full-time to part-time employment – with the percentage of part-time staff rising from 35% to 45% over the last eight years. This is also likely to be the case in Yorkshire and the Humber.

²² Estimate range for third sector employees earning on average 80% of average weekly wages in each region using ONS 2016 estimates.

Figure 3.2 shows the extent to which TSOs in the four sub-regions of Yorkshire and the Humber report change in their employee workforce over the last two years. TSOs which do not have employees are excluded from the analysis.

- About 55% of TSOs report that the number of full-time employees has been stable over the last two years (up from 52% in 2013). The highest levels of stability are found in the less urban areas of East and North Yorkshire for full-time employees.
- Across Yorkshire and the Humber, 21% of TSOs had rising numbers of full-time employees in the last two years (up from 18% in 2013). Variations between sub-regions are not particularly strong.
- Nearly 24% of TSOs had falling numbers of full-time employees (an improvement on 30% in 2013). This was most pronounced in South Yorkshire (29%) and to a lesser extent West Yorkshire (26%).
- About a third of TSOs had rising numbers of part-time staff (up from 30% in 2013). There are no discernible differences between most sub-regions, but North Yorkshire is the exception with a rise of 39%.
- 19% of TSOs had falling numbers of part-time staff (about the same as 2013): this was more pronounced in the urban areas of West Yorkshire (21%) and South Yorkshire (23%), compared with 14% in North and East Yorkshire.

Figure 3.2
Change in the proportion of full-time and part-time employees 2016 (2013 in parentheses)

	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire and the Humber
Increase in full-time employees	20.0 (17.9)	22.0 (17.8)	21.2 (26.8)	24.2 (11.5)	21.4 (18.3)
Full-time employees stable	54.1 (51.9)	48.8 (45.4)	60.0 (51.2)	59.6 (66.7)	54.8 (52.1)
Fall-in full-time employees	25.9 (30.2)	29.3 (36.8)	18.8 (22.0)	16.2 (21.8)	23.8 (29.6)
TSO Employers, N=	255 (235)	123 (152)	85 (82)	99 (78)	562 (547)
Increase in part-time employees	32.4 (29.2)	30.5 (32.4)	30.6 (35.5)	39.4 (20.7)	33.1 (29.5)
Part time employees stable	46.8 (51.1)	46.8 (42.5)	55.1 (46.2)	46.5 (64.0)	47.9 (50.2)
Fall in part-time employees	20.9 (19.7)	22.7 (25.1)	14.3 (18.3)	14.1 (15.3)	19.0 (20.2)
TSO Employers, N=	340 (284)	141 (179)	98 (93)	142 (111)	721 (667)

Summary

Yorkshire and the Humber's Third Sector is large, with over 10,250 Third Sector organisations. The economic value, by salaries, of employees is estimated at £1.8bn. The Third Sector workforce accounts for between 3-4% of regional employment.

In 2016 there were 85,000 full-time equivalent employees although there appears to be a progressive shift from full-time to part-time employment.

Employees only form part of the workforce of the Third Sector, however, the next chapter looks at the contribution of volunteers.

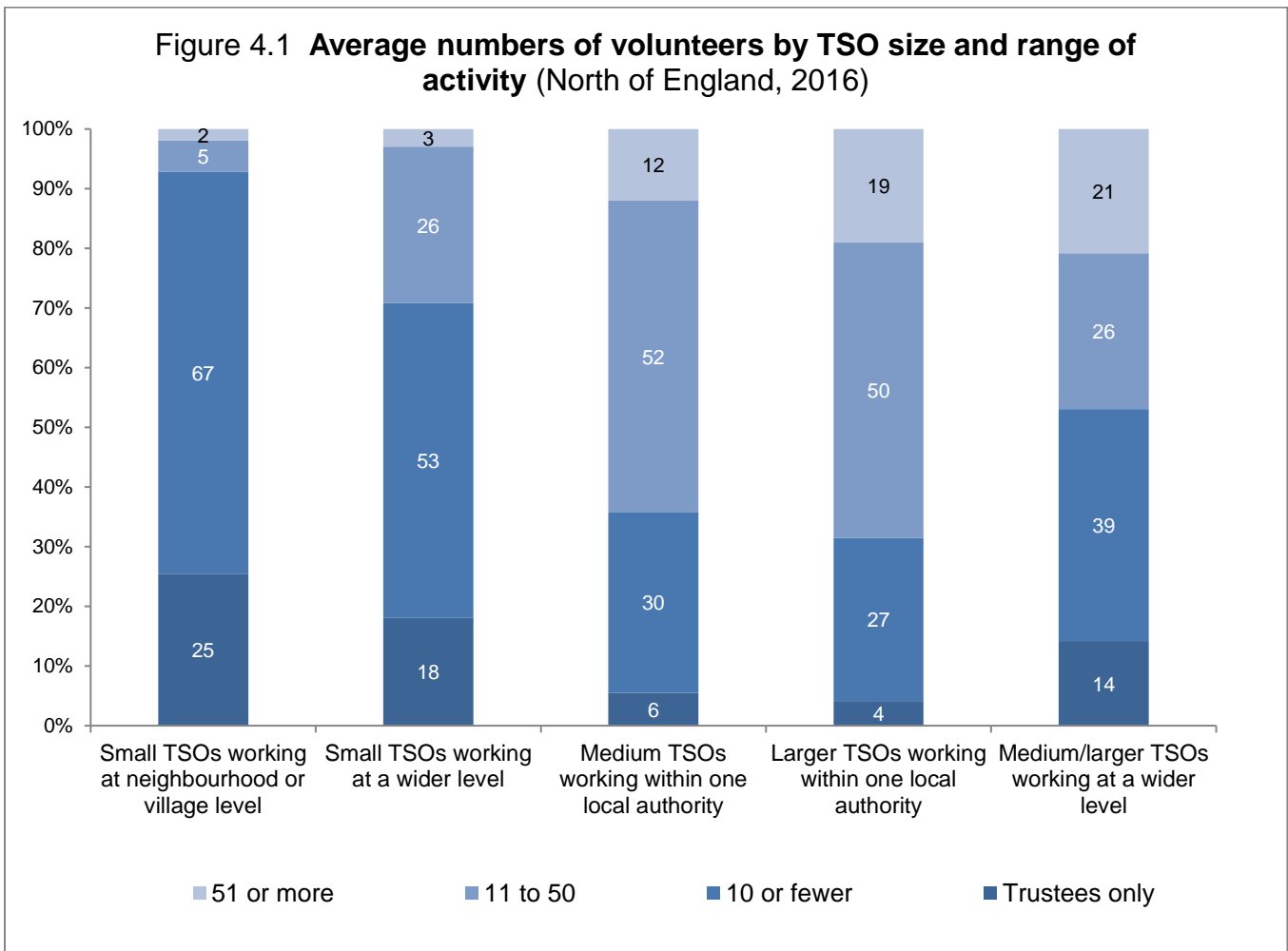
4

Volunteers in the Third Sector

The majority of TSOs are very small, have very limited income and do not employ staff. They are, therefore, entirely dependent upon freely given time to manage organisations and deliver the work needed.

As organisations become larger, they depend much more heavily upon employees – but volunteers continue to play an important role in their governance and the delivery of their work.

As Figure 4.1 shows, using data for the whole of the North of England, volunteers are heavily relied upon by TSOs of all sizes. As would be expected, as organisations become larger, the numbers of volunteers increase.



Estimating the number of volunteers in the Third Sector is a complicated process because there are many small organisations and groups which are not formally constituted and there is, therefore, uncertainty about how many of them fall ‘under the radar’ of official statistics.

However, an approach has been developed in the Third Sector Trends study which can produce broadly-based estimates on the number of volunteers and their likely contribution in terms of average hours worked. In addition, it is possible to attach a crude economic ‘replacement value’ to the work of volunteers using the National Minimum Wage and 80% average regional hourly wage as financial benchmarks.

In the North of England, it is estimated that there are 931,000 volunteers who provide over 67m hours of work which can be valued between £483m - £814m per year.

Using a standardised technique to estimate the number of volunteers, Figure 4.2 also shows the contribution at regional level.

In Yorkshire and the Humber, it is estimated that there are 341,700 volunteers who deliver 24,530,000 hours of work. The replacement value of such work by employees would be between £176m and £297m.

Figure 4.2 Estimates of volunteer numbers and replacement values (2016)	Estimated number of volunteers	Estimate of hours worked	Nominal financial replacement cost at National Minimum Wage	Nominal financial replacement cost at 80% average regional wage
North West	440,400	31,709,800	£228,303,000	£384,945,000
Yorkshire & Humber	340,700	24,530,000	£176,619,000	£297,799,000
North East	149,900	10,793,000	£77,708,000	£131,025,000
North of England	931,000	67,032,000	£482,630,000	£813,768,000

The extent of change in the volume of volunteers supporting individual TSOs over the last two years in the North of England is shown in Figure 4.3. About 30% of TSOs had rising numbers of volunteers, 55% had a stable number and 15% experienced a fall in the number of volunteers. Differences between regions are not pronounced.

Figure 4.3 Change in the volume of volunteers over the last two years (2016)	North West England	Yorkshire and the Humber	North East England	North of England
Increased number of volunteers	30.1	32.3	28.0	30.2
Stable number of volunteers	54.4	53.4	56.3	54.6
Falling number of volunteers	15.5	14.3	15.6	15.2
N=	1,241	964	845	3,065

Figure 4.4 presents data on changes in the numbers of volunteers over the last two years in Yorkshire and the Humber and in its four sub-regions.

- 32% of TSOs reported rising numbers of volunteers over the last two years, a fall from 36% in the 2013 survey. East Yorkshire reported higher levels of increase (37%) while South Yorkshire reported the lowest level of increase (29% compared with 39% in 2013).
- Stability is the most common situation for TSOs (54%). Sub-regions reported similar levels of stability, apart from South Yorkshire which was a little lower (51% in 2016 and 47% in 2013).
- Relatively few TSOs report falling numbers of volunteers over the last two years (14%), although this is more pronounced in South Yorkshire (20%) but least in the less urban areas of East (8%) and North Yorkshire (11%).

Figure 4.4

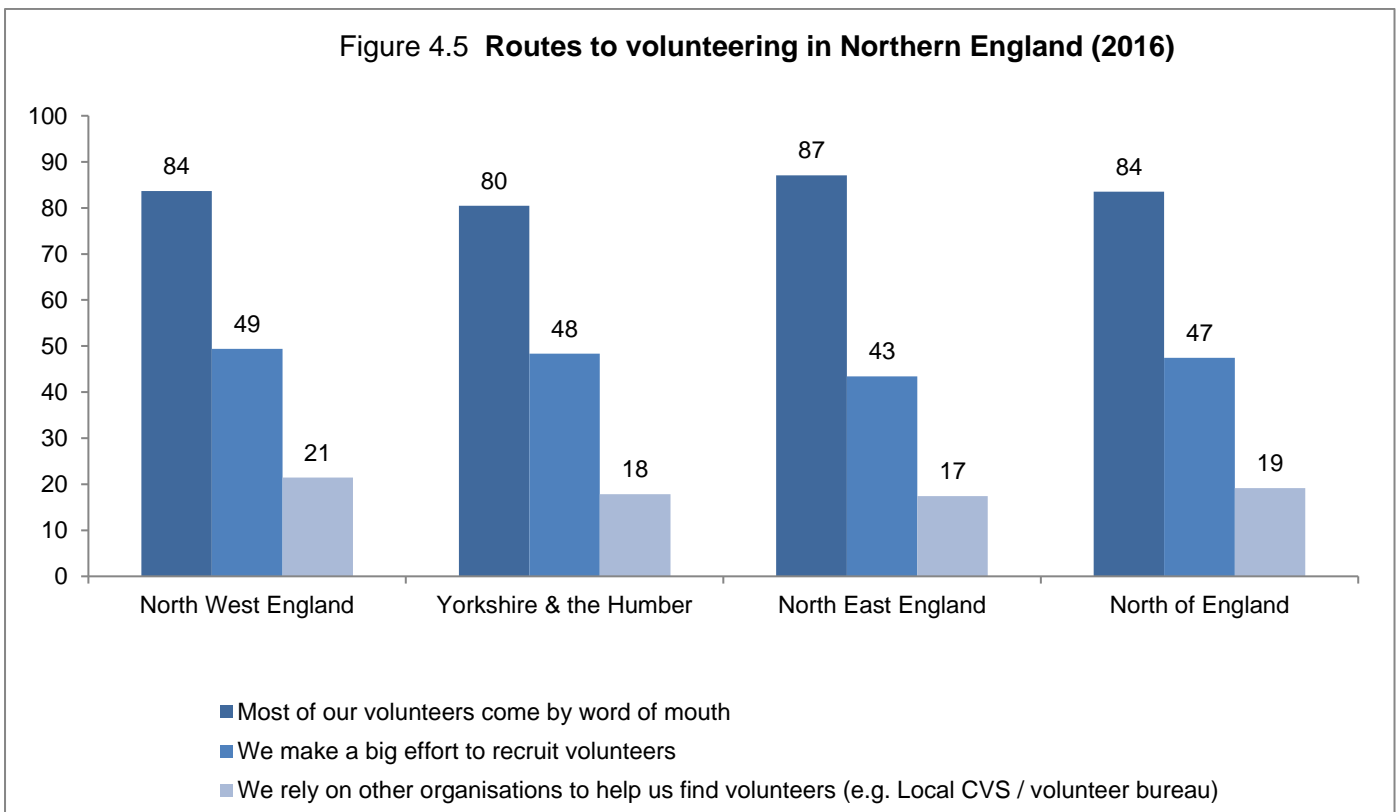
Change in the proportion of volunteers in TSOs over the last two years 2016
(2013 in parentheses)

	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire and the Humber
Increased number of volunteers	31.4 (34.3)	29.1 (39.2)	37.4 (37.8)	33.2 (33.6)	32.3 (36.2)
Stable number of volunteers	53.4 (50.8)	50.8 (47.0)	54.2 (44.1)	55.4 (55.5)	53.4 (49.4)
Falling number of volunteers	15.1 (14.9)	20.1 (13.8)	8.4 (18.2)	11.4 (10.9)	14.3 (14.4)
N=	436 (370)	189 (232)	155 (143)	184 (128)	964 (884)

Figure 4.5 shows the main routes to volunteering in Northern England.

- Across the North of England, 84% of TSOs ‘agree’ or ‘strongly agree’ that most volunteers arrive by ‘word of mouth’ (80% in Yorkshire and the Humber).
- Almost half of TSOs state that they make a big effort to recruit volunteers by holding events or advertising (48% in Yorkshire and the Humber)
- Only 19% of TSOs in the North of England rely on other organisations, such as a CVS or volunteer bureau, to find volunteers for them (18% in Yorkshire and the Humber).

Figure 4.5 Routes to volunteering in Northern England (2016)



While demand for volunteers is clearly high, it is useful to consider the pros and cons of taking on volunteers for TSOs. It should be noted that regional variations are slight, suggesting that the experience of working with volunteers is relatively consistent across areas. Figure 4.6 shows that:

- Only about 10-12% of TSOs agreed or strongly agreed that volunteers cost them more effort than the value of the work they do. Background analysis shows that as TSOs become larger, the more likely that they will make this argument (8% of very

small TSOs make this claim compared with 14% of TSOs with income over £1million).

- About 60% of TSOs state that volunteers can work unsupervised. Background analysis shows that smaller TSOs are much more likely to make this case (77%) than larger organisations (40%).
- A large proportion of TSOs state that many of their volunteers are or have been service users. Smaller organisations are more likely to make this case (68%) compared with the largest (50%).
- There is a heavy reliance on volunteers with 80% of TSOs agreeing or strongly agreeing with this statement. Reliance is lower, however, as organisations grow (93% of the smallest TSOs compared with 55% of the largest).
- Many TSOs see it as their social duty to provide volunteering opportunities (80%), 85% of the largest TSOs make this claim compared with 75% of the smallest.

Figure 4.6

Percentage of TSOs which 'agree' or 'strongly agree' with the following statements (2016) ²³	North West England	Yorkshire and the Humber	North East England	Northern England
Supporting volunteers often costs us more than the benefit we get from them	10.8	14.9	13.2	12.8
We rely mainly on volunteers who can work unsupervised	59.7	59.8	61.7	60.2
Many of our volunteers are our service users/beneficiaries	59.1	57.8	61.9	59.4
We could not keep going as an organisation or group without volunteers	81.5	80.3	79.8	80.7
We see it as part of our social duty to provide opportunities to volunteers	80.3	82.4	79.4	80.7

Summary

Volunteers put in an enormous amount of work and time to support activities by the Third Sector in Yorkshire and the Humber. It is estimated that there are 341,700 volunteers who deliver 24,530,000 hours of work. The replacement value of such work by employees would be between £176m (at National Minimum Wage level) and £297m (at 80% of average wages).

Given that the sector is rooted in localities, it is not surprising to find that volunteers' journeys into the sector are shaped by local knowledge and relationships: 80% of TSOs state that most volunteers arrive by 'word of mouth' and only half of TSOs make a big effort to recruit volunteers by holding events or advertising. Only 18% of TSOs rely on other organisations, such as a CVS or volunteer bureau, to find volunteers for them.

²³ Excludes TSOs which stated that the question was not relevant to their organisation. There are no data from the 2013 to compare with 2016.

5 Spatial area of operation of TSOs

Third sector organisations work at a variety of spatial levels. As this section shows, the Third Sector operates primarily at a neighbourhood or local authority level.

Figure 5.1 demonstrates that across the North of England, 31% of TSOs work solely at the neighbourhood or village level (30% in Yorkshire and the Humber).

Furthermore, about 65% work within the boundaries of one local authority (70% in Yorkshire and the Humber). Understanding spatial aspects of TSOs' work is important when interpreting broader trends and when thinking about the contribution of the sector in policy terms.

Figure 5.1

Operational level of TSOs in regions of Northern England (2016)	North West England	Yorkshire and the Humber	North East England	North of England
At village/neighbourhood level	30.2	29.5	32.8	30.7
Within one local authority	32.1	40.5	30.1	34.1
More than one local authority	19.2	13.9	14.3	16.2
Regionally	8.1	8.5	10.5	8.9
In more than one region	1.7	1.3	2.5	1.8
Nationally	4.6	3.6	5.9	4.6
Internationally	4.3	2.6	4.0	3.7
N=	1,450	1,071	1,007	3,528

When sub-regional levels in Yorkshire and the Humber are compared, some differences emerge. As Figure 5.2 shows, the spatial levels at which TSOs work vary considerably.

- In Yorkshire and the Humber, the majority of TSOs operate within the boundaries of a single local authority (70%) of which around 30-33% work in the immediate neighbourhood or village (except for South Yorkshire where only 24% do so).
- Relatively few TSOs in Yorkshire and the Humber work at regional or at a wider level (16%): at sub-regional level, the percentages are very similar (between 16-18%).

Figure 5.2

Spatial operation of TSOs by sub-region (2016)	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire and the Humber
Village or neighbourhood level only	30.7	23.9	33.5	29.1	29.5
Within one local authority area	42.2	43.1	28.2	44.1	40.5
More than one local authority	11.5	16.7	20.6	11.3	13.9
Regional	7.9	8.1	10.0	8.9	8.5
More than one region to international	7.7	8.1	7.6	6.6	7.6
N=	479	209	170	213	1,071

The extent to which TSOs in Yorkshire and the Humber work in different spatial locations is shaped largely by their size. This also applies to the types of spatial area within which they mainly work. Figure 5.3 shows that:

- 76% of TSOs and groups which work mainly in rural areas are small, only 8% are larger TSOs.
- 52% of TSOs working mainly in urban areas are small while 23% are larger TSOs.
- 41% of TSOs working mainly in inner-city areas are smaller organisations while 28% are larger TSOs.
- TSOs which work in a mix of urban and rural areas are the most likely to be larger organisations (30%).

Figure 5.3				
Working in spatial context: comparing TSOs of different sizes (Yorkshire and the Humber 2016)	Small TSOs (under £50,000 income)	Medium TSOs (£50,001 - £250,000 income)	Larger TSOs (£250,001 or more income)	N=
Mainly in rural areas	76.0	16.2	7.8	154
Mainly in urban areas	52.4	24.8	22.9	319
Mainly in inner-city areas	41.2	30.5	28.2	131
A mixture of urban and rural areas	44.1	25.7	30.2	444
All TSOs	51.4	24.5	24.2	1,071

Figure 5.4 considers the financial position of TSOs operating in different kinds of spatial areas.

- TSOs based in inner-city areas (25%) or in a mixture of urban and rural areas (23%) were most likely to have experienced significantly falling income.
- Income stability is most common for TSOs which work mainly in rural areas (73%).
- The percentages of TSOs with rising income is similar in rural, urban and inner-city areas (18-20%) but slightly lower amongst TSOs working in a mix of areas (16%)

Figure 5.4				
Working in spatial context: comparing TSOs with different income profiles (Yorkshire and the Humber 2016)	Significantly rising income in the last two years	Stable income in the last two years	Significantly falling income in the last two years	N=
Mainly in rural areas	17.5	72.7	9.7	154
Mainly in urban areas	19.7	65.3	15.0	320
Mainly in inner city areas	19.7	55.3	25.0	132
A mixture of urban and rural areas	15.8	61.0	23.2	444
All TSOs	17.7	63.7	18.6	1074

Summary

The Third Sector in Yorkshire and the Humber is very much a locality based entity. 30% of TSOs work only at neighbourhood or village level while 70% work within the boundaries of a single local authority. Only 6% of TSOs based in Yorkshire and the Humber work nationally or internationally.

Given that the sector is rooted in localities, it is not surprising to find that volunteers' journeys into the sector are shaped to a large extent by local knowledge and relationships: 80% of TSOs state that most volunteers arrive by 'word of mouth' and only half of TSOs make a big effort to recruit volunteers by holding events or advertising. Only 18% of TSOs rely on other organisations, such as a CVS or volunteer bureau, to find volunteers for them.

And as will be shown in subsequent chapters of this report, the Third Sector is characterised by its strong informal connections and working relationships amongst TSOs (see Chapter 12).

6 Purpose and beneficiaries of TSOs

It is widely understood that the Third Sector serves a range of beneficiaries in a variety of ways. Third Sector Trends data clearly demonstrates this.

Headline statistics on the principal service function of TSOs usefully captures this diversity: 24% of TSOs provide 'primary' or 'direct' services to beneficiaries such as accommodation, social care, training or community transport; 23% provide 'secondary' support services such as information, advice and guidance; and, 10% provide 'tertiary' support to other TSOs through research, intelligence and campaigning, grant making and infrastructure support.

Smaller TSOs tend to focus mainly, but not exclusively, upon immediate social or personal needs of beneficiaries, such as self-help groups, small nurseries, befriending groups and so on (29%) while 13% of smaller groups attend to other activities such as sports, arts, music, social groups and societies and environmental issues, amongst others.

While regional differences are not dramatic, it should be noted that in North West England fewer TSOs are providing primary services (19%) than in Yorkshire and the Humber (29%) and North East England (28%) – which may, in turn, influence interpretation in subsequent sections of the report on public sector contracts and grant funding.

The percentages in Figure 6.1 represent the 'principal' activity of organisations and groups, not the *only* activity – and it should be borne in mind that many TSOs are involved in a very wide range of activities which cut across those listed.²⁴

	North West England	Yorkshire and the Humber	North East England	North of England
Primary services (direct services to beneficiaries such as training, accommodation, social care, etc.)	19.1	28.5	28.0	24.4
Secondary services (indirect services to beneficiaries such as advice and guidance, information, etc.)	26.2	19.9	22.6	23.1
Tertiary services (infrastructure organisations, campaign and research bodies)	6.3	7.8	7.7	7.1
Grant making foundations	3.2	3.0	3.5	3.2
Smaller TSOs which attend to immediate social or personal needs	33.2	27.6	23.7	29.2
Smaller TSOs which seek to provide social, sporting, arts, music, societies, animals or environmental benefit	11.9	13.2	14.5	12.9
N=	1,088	926	518 ²⁵	2,532

Defining precisely who the beneficiaries of the Third Sector are is complicated because many TSOs serve a variety of constituencies of interest while others closely focus on communities of interest or place. Figure 6.2 provides a simplified picture of the distribution of support given to beneficiary groups.

²⁴ For example, 903 TSOs stated that they served health issues, 1,069 met mental health needs and 959 provided support to disabled people. Amongst these TSOs, 698 claimed to be supporting all three needs, while 711 TSOs stated that they were concerned with both health and disability issues. Similar crossovers can be identified in the support for unemployed/workless people, those in deprived urban areas, or individuals and households in poverty. To attempt to isolate individual beneficiary interests is therefore of limited value.

²⁵ Responses to this question were lower in North East England as postal questionnaires did not allow free text answers to TSOs which responded 'other', i.e. they did not categorise themselves as primary, secondary or tertiary providers.

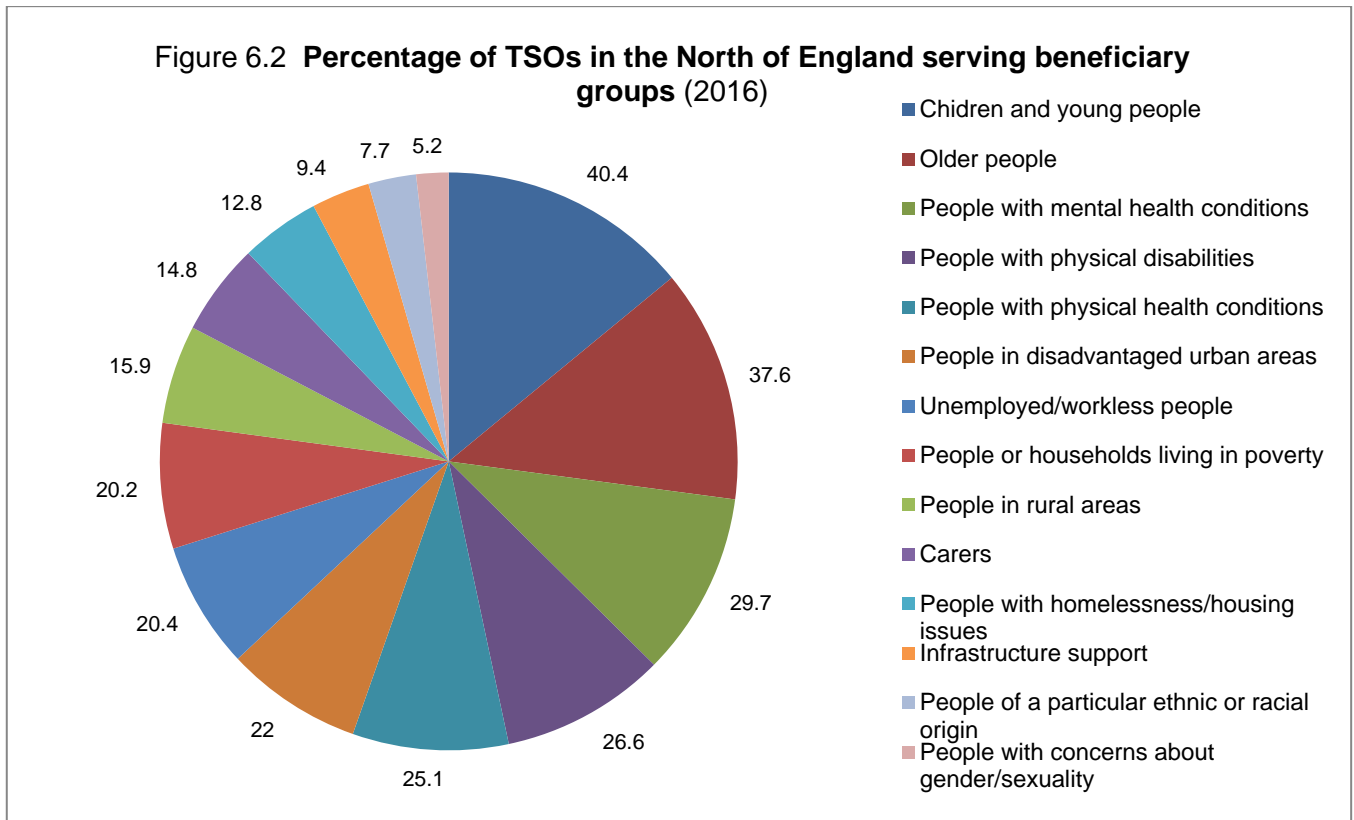


Figure 6.3 shows the percentages of larger TSOs which provide primary, secondary, tertiary support to beneficiaries, and the percentage of smaller TSOs which offer other services within the sub-regions of Yorkshire and the Humber.

- Levels of delivery of primary support services are similar across all sub-regions of Yorkshire and the Humber (27-33%).
- Secondary support services are more likely to be delivered in West Yorkshire (24%) when compared with other sub-regions (16-17%).
- Tertiary service providers are more common in West Yorkshire (12%) and North Yorkshire (14%).
- Smaller TSOs, which are more prevalent in the less urban counties of North Yorkshire (41%) and East Yorkshire (48%) are more likely to meet social or personal needs than in the urban areas of West Yorkshire.

Figure 6.3

Principal service function of TSOs in Yorkshire and the Humber sub-regions (2016)	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire & the Humber
Primary services (direct services to beneficiaries such as training, accommodation, social care, etc.)	27.1	33.0	26.5	29.0	28.5
Secondary services (indirect services to beneficiaries such as advice and guidance, information, etc.)	24.4	15.9	17.4	15.8	19.9
Tertiary services (infrastructure organisations, campaign and research bodies and grant making foundations)	11.8	8.2	7.7	13.7	10.8
Smaller TSOs which attend to immediate social or personal needs	23.2	28.6	32.9	32.2	27.6
Smaller TSOs which seek to provide social, sporting, arts, music, societies, animals or environmental benefit	13.5	14.3	15.5	9.3	13.2
N=	406	182	155	183	926

Figure 6.4 compares the extent to which TSOs cater for different beneficiary groups across the North of England. The data indicate that variations between regions are limited (i.e. less than 2% variation from the North of England average).

There are some exceptions, however, which are all focused on North East England where fewer TSOs attend to the following beneficiary areas: mental health, physical health, disadvantaged urban areas and carers.

Further analysis on the way that TSOs attend to beneficiary groups is planned. This is a complex issue to disentangle because TSOs often state that they support several beneficiary groups.

For example, many TSOs, across the North of England directly attend to issues surrounding deprivation, including those which tackle poverty (20% n=734), unemployment and worklessness (20% n=726) and urban disadvantage (22% n=791). Many of these TSOs support two or more of these three areas of concern – but the collective effort accounts for 33% (1,101) of all TSOs.

Figure 6.5 Percentage of TSOs serving beneficiaries by region (2016)	North West England	Yorkshire and the Humber	North East England	North of England
Children and young people	40.4	40.3	41.4	40.3
Older people	37.2	39.3	36.7	37.4
People with mental health conditions	31.6	31.8	24.9	29.6
People with physical health conditions	26.1	26.3	22.3	25.0
People with physical disabilities	27.7	26.1	25.5	26.5
People in disadvantaged urban areas	22.8	23.4	19.3	21.9
People or households living in poverty	22.0	20.8	17.1	20.1
Unemployed/workless	21.7	20.1	19.0	20.3
People in rural areas	14.9	16.0	17.3	15.9
Carers	16.0	15.4	12.2	14.7
People with homelessness/housing issues	13.1	13.2	12.1	12.8
Infrastructure support	10.6	9.0	8.1	9.4
People of a particular ethnic or racial origin	8.0	8.4	6.6	7.7
People with concerns about gender/sexuality	5.7	4.9	4.7	5.2

Figure 6.5 shows the percentage of TSOs serving specific beneficiary needs in Yorkshire and the Humber by size of organisation. These data reveal that the level of attention paid to beneficiary groups varies considerably: children and young people, older people and people with disabilities are the most commonly served, followed by people with mental and physical health conditions or physical disabilities. TSOs attending to issues surrounding gender and sexuality or people from a specific ethnic or racial group are the least populous.

Figure 6.5 Meeting the needs of beneficiaries by organisations of different sizes (2016)	Small TSOs (under £50,000 income)	Medium TSOs (£50,001 - £250,000 income)	Larger TSOs (£250,001 or more income)	Yorkshire and the Humber	North of England	N= (Yorkshire and the Humber)
Children and young people	37.1	40.8	46.7	40.3	40.3	436
Older people	40.5	37.4	39.8	39.3	37.4	426
People with mental health conditions	24.9	35.5	42.1	31.8	29.6	344
People with physical health conditions	24.0	25.6	32.4	26.3	25.0	285
People with physical disabilities	24.0	28.2	28.6	26.1	26.5	283
People in disadvantaged urban areas	20.2	25.6	27.4	23.4	21.9	253
People or households living in poverty	16.5	24.4	25.5	20.8	20.1	225
Unemployed/workless	18.0	20.2	23.9	20.1	20.3	218
People in rural areas	17.5	16.4	12.0	16.0	15.9	173
Carers	11.6	16.0	22.8	15.4	14.7	167
People with homelessness/housing issues	9.6	13.0	20.1	13.2	12.8	143
Infrastructure support	6.2	10.3	13.1	9.0	9.4	97
People of a particular ethnic or racial origin	7.1	9.5	10.0	8.4	7.7	91
People with concerns about gender/sexuality	4.2	4.6	6.6	4.9	5.2	53

Figure 6.6 shows the percentage of TSOs attending to the interests of specific beneficiary groups in more or less affluent areas.

- Older people and children and young people are served by a similar percentage of TSOs irrespective of the affluence of areas.
- TSOs which focus on issues surrounding poverty, urban deprivation and homelessness tend to be focused more strongly in poorer areas.
- The percentage of TSOs serving people with mental health conditions is considerably higher in poorer areas.

Figure 6.6 Percentages of TSOs based in areas of affluence or deprivation using the Indices of Multiple Deprivation (2016)	Indices of Multiple Deprivation (quintiles)					
	Poorest areas IMD 1-2	IMD 3-4	IMD 5-6	IMD 7-8	Richest areas IMD 9-10	All TSOs
Children and young people	44.3	39.4	38.7	40.4	34.6	39.5
Older people	38.4	38.9	35.7	40.0	32.3	37.1
People with mental health conditions	39.1	30.2	25.3	22.4	17.1	26.8
People with physical disabilities	28.9	28.4	25.3	25.3	20.9	25.8
People with physical health conditions	28.1	26.2	22.9	23.2	19.4	24.0
People in disadvantaged urban areas	33.9	23.0	14.6	11.2	8.3	18.2
People in rural areas	8.8	14.4	23.0	26.9	16.6	17.9
Unemployed/workless people	31.4	19.6	14.1	12.4	8.9	17.3
People or households living in poverty	31.4	19.9	13.1	12.4	6.0	16.6
Carers	18.2	16.8	11.2	13.5	8.0	13.6
People with homelessness/housing issues	19.9	11.1	8.3	9.9	4.3	10.7
Infrastructure support for other TSOs	11.7	10.2	8.8	5.6	7.7	8.8
People of a particular ethnic or racial origin	11.4	6.0	5.9	4.8	5.7	6.8
People with concerns about gender/sexuality	7.4	4.3	5.0	2.9	2.6	4.4
Base N= in each quintile ²⁶	1,277	648	625	517	350	

Summary

This chapter has shown that the Third Sector serves a wide range of beneficiaries. But it has been demonstrated that it is unwise to analyse sector activity by focusing on areas of service to individual beneficiary groups because TSOs often serve a wide range of beneficiaries in the course of their work.

The approach to practice by TSOs is shaped to a large degree by their scale as organisations. Larger TSOs are more likely to deliver direct or 'primary' services to their beneficiaries (such as accommodation, training, social care, etc.).

Across Northern England, the Third Sector tends to support each area of beneficiary need in broadly similar proportions. But there are variations in the extent to which TSOs serve beneficiary groups. Children and young people and older people are the most comprehensively supported by the sector in Yorkshire and the Humber.

Many TSOs, across the North of England directly attend to issues surrounding deprivation, including those which tackle poverty (20%), unemployment and worklessness (20%) and urban disadvantage (22%). Many of these TSOs support two or more of these three areas of concern – but the collective effort accounts for 33% of all TSOs.

The extent to which TSOs attend to issues is shaped to some extent by the level of affluence of areas within which they work. Attention to issues such as poverty, homelessness, urban deprivation, as would be expected, tends to be concentrated in the least affluent areas.

²⁶ This means that 38% of all TSOs in the poorest areas (IMD 1-2) claimed to support the interests of older people, that is: 490 organisations out of 1,277 respondents.

7 Income of Third Sector organisations

This study explores how TSOs are faring over time by using several factors to compare the situation of different categories of organisations. As such the study takes at its starting point the situation of the organisation itself rather than the Third Sector as a whole – *except* when making estimates about numbers of sector organisations, sector employees and volunteers to make reliable judgements about the economic value of the sector (see Chapter 3 and 4).

In the sections which follow, analysis proceeds from the position of individual TSOs rather than from the sector as a whole. It is useful, first, to weight Third Sector Trends data against national Charity Commission statistics²⁷ on organisational income categories to make broad estimates on the composition of the sector by levels of income.

Figure 7.1 presents estimates of the number of TSOs in each of four Charity Commission income categories in each Northern region.²⁸ In Yorkshire and the Humber, the sector is dominated by very small TSOs (4,878) and medium sized TSOs (3,423). There are only about 650 charities which have income above £500,000.

Figure 7.1 Weighted estimates of sector size by income of TSOs

	North West England		Yorkshire & the Humber		North East England		North of England	
	TST 2016 actual number of cases=	Weighted estimate of sector size n=	TST 2016 actual number of cases=	Weighted estimate of sector size n=	TST 2016 actual number of cases=	Weighted estimate of sector size n=	TST 2016 actual number of cases=	Weighted estimate of sector size n=
Under £10,000	483	6,306	308	4,878	315	3,332	1,106	14,303
£10,001 - £100,000	493	4,425	354	3,423	339	2,338	1,186	10,036
£100,001 - £500,000	257	1,682	253	1,301	210	889	720	3,816
£500,001 or more	206	835	156	646	129	441	491	1,893
N=	1,460	13,248	1,092	10,248	1,064	7,000	3,557	30,047

In the analysis which follows for Yorkshire and the Humber, Third Sector Trends categories will be used. These are divided, depending upon the analysis into five and three income bands as shown in Figure 7.2. While these percentages do not directly match the actual numbers of TSOs in each area, they provide a basis upon which to interpret how TSOs of different sizes are faring.

²⁷ To do this, it is necessary to use Charity Commission income categories – which represent something of a 'blunt instrument' in analytical terms because it pools too many organisations within broad categories with reference to their different levels of resource, mission and approach to practice. For the remainder of the analysis, a more finely tuned set of categories will be used, which make more sense analytically for the purposes of this study.

²⁸ Using Charity Commission weights equalises the percentage distribution of TSOs in each column, where 47.6% of TSOs have income below £10,000 (*TST Sample 31.6%*); 33.4% between £10,001 and £100,000 (*TST sample 33.9%*), 12.7% of TSOs with income £100,001 - £500,000 (*TST Sample 20.6%*); and 6.3% TSOs with income above £500,001 (*TST Sample 14.0%*).

Figure 7.2
TSO income categories in three and five bands by sub-region (2016)

		West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire & the Humber
Smaller TSOs (income below £50,000)	Micro (under £10,000)	24.7	28.7	38.2	30.4	28.8
	Small (£10,001-£50,000)	23.6	19.6	24.1	22.0	22.6
Medium (50,001-£250,000)	Medium (50,001-£250,000)	27.6	19.1	16.5	29.0	24.5
Larger TSOs (£250,000 and above)	Larger (£250,001-£1m)	14.6	21.1	14.1	12.1	15.3
	Biggest (£1,000,001 or more)	9.4	11.5	7.1	6.5	8.9
N=		478	209	170	214	1,071

Figure 7.3 shows the extent to which income has changed over the last two years across Yorkshire and the Humber and in each sub-region.²⁹

- In Yorkshire and the Humber, 64% of TSOs experienced income stability – the same as reported in the in 2013 survey.
- TSOs in the less urban areas of North Yorkshire (70%) and East Yorkshire (65%) were most likely to have stable income. There is little change in this respect since the 2013 survey.
- About 18% of TSOs in Yorkshire and the Humber had significantly rising income in the last two years, an increase from 13% in 2013. The percentages of TSOs with rising income are higher in 2016 in all sub-regions when compared with 2013.
- In 2013, 24% of TSOs reported falling income in the previous two years in Yorkshire and the Humber. In 2016 this has fallen to 19%. This change is particularly clear in North Yorkshire (down from 21% in 2013 to 12% in 2016) and to a lesser extent in West Yorkshire (down from 26% to 20%). In South Yorkshire, the percentage of TSOs with falling income fell from 25% to 21%, while in East Yorkshire the percentage remained the same at 19%.

Figure 7.3
Change in levels of income in the last two years 2016 (2013 in parentheses)

	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire & the Humber
Income risen significantly	17.8 (12.7)	18.8 (14.0)	16.4 (13.5)	17.4 (9.9)	17.7 (12.8)
Income remained about the same	62.4 (61.8)	58.7 (60.9)	64.9 (67.5)	70.4 (69.5)	63.7 (63.7)
Income fallen significantly	19.7 (25.5)	22.6 (25.2)	18.7 (19.0)	12.2 (20.5)	18.6 (23.6)
N=	482 (416)	208 (258)	171 (163)	213 (151)	1,074 (988)

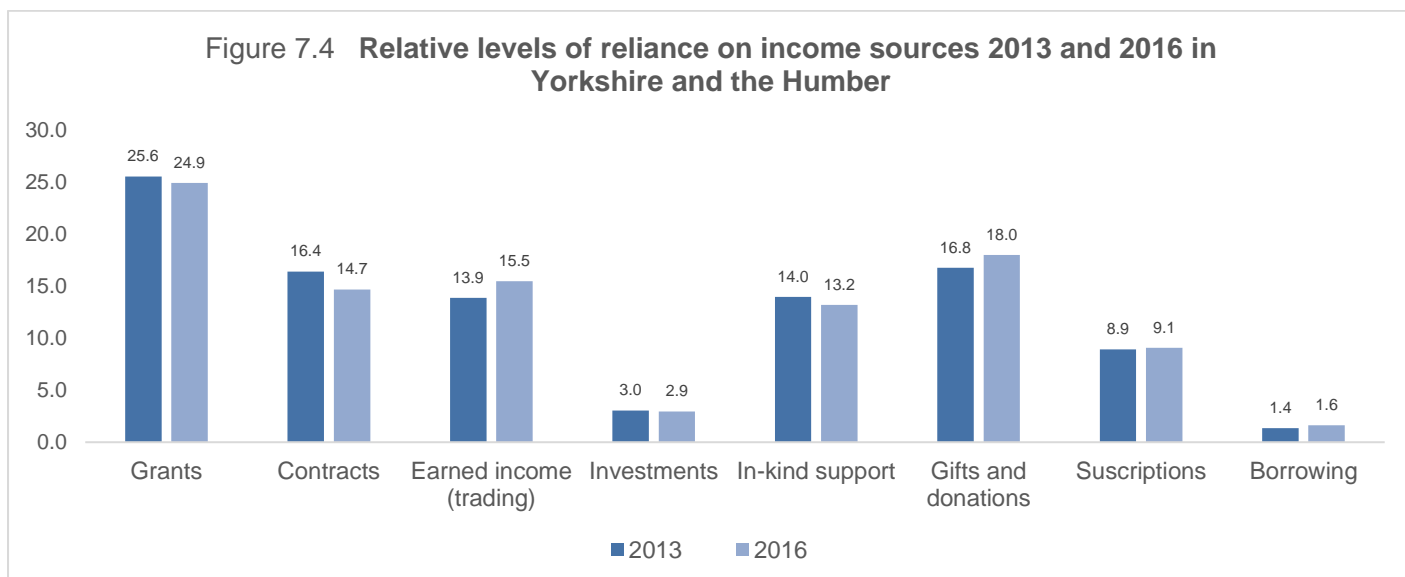
²⁹ A detailed appraisal of the interaction between size of TSO and income fluctuation from 2010 to 2014 is presented in Chapman and Robinson (2014).

Reliance on different sources of income

In Chapters 10 and 11, much more detailed analysis is provided on the routes TSOs take to garner contracts to deliver public services and obtain grants from different funding sources. In the second half of this Chapter, a more detailed analysis is undertaken on the extent to which TSOs earn income from contracts and trading. Before those analyses proceed, however, it is useful to look in a more general way at levels of relative reliance on different sources of income.

Data are not collected in the Third Sector Trends study on ‘actual’ levels of income from different sources.³⁰ Instead, perceptions of the extent of reliance of TSOs on different sources of income are explored. This is a valuable source of information as it provides a clearer understanding of how the ‘balance’ of reliance on different income sources changes over time.

In Yorkshire and the Humber, relative levels of reliance on income sources are compared between 2013 and 2016 in Figure 7.4. These data indicate that grants are clearly the most important source of income in the sector and have remained so since 2013. Reliance on contracts, in relative terms, has fallen while earned income from other sources of trading has increased.



Only having two data points to compare limits understanding of longer term trends. Consequently, in the analysis that follows, longitudinal data are drawn from North East England and Cumbria where surveys have taken place every two years since 2010. It is likely that the patterns shown will have been broadly similar in Yorkshire and the Humber over this period.³¹

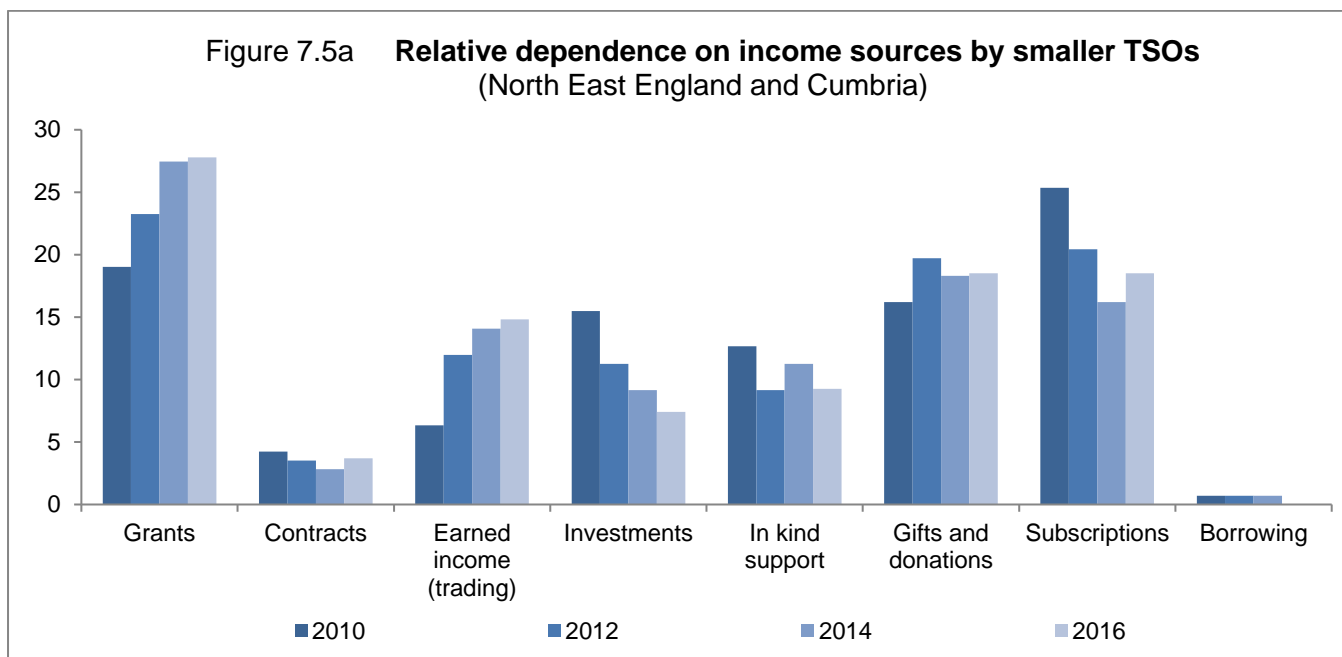
Three charts are presented, one each for small, medium and larger TSOs. The evidence shows that dependence on different sources of income in relative terms has been shifting over time.

The dependence of small TSOs (with income below £50,000) on different income sources, shows that grants and earned income have become much more important since 2010.

³⁰ Previous attempts to collect such information have generally failed to present a convincing picture of Third Sector income, including work by the major government funded National Third Sector Studies in 2008 and 2010. The reason for this is largely to do with respondents not being willing to provide such information. This may be due to lack of easy access to such information or worries about divulging such data. In the Third Sector Trends study, a simpler approach was adopted, by asking TSOs the extent to which they valued different sources of income. Data do not therefore refer to the sum of income, but the extent of relative reliance on income sources.

³¹ There are only two data points currently available in Yorkshire and the Humber, 2016 and 2013 so trend analysis cannot yet be done. However, levels of relative reliance on income sources in Yorkshire and the Humber is broadly similar.

By contrast, as shown in Figure 7.5a, dependence upon investments, in-kind support and subscriptions has fallen significantly. For smaller TSOs, working on contracts is of little relevance and reliance on borrowed money is minimal.



Medium sized TSOs (with income between £50,001 and £250,000) have also become more reliant in relative terms upon grants and particularly so on earned income since 2010 as shown in Figure 7.5b.

Contracts, by contrast have become progressively less important to them as is the case with investment income, subscriptions and in-kind support. Contracts were of considerably greater importance in 2010 than is the case now and borrowed money remains virtually insignificant to most medium sized organisations.

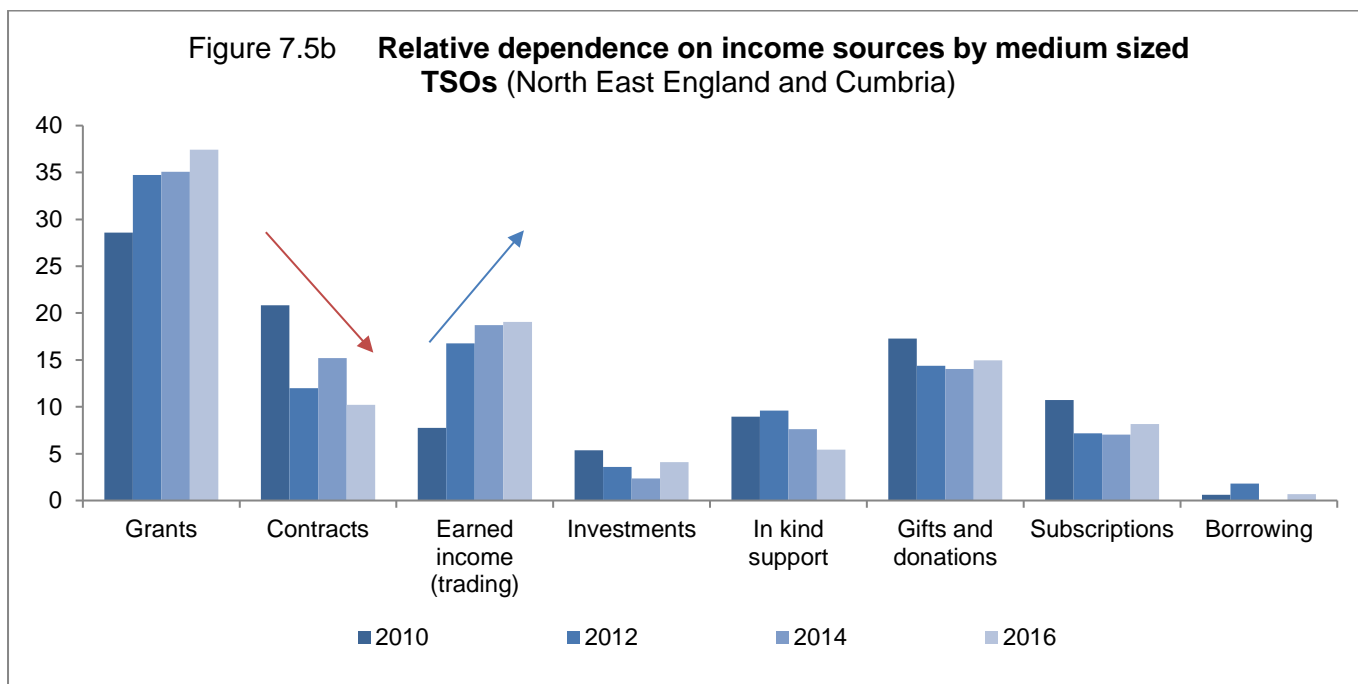
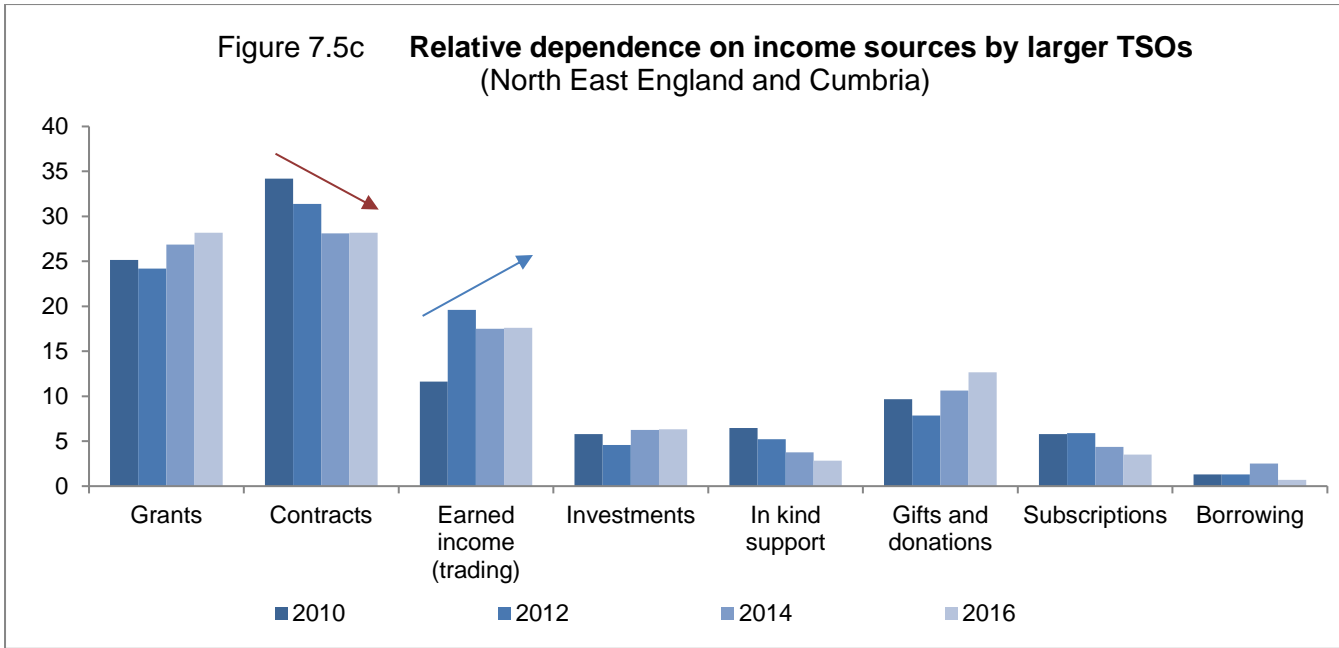


Figure 7.5c shows that larger TSOs (with income above £250,001) have remained much more reliant, in relative terms, on contracts than medium sized TSOs – but the relative importance of contracts has fallen considerably since 2012. The importance of grant income has risen to some extent, while reliance on earned income grew substantially from 2008-2012 but has stabilised since then.

The importance of investment income has remained relatively flat, as is the case with gifts and donations. In-kind support and subscriptions have become less important in relative terms while borrowing is of very limited importance.



Earned income

More detailed analysis of interest in undertaking contracts and routes to grant funding will be discussed in Chapters 9 and 10. This section will assess the extent to which TSOs depend upon 'earned income' in general (including income from trading and contracts).

As Figure 7.6 shows, 67% of TSOs across the North of England (73% in Yorkshire and the Humber) rely on earned income to some extent: variations by sub-region are slight. Variations since 2013 are also very small.

There are some sub-regional variations in the extent to which TSOs earn income.

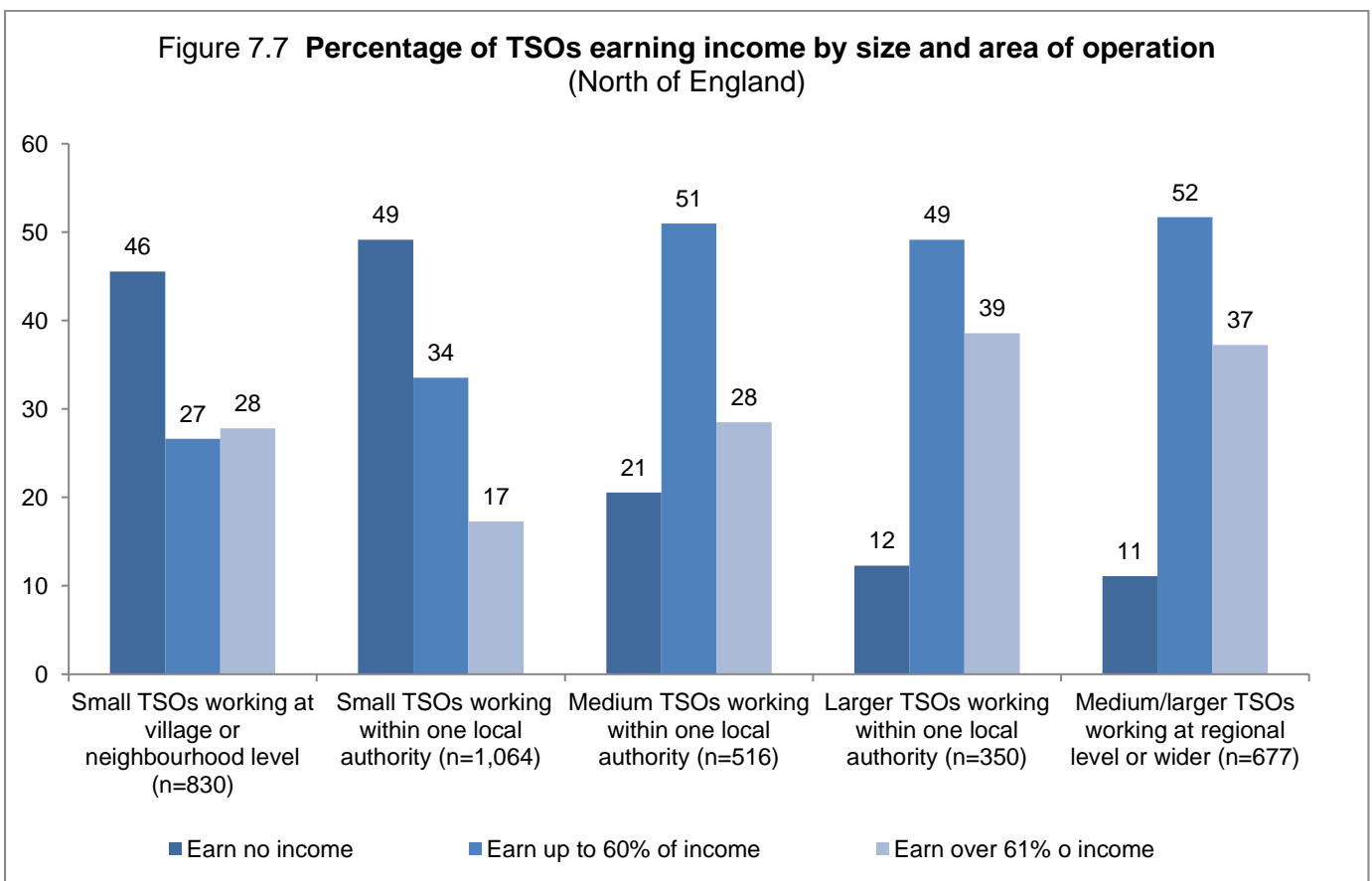
- Nearly 27% of TSOs in North Yorkshire earn more than 80% of their income compared with just 16% in West Yorkshire.
- In West Yorkshire and South Yorkshire, 30% of TSOs earn less than one fifth of income compared with around 20% in East Yorkshire and North Yorkshire.

Figure 7.6 TSOs' reliance on earned income by sub-region 2016 (2013 in parentheses)

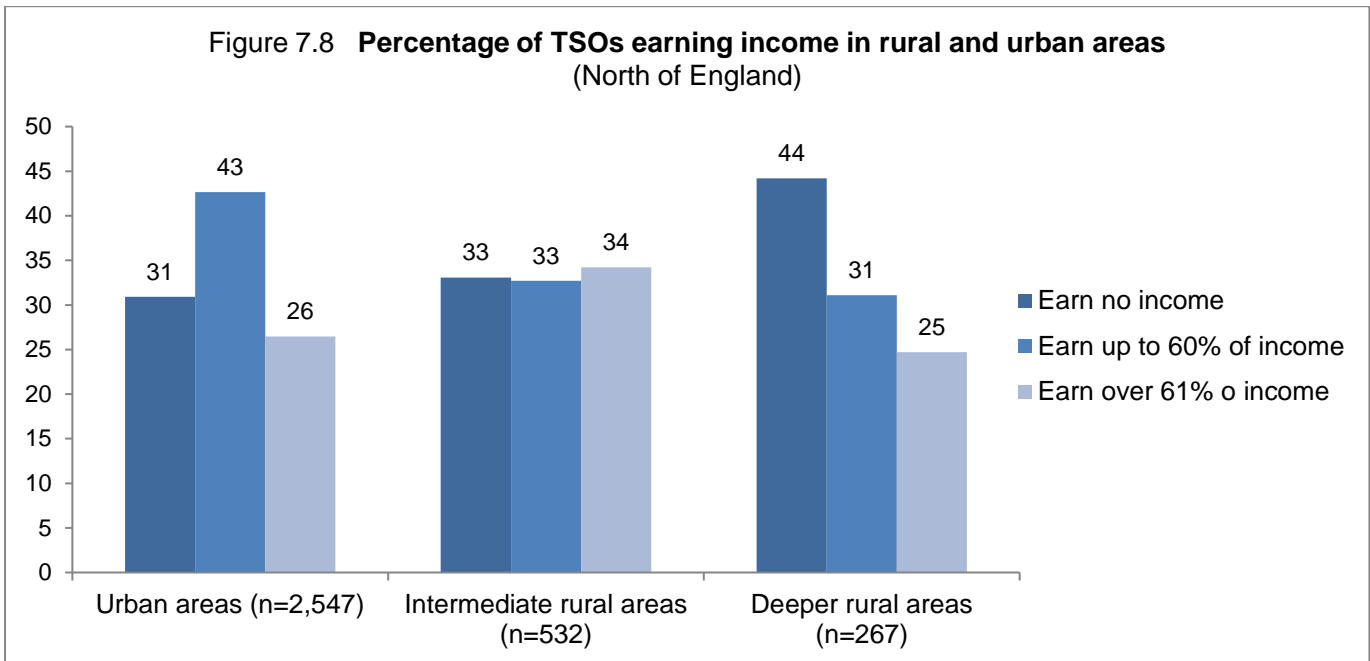
	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire & the Humber	North of England
No earned income	27.6	25.6	27.5	27.7	27.2 (26.6)	32.8
1% – 20% of income	29.9	30.0	19.3	21.1	26.5 (24.3)	24.9
21% - 40% of income	9.7	6.8	10.5	4.2	8.2 (9.5)	7.6
41% - 60% of income	6.9	5.3	11.1	8.9	7.7 (7.7)	7.2
61% - 80% of income	9.5	9.7	8.2	11.3	9.7 (9.5)	9.2
81% - 100% of income	16.4	22.7	23.4	26.8	20.8 (22.5)	18.3
N=	475	207	171	213	1,066 (1,001)	3,485

Figure 7.7 examines the extent to which TSOs of different sizes working locally or more widely in the North of England earn income.

- Smaller TSOs do not rely as much on earned income as their larger counterparts – that stated, just over half of smaller TSOs earn some of their income.
- Smaller TSOs which operate at a very local level are more likely to earn more than 60% of their income (28%) than those TSOs which work at a wider level (17%).
- About a half of medium sized TSOs working within a single local authority earn up to 60% of their income, and only 21% have no reliance on earned income.
- Only 12% of larger TSOs working within one local authority earn no income, and 39% earn over 60% of their income.
- Just over 50% of medium sized and larger TSOs which work beyond a single local authority earn up to 60% of their income; only 11% earn no income.



While background analysis indicates that earned income does not vary significantly between regions, there is evidence to suggest that earning income is more important in urban areas. As Figure 7.8 shows, 44% of TSOs in deeper rural areas earn no income compared with 31% in urban areas. The proportion of TSOs earning up to 60% of their income is greatest in urban areas (43%).



There has been much debate within the Third Sector, amongst academics, in think tanks and in government over the last ten years on the idea of ‘social enterprise’; that is, the ability of TSOs purposefully to generate a surplus from their earned income to reinvest in their communities of place or interest.

As Figure 7.9 shows, TSOs which have different legal forms (or describe themselves as ‘social enterprise’ or ‘informal voluntary or community organisation’) have different levels of reliance on earned income.

The TSOs are ordered by their dependence on earned income. Cooperative and Community Benefit Societies (formerly named Industrial and Provident Societies) are the most dependent (93%) and informal community and voluntary organisations the least (44%).

The data show that³²:

- Cooperative and Community Benefit Societies³³ are the most dependent on earned income with 63% earning more than 61% of their income.
- 53% of TSOs which describe themselves as ‘social enterprises’ earn more than 61% of their income, although 22% earn none or less than 20% of their income.
- About 30% of Community Interest Companies and 35% of Companies Limited by Guarantee earn over 61% of their income, but around 43% of these TSOs earn none or less than 20% of their income.
- Independent Registered Charities are much more likely to earn more than 61% of their income (29%) when compared with Federated Registered Charities (15%). Many of these charities earn none or under 20% of their income (55% and 71% respectively).
- Charitable Incorporated Organisations are less likely to earn over 61% of their income (20%) than most other legal forms, and nearly 60% earn no income or less than 20%.
- Informal voluntary or community organisations, which tend to be very small, have very low levels of reliance on earned income: 75% earn none or less than less than 20% of their income. That stated about 16% earn more than 61% of their income.

³² Due to the smaller numbers of CICs, CIOs, CCBSs and Social Enterprises in the North East England Sample, these data refer to the whole of the North of England.

³³ The term Industrial and Provident Society (IPS) became redundant following the *Co-operative and Community Benefit Societies Act 2014* in Great Britain (but not Northern Ireland). IPSs are now known as ‘co-operative’ or ‘community benefit societies’. In the Third Sector Trends study, such societies are included providing that they invest profits wholly towards social purposes rather than private personal benefit.

Figure 7.9
Percentage TSOs earning income by legal form³⁴ (North of England 2016)

	No earned income	1-20% earned income	21-40% earned income	41-60% earned income	61-80% earned income	81-100% earned income	N=
Cooperative and Community Benefit Societies	6.5	10.9	10.9	2.2	13.0	55.3	46
Social Enterprise	6.9	14.9	8.0	14.9	21.7	32.4	175
Company Limited by Guarantee	13.5	31.2	8.8	10.1	13.6	22.6	764
Community Interest Company	19.7	23.1	8.1	8.7	9.2	30.9	173
Independent Registered Charity	27.9	27.0	8.5	7.5	10.5	18.4	2,210
Charitable Incorporated Organisation	38.8	25.0	10.0	8.1	5.6	12.3	160
Federated Registered Charity ³⁵	48.7	22.8	6.5	6.5	4.2	10.9	355
Informal voluntary or community organisation	55.9	18.9	4.3	4.0	5.3	11.2	322
All TSOs	32.3	24.9	7.8	7.2	9.5	17.8	3,355

The analysis shows that very few TSOs rely wholly upon earned income – instead, whether described as a ‘charity’, ‘community or voluntary organisation’ or a ‘social enterprise’ – virtually all are dependent on other sources of income, such as subscriptions, grants, gifts and so on.

These comments are not intended as implicit or explicit criticisms of the idea of ‘socially enterprising’ activity. Earning income is integral to the ethos and practice of many TSOs. But very few TSOs can manage without other sources of income such as grants. As shown in Figure 7.10:

- Only 14% of all TSOs state that grants are of ‘no importance’ to them and a further 6% state that grants are the ‘least important’ source of income. The remaining 80% of TSOs clearly rely upon grants to sustain their activity and 39% state that grants are ‘a most important’ source of income.
- For TSOs which earn no income from trading or contracts, grants are very important indeed: over 50% of such TSOs state that grants are ‘a most important’ or ‘important’ source of income.
- TSOs which earn income are generally heavily reliant upon grants as ‘a most important’ source of income, although this percentage declines from 52% of those TSOs which earn less than 20% of their income to 23% of those which earn over 81% of their income.
- Even amongst TSOs which earn over 81% of their income, grants are still essential to them: 23% state that grants are ‘a most important’ source of income and a further 52% state that they are ‘important’ or of ‘some importance’.
- Only 3% of TSOs that earn 61-80% of their income, and just 13% of TSOs which earn more than 81% of their income from trading or contracts state that grants are of ‘no importance’ to them.

³⁴ ‘Social Enterprise’ is not a legal form, but it is a term used by about 5% TSOs to describe themselves (many TSOs registered as CIOs or CICs do not also use the term social enterprise to describe themselves. Many of the TSOs responding to the survey in 2016, 2,616 were Registered Charities; of which 778 were also registered as Companies Limited by Guarantee.

³⁵ In the survey questionnaire, a distinction was drawn between independent locality based charities and those which were part of a national federation of charities such as AgeUK.

Figure 7.10 Relative importance of grant funding for TSOs earning income (North of England 2016)	Grants are a most important source of income	Grants are an important source of income	Grants are of some importance to our income	Grants are the Least important source of income	We do not rely on grants at all	N=
No earned income	35.5	17.0	14.5	6.8	26.3	1,114
1% – 20% of income	52.3	26.2	11.2	3.6	6.7	864
21% - 40% of income	53.0	29.5	8.6	3.0	6.0	268
41% - 60% of income	42.9	37.3	13.5	3.2	3.2	252
61% - 80% of income	27.2	42.7	21.4	5.3	3.4	323
81% - 100% of income	23.1	27.6	23.9	12.2	13.3	624
N=	38.5	26.0	15.5	6.3	13.7	3,503

Summary

This Chapter has shown that TSOs rely on a wide range of income resources. Grants constitute a major source of income for all sizes of organisations while contracts are generally very important only to the larger TSOs.

Earned income is of importance to many TSOs. Earned income can come from contracts to deliver public services or through other forms of trading. Smaller TSOs are less likely to earn income, which helps to explain why TSOs in rural areas are amongst the least likely to earn income (because more organisations in such areas are small).

It is an obvious point, but one which is too often overlooked in discussions about 'socially enterprising' activity, that if TSOs could successfully operate without any other source of income subsidy and produce a viable surplus, then private sector business would, like as not, also be in the marketplace competing for the available profits to be had from such work.

It is entirely legitimate, therefore, that TSOs which are good at earning income, but cannot be expected to survive on that income alone, should continue to seek other sources of financial support, such as grants, gifts, subscriptions and so on to pursue their social mission successfully.

8 Organisational assets and use of reserves

This Chapter explores the asset base of the Third Sector in Yorkshire and the Humber and the extent to which TSOs hold reserves. The Chapter also examines whether TSOs have used reserves in the last two years to invest in new activities or to pay for essential costs.

It is clear from Figure 8.1 that the majority (60%) of TSOs in Yorkshire and the Humber have no property assets.

- The percentage of TSOs with property assets rises as organisations become larger in size: from 31% of smaller TSOs to 57% of the largest TSOs.
- Only 5% of small TSOs have property valued at over £250,000 compared with 14% of medium sized TSOs and 37% of larger TSOs.

Figure 8.1 Property assets by size of TSOs 2016 (2013 in parentheses)	Small TSOs (under £50,000 income)	Medium TSOs (£50,001 - £250,000 income)	Larger TSOs (£250,001 or more income)	Yorkshire and the Humber	North of England
No property assets	68.8	62.6	42.8	61.1 (68.8)³⁶	59.6
Up to £250,000	26.0	23.3	20.4	24.0 (19.8)	25.1
Over £250,001	5.2	14.0	36.8	14.9 (11.5)	15.2
N=	538	257	250	1,045 (977)	3,415

Figure 8.2 shows the extent to which TSOs hold investments (such as stocks and shares, long-term savings, etc.). There are some signs of improvement since 2013, with the percentage of TSOs with investments rising from 29% to 39%)

- About 61% of TSOs in Yorkshire and the Humber have no investment assets. Those TSOs which do have assets rises from 32% of the smallest TSOs to 57% of the largest TSOs.
- Relatively few TSOs have investments above £50,000 (16%), although larger TSOs are much more likely to hold such levels of investment (40%) when compared with the smallest TSOs (4%).

Figure 8.2 Investment assets by size of TSOs 2016 (2013 in parentheses)	Small TSOs (under £50,000 income)	Medium TSOs (£50,001 - £250,000 income)	Larger TSOs (£250,001 or more income)	Yorkshire and the Humber	North of England
No investment assets	68.4	60.8	42.9	60.5 (71.2)	58.9
Investments up to £50,000	27.4	24.3	17.6	24.3 (16.1)	25.4
Investments over £50,001	4.1	14.9	39.6	15.2 (12.6)	15.6
N=	532	255	245	1,032 (936)	3,393

³⁶ Data are not strictly comparable as in 2013 respondents were asked to distinguish between wholly owned property and that which was owned with an outstanding mortgage.

Figure 8.3 shows the extent to which TSOs hold current account reserves in Yorkshire and the Humber. The general situation seems to have improved since 2013, where the percentage of TSOs with no current account assets has fallen from 19% to 12%.

- Only 12% of TSOs in Yorkshire and the Humber have no current account reserves. Just 7% of the largest TSOs have no current account reserves compared with 17% of the smallest TSOs.
- The level of reserves held is closely related to the size of organisation: 55% of the largest TSOs have current account reserves above £50,000 compared with 15% of medium sized TSOs and just 1% of the smallest TSOs.
- Nevertheless, it may be surprising to note that 13% of larger TSOs have none or fewer than £10,000 current account reserves. 38% of medium sized TSOs find themselves in this financially precarious situation.
- Smaller TSOs do not have large current account reserves, but as most of these organisations or groups have no paid employees, this is less of an indication of financial insecurity.

Figure 8.3 Current account reserves by size of TSOs 2016 (2013 in parentheses)	Small TSOs (under £50,000 income)	Medium TSOs (£50,001 - £250,000 income)	Larger TSOs (£250,001 or more income)	Yorkshire and the Humber	North of England
No current account reserves	16.5	7.4	7.2	12.0 (19.0)	11.9
Up to £10,000	66.9	30.6	6.0	43.4 (42.1)	46.8
Up to £50,000	15.2	47.3	32.0	27.2 (22.0)	24.4
Over £50,000	1.3	14.7	54.8	17.4 (16.9)	16.9
N=	538	258	250	1,046 (974)	3,434

Use of assets and reserves

Figure 8.4 shows if TSOs have used their reserves in Yorkshire and the Humber over the last financial year (TSOs with no financial reserves are excluded from this analysis).

There are general signs of improvement since 2013. The percentage of TSOs not drawing on reserves has risen from 39% to 44%. Use of reserves for essential cost has fallen from 33% in 2013 to 28% in 2016.

- About 47% of TSOs have not used their reserves over the last financial year; smaller TSOs were more likely not to have used reserves (50%) when compared with medium (42%) and larger TSOs (38%).
- Relatively few TSOs (18%) have used reserves for development purposes (such as taking on a new member of staff, planning a new service, buying property or other fixed assets). Only 2% of TSOs have invested 'heavily' in such things.
- Larger TSOs are much more likely to have invested in development (26%) when compared with the smallest (17%), but only 4% of the largest TSOs have invested heavily in development – which seems to be a very low percentage.
- By contrast, 27% of TSOs have used their reserves for essential costs (such as wages, utility bills or rent) but only 5% have made 'heavy' use of their reserves in this way.

- Medium sized TSOs were the most likely to have drawn on their reserves for essential costs (34%), and 8% drew heavily upon their reserves – suggesting that medium sized organisations are the most financially vulnerable.

Figure 8.4 Current account reserves held by size of TSOs 2016 (2013 in parentheses)	Small TSOs (under £50,000 income)	Medium TSOs (£50,001 - £250,000 income)	Larger TSOs (£250,001 or more income)	Yorkshire and the Humber	North of England
No, we have not drawn on our reserves	50.0	41.8	38.4	44.3 (38.8)	46.9
Yes, we have used 'some' of our reserves to invest in new activities (such as buying property, developing a new service, employing a development worker)	15.3	14.7	22.0	17.1 (17.2)	15.6
Yes, we drawn 'heavily' on our reserves to invest in new activities (such as buying property, developing a new service, employing a development worker)	2.0	1.8	3.9	2.5 (3.8)	2.3
Yes, we have used 'some' of our reserves for essential costs (such as salaries, rent, etc.)	23.4	25.8	21.1	23.4 (24.1)	21.4
Yes, we have drawn heavily on our reserves for essential costs (such as salaries, rent etc.)	4.3	7.6	3.4	5.0 (8.9)	5.4
We have used 'some' reserves for both investment and essential costs	4.3	6.7	9.1	6.4 (6.1)	6.6
We have drawn 'heavily' on reserves for both investment and essential costs	0.6	1.8	2.2	1.4 (1.0)	1.8
N=	346	225	232	803 (716)	2,578

Figure 8.5 looks at the relationship between TSOs' use of reserves and their propensity to have stable, significantly declining or rising income over the previous two years. As would be expected, a relationship is shown between income decline and use of reserves.

- Only 12% of TSOs with rising income have used their reserves for 'essential costs' compared with 55% of those TSOs with declining income.
- Almost 27% of TSOs with significantly rising income drew on reserves for development purposes, but only 15% of TSOs with falling income did so.
- TSOs with rising income were the most likely to have made no use of reserves (53%) compared with 48% with stable income but only 23% of those TSOs with falling income.

Figure 8.5 Relationship between TSOs' use of reserves and income changes over the last two years (2016)	Income has risen significantly in the last 2 years	Income has remained stable in the last two years	Income has fallen significantly in the last two years	Yorkshire and the Humber	North of England
No, we have not drawn on our reserves	52.7	47.8	22.5	44.0	46.7
Yes, we have used 'some' of our reserves to invest in new activities (such as buying property, developing a new service, employing a development worker)	22.3	17.5	10.6	17.1	15.6
Yes, we drawn 'heavily' on our reserves to invest in new activities (such as buying property, developing a new service, employing a development worker)	4.7	1.4	4.0	2.5	2.4
Yes, we have used 'some' of our reserves for essential costs (such as salaries, rent, etc.)	11.5	22.0	41.1	23.7	21.4
Yes, we have drawn heavily on our reserves for essential costs (such as salaries, rent etc.)	0.0	3.8	13.9	5.0	5.4
We have used 'some' reserves for both investment and essential costs	6.8	7.1	4.0	6.5	6.8
We have drawn 'heavily' on reserves for both investment and essential costs	2.0	0.4	4.0	1.4	1.8
N=	148	504	151	803	2,588

It is useful to contextualise the situation in Yorkshire and the Humber by presenting data on sub-regional disparities in the use of reserves and identify areas of change from 2013 to 2016 as shown in Figure 8.6.

- A similar percentage of TSOs in each of the sub-regions have no reserves (17% – 22%). Since 2013, fewer TSOs in each sub region have no reserves suggesting some improvement in finances in the sector.
- In some sub-regions, TSOs were more likely not to have used reserves, particularly North Yorkshire (43%). TSOs in South Yorkshire (28%) were the least likely not to have used reserves.
- Apart from South Yorkshire, TSOs in all other sub-regions were more likely not to have used their reserves in 2016 compared with 2013 – suggesting better financial health in the sector.
- Between 14% and 18% of TSOs in the sub-regions used reserves to invest in new developments, about the same level as in 2013 for Yorkshire and the Humber.
- Across Yorkshire and the Humber in 2016, 23% of TSOs drew on reserves for essential costs, compared with 25% in 2013. TSOs were least likely to use reserves for this purpose in North Yorkshire (17% compared with 26% in 2013).

Figure 8.6

Use of reserves in sub-regions 2016 (2013 data in parentheses)	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire & the Humber	North of England
No reserves	22.4 (25.6)	19.5 (25.5)	18.9 (28.8)	17.2 (22.4)	20.2 (25.6)	21.5
Reserves not used	34.1 (27.4)	28.7 (28.3)	36.5 (30.8)	43.1 (31.3)	35.2 (28.8)	36.8
Reserves used for development	14.5 (15.9)	17.9 (16.2)	13.8 (16.0)	17.2 (12.9)	15.6 (15.5)	14.0
Reserves used for essential costs	23.3 (23.9)	25.1 (27.1)	25.2 (21.8)	17.2 (26.5)	22.7 (24.8)	21.0
Reserves used for a mix of purposes	5.7 (7.2)	8.7 (2.8)	5.7 (2.6)	5.4 (6.8)	6.2 (5.3)	6.7
N=	455 (402)	195 (247)	159 (156)	204 (147)	1,013	3,299

Summary

This chapter has shown that the Third Sector is relatively 'under resourced' in capital terms. Few TSOs own property or have access to large current account reserves or longer-term investments. Larger TSOs, as would be expected, tend to have bigger stocks of reserves and assets, although about 40% of these organisations have no fixed or investment assets.

It is not, therefore, surprising that TSOs are relatively cautious about their use of reserves for investment purposes in future activity – but this may not always be beneficial for their future financial wellbeing (see Chapter 13).

It is also a matter of concern that almost 29% of TSOs which have reserves are currently drawing upon them for essential costs such as rent, wages, utility bills and so on. Medium sized organisations are the most financially vulnerable in this respect.

9

Factors affecting TSOs' financial wellbeing

In the 2016 Third Sector Trends study it has been possible to explore organisational strength, stability or vulnerability in a more sophisticated way than for previous regional level studies. This is due to the acquisition of a larger dataset which allows for variables to be created in a multi-dimensional way.

A generalised wellbeing indicator has been produced which considers three factors.

- Changes in overall income over the last two years – which broadly define significantly rising or falling income or income stability.
- Changes in the numbers of employees – which considers rising or falling numbers of full-time employees (or part-time employees if there are no full-time staff).
- The extent to which reserves have been drawn upon for development purposes or to pay for essential costs

Only those TSOs which employ staff are included in the analysis and the majority have income above £50,000 a year.

- **TSOs in a very strong position:** have increasing numbers of employees, have rising income and have only used reserves to invest in future developments.
- **TSOs in a strong position:** have two of the following indicators: rising income, rising employee numbers and use of assets only for investment purposes.
- **TSOs in a stable position³⁷:** have steady income, levels of employment and have not used assets for essential purposes.
- **TSOs in a weak position:** have two or more of the following indicators: falling income, falling numbers of employees and using reserves for essential costs.
- **TSOs in experiencing mixed fortunes:** have both positive and negative indicators, such as falling employment (negative) but rising income (positive).

Figure 9.1 shows that the percentage of TSOs (which are in a strong, stable or vulnerable position) in each of the three regions of Northern England is very similar (in the range of 29-32%).

- The percentage of TSOs in a strong or very strong financial position is similar across all three regions: North West England 29%, Yorkshire and the Humber 32% and North East England 29%.
- The percentage of TSOs in a vulnerable financial position is also quite similar: North West England 23%, Yorkshire and the Humber 24% and North East England 21%.
- Sub-regional data are less reliable because samples are smaller and sample structures differ to some extent. However, it may be noted that in major urban areas, TSOs appear to be more financially vulnerable than in other areas:
 - In North West England, TSOs in Greater Manchester (29%) and Merseyside (33%) appear to be much more likely to be in a vulnerable financial position.
 - In Yorkshire and the Humber, TSOs in West Yorkshire (27%) and South Yorkshire (27%) appear to be much more likely to be in a vulnerable financial position.
 - In North East England, TSOs in Tyne and Wear (25%) and Tees Valley (24%) appear to be much more likely to be in a vulnerable financial position.

³⁷ It is recognised that stability in each of these three factors does not necessarily indicate 'security'. Many TSOs may have steady income, employee numbers and have not been using reserves, but may have taken on larger numbers of small contracts or small grants to maintain income – meaning that they must work harder to stay in the same position which may or may not be sustainable over time.

- It does not follow, however, that if TSOs are particularly likely to be in a weak position at sub-regional level, that there are necessarily fewer TSOs in a strong or very strong position:
 - In North West England, between 27% and 31% of TSOs are in a strong or very strong position in all sub-regions.
 - In Yorkshire and the Humber, there is more variation, with 36-7% in a strong position in South and North Yorkshire, but only 28-30% in East and West Yorkshire.
 - In North East England, TSOs in County Durham (23%) and Northumberland (25%) are less likely to be in a strong or very strong financial position compared with Tyne and Wear (30%) or Tees Valley (32%).
- In the less urban sub-regions of Northern England, financial stability is much more likely to prevail: Cheshire (38%), Cumbria (49%), East Yorkshire (37%), North Yorkshire (35%) and Northumberland (45%).

Figure 9.1

Financial wellbeing of TSOs in each northern region and sub-region (2016)	In a very strong position	In a strong position	In a stable position	In a weak position	Experiencing mixed fortunes	N=
North West England	9.4	19.9	34.7	23.1	13.0	831
Greater Manchester	10.6	16.6	28.6	29.1	15.1	199
Merseyside	10.5	18.7	22.2	33.3	15.2	171
Cheshire	11.6	17.4	38.4	16.3	16.3	86
Lancashire	11.1	18.8	37.5	20.2	12.5	208
Cumbria	3.6	27.5	49.1	12.6	7.2	167
Yorkshire and the Humber	10.5	21.5	31.9	23.5	12.5	702
West Yorkshire	9.8	19.9	31.8	26.5	11.9	336
South Yorkshire	14.1	22.2	25.2	27.4	11.1	135
East Yorkshire	9.6	18.1	37.2	21.3	13.8	94
North Yorkshire	9.5	27.0	35.0	13.9	14.6	137
North East England	10.4	18.2	38.9	21.2	11.3	604
Northumberland	7.7	17.6	45.1	17.6	12.1	91
Tyne and Wear	12.6	17.1	35.8	24.8	9.8	246
County Durham	5.8	17.5	50.5	11.7	14.6	103
Tees Valley	11.6	20.7	32.9	23.8	11.0	164
Northern England	10.1	19.9	35.0	22.7	12.4	2137

It is useful to explore whether TSOs which are based in areas of relative affluence or deprivation are more vulnerable financially. Figure 9.2 shows that:

- TSOs in the poorest areas are twice as likely to be financially vulnerable (30%) when compared with the richest areas (14%).
- The likelihood of TSOs being in a strong or very strong financial position is not affected by the relative affluence or wealth of areas across the North of England (30%).

Figure 9.2 Financial wellbeing of TSOs in richer and poorer areas (Northern England)

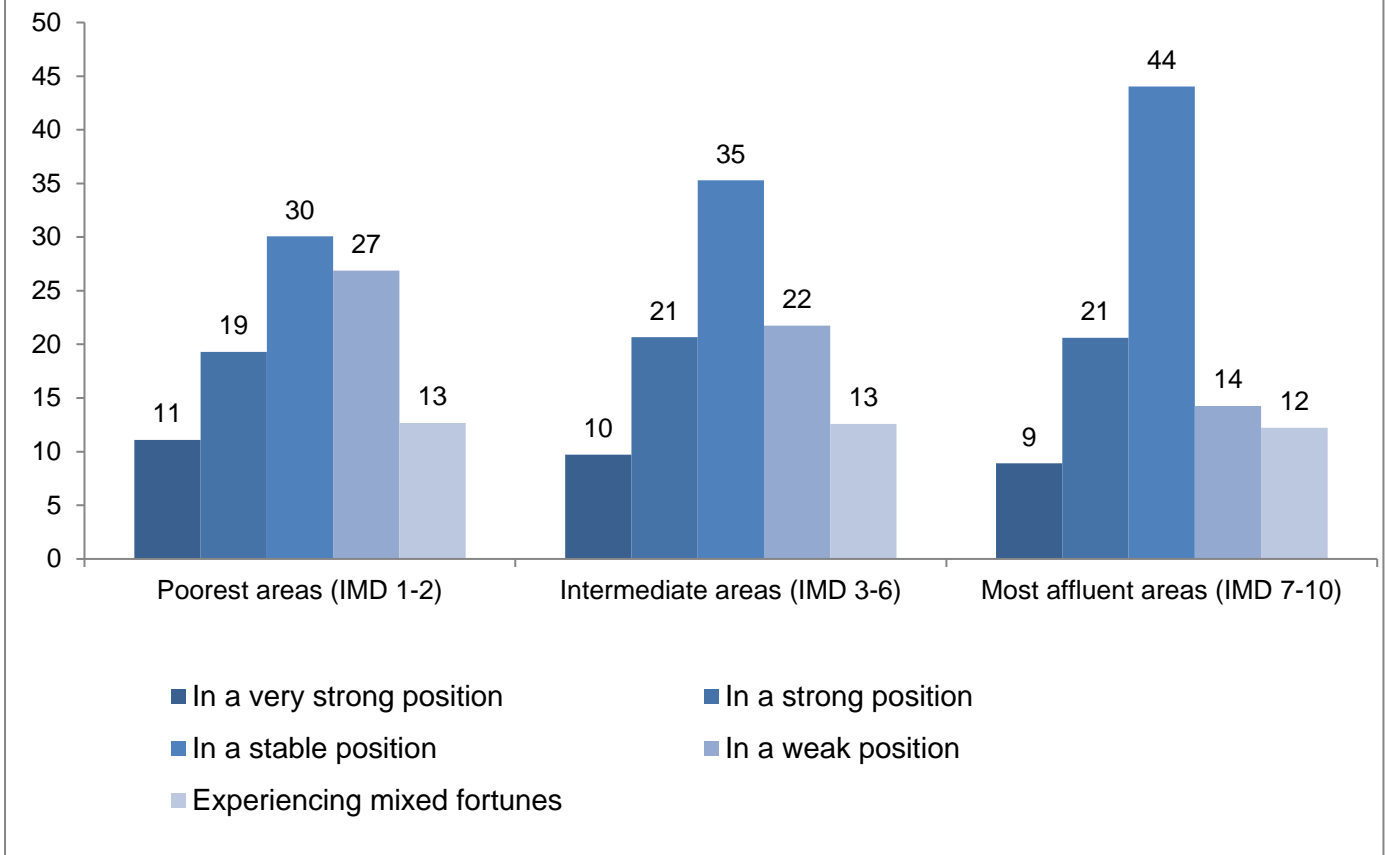


Figure 9.3 presents data on TSOs’ financial wellbeing in areas of affluence or deprivation by region. It is shown that:

- There is a close association between areas of deprivation and higher levels of financial vulnerability amongst TSOs in all regions: North West England (29%), Yorkshire and the Humber (28%) but in North East England to a lesser extent (22%).
- In North West England, disparities between the financial wellbeing of TSOs in the poorest (29%) and the richest areas (11%) are the most pronounced.
- Financial stability is stronger in richer areas, and particularly so in North West England (46%) and North East England (49%), but less so in Yorkshire and the Humber (35%).
- There is little evidence to suggest that the relative affluence of an area within which TSOs are based has any effect on the likelihood of them being in a strong or very strong financial position in North West England (27-31%) and (31-36%) Yorkshire and the Humber.
- In North East England, however, TSOs are more likely to be in a strong or very strong financial position if they are based in the poorest areas (35%) when compared with intermediate or more affluent areas (23-25%).

Figure 9.3

Financial wellbeing of TSOs in richer and poorer areas in each northern region (2016)

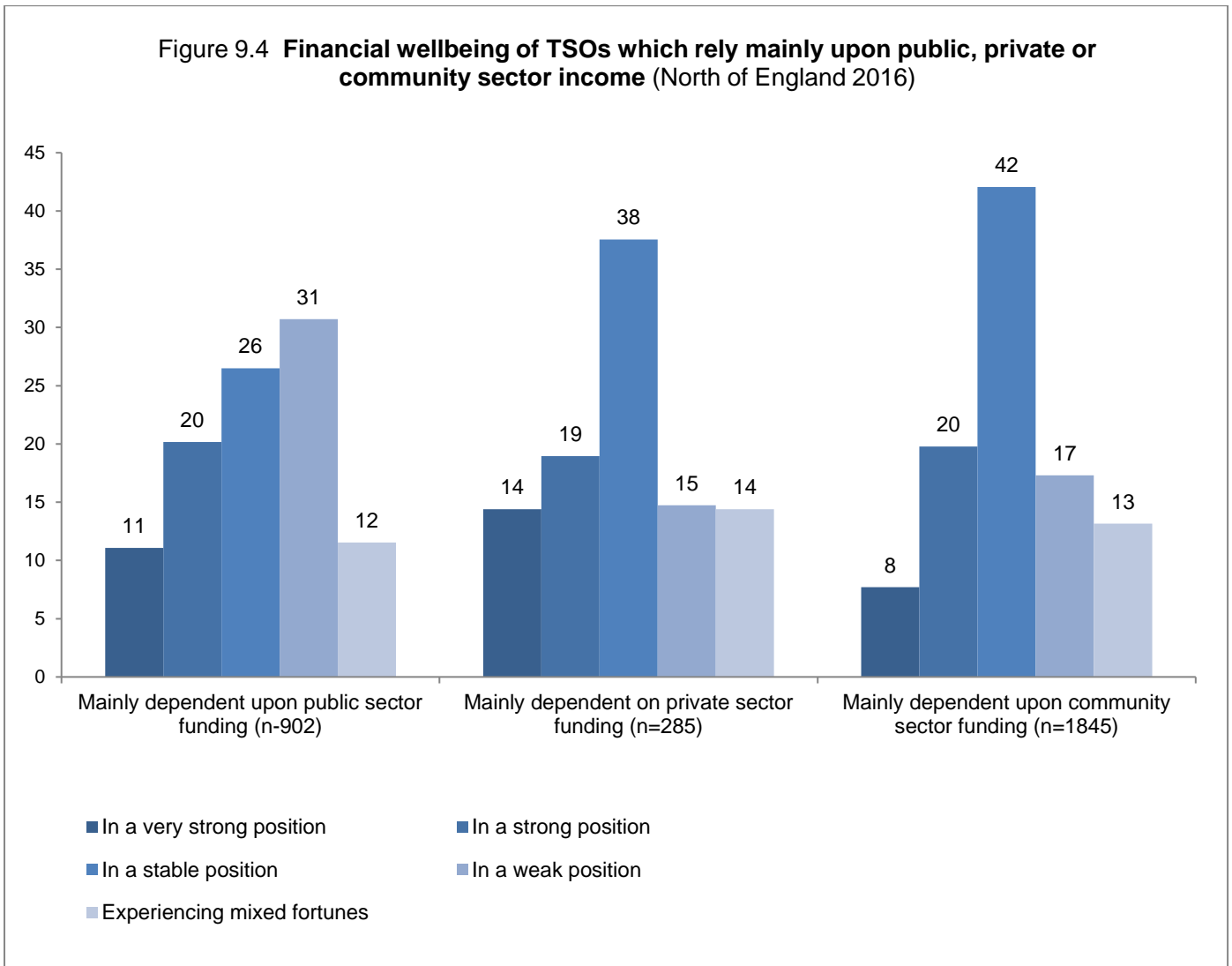
	In a very strong position	In a strong position	In a stable position	In a weak position	Experiencing mixed fortunes	N=
North West England	9.6	19.5	34.7	22.9	13.2	798
Poorest (IMD 1-2)	9.3	17.6	29.4	28.8	14.8	364
Intermediate (IMD 3-6)	10.0	21.1	34.8	22.2	11.9	270
Richest (IMD 7-10)	9.8	21.3	46.3	11.0	11.6	164
Yorkshire and the Humber	10.6	22.1	30.9	23.7	12.7	679
Poorest (IMD 1-2)	11.3	19.4	28.7	27.7	12.9	310
Intermediate (IMD 3-6)	9.4	26.2	31.6	21.5	11.3	256
Richest (IMD 7-10)	11.5	20.4	35.4	17.7	15.0	113
North East England	10.5	18.4	38.6	20.8	11.7	581
Poorest (IMD 1-2)	13.3	21.7	32.7	22.8	9.5	263
Intermediate (IMD 3-6)	9.9	13.4	40.1	21.3	15.3	202
Richest (IMD 7-10)	5.2	19.8	49.1	15.5	10.3	116
North of England	10.2	20.1	34.5	22.6	12.6	2058

The above analysis indicates that TSOs in poorer areas are more likely to be struggling financially than in rich areas. It is known that in poorer areas, local public-sector cuts have been more severe. So, it is important to assess how TSOs relying mainly on public sector funding are faring financially.

As shown in Figure 9.4, TSOs which are mainly funded by the public sector appear to be in a more vulnerable position (31%) when compared with those funded mainly by the private sector (15%) or community sector (17%).

It is important not to exaggerate these findings, however, because it is also clear that 31% of TSOs which are mainly funded by the public sector are in a strong or very strong situation (compared with 33% funded mainly by the private sector and 28% which are funded mainly by the community sector).

Figure 9.4 Financial wellbeing of TSOs which rely mainly upon public, private or community sector income (North of England 2016)



Regional variations are shown in Figure 9.5. These data demonstrate that in each of the three regions:

- TSOs which are funded mainly by the public sector are much more likely to be in a weaker position than those funded mainly by either the private or community sectors.
- The situation in the North West of England appears to be the most severe with 33% of TSOs funded mainly by the public sector being in a weak position compared with 30% in Yorkshire and the Humber and 27% in North East England.
- While many TSOs funded mainly by the public sector are in a strong or very strong position financially, there are substantial regional variations with only 24% in North West England being in this position compared with 36% in Yorkshire and the Humber and 35% in North East England.
- Income stability is much less likely for TSOs which are mainly funded by the public sector: North West England 29%, Yorkshire and the Humber 24% and North East England 26%, when compared with those funded mainly by the community sector (in the range of 38-39% across the regions).

Figure 9.5
Financial wellbeing of TSOs funded by different sectors in each northern region (2016)

	In a very strong position	In a strong position	In a stable position	In a weak position	Experiencing mixed fortunes	N=
North West England	9.3	19.4	34.3	23.9	13.0	792
Mainly funded by the public sector	10.1	13.9	29.3	33.4	13.3	368
Mainly funded by the private sector	11.7	22.5	36.9	14.4	14.4	111
Mainly funded by the community sector	7.7	24.9	39.3	16.0	12.1	313
Yorkshire and the Humber	10.9	21.8	31.2	23.3	12.7	669
Mainly funded by the public sector	11.5	24.7	23.7	30.1	9.9	312
Mainly funded by the private sector	13.4	20.7	35.4	14.6	15.9	82
Mainly funded by the community sector	9.5	18.9	38.5	18.2	14.9	275
North East England	10.4	18.4	38.4	20.9	12.0	560
Mainly funded by the public sector	12.3	24.5	25.5	26.8	10.9	220
Mainly funded by the private sector	18.2	13.6	40.9	14.8	12.5	88
Mainly funded by the community sector	6.0	14.7	48.8	17.9	12.7	252
Northern England	10.1	19.9	34.4	22.9	12.6	2,021

It is useful to get a broad understanding of the financial wellbeing of TSOs serving the interests of beneficiary groups. Figure 9.6 presents data for the North of England. Beneficiaries are placed in descending order according to those TSOs which are in a weak financial position.

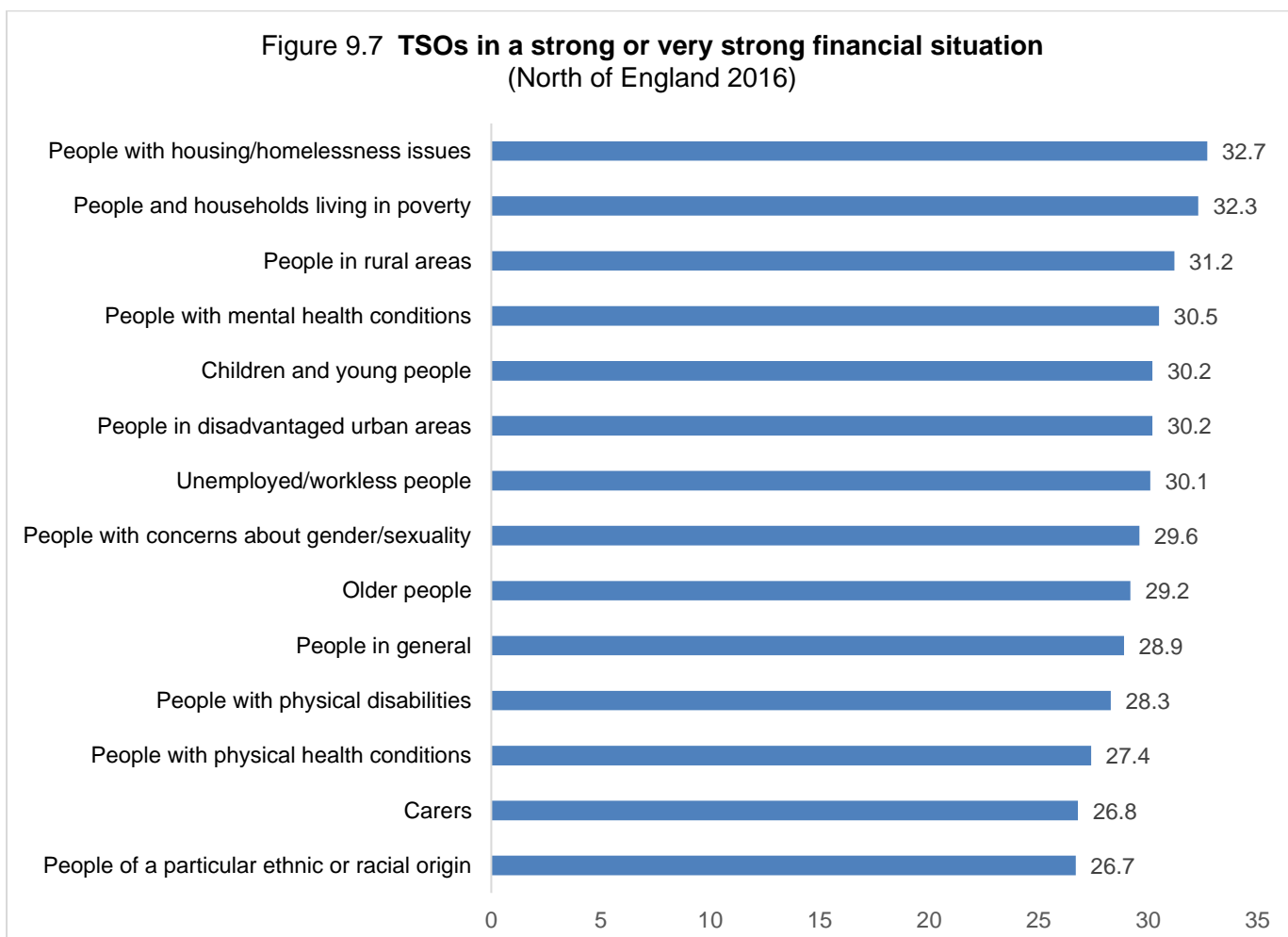
- TSOs serving people from minority ethnic groups or of racial origins are the most likely to be in a weak financial position (33%), followed by TSOs tackling concerns about gender and sexuality (32%).
- TSOs serving people in general (23%) and people in rural areas (21%) are the least likely to be in a vulnerable financial situation.

Figure 9.6

Financial wellbeing of TSOs serving beneficiary groups (North of England 2016)

	In a very strong position	In a strong position	In a stable position	In a weak position	Mixed fortunes	N=
People of a particular ethnic or racial origin	10.6	16.1	27.1	33.2	13.1	199
People with concerns about gender/sexuality	11.4	18.2	25.8	31.8	12.9	132
Unemployed/workless people	11.6	18.5	26.9	31.3	11.7	562
People with physical health conditions	8.9	18.5	29.2	30.5	12.9	606
Carers	12.0	14.8	30.8	29.3	13.0	399
People and households living in poverty	12.2	20.1	27.3	29.1	11.3	557
People in disadvantaged urban areas	11.8	18.4	28.5	28.9	12.3	608
People with mental health conditions	11.1	19.4	28.8	28.6	12.1	775
People with housing/homelessness issues	15.8	16.9	25.4	28.5	13.3	354
People with physical disabilities	7.9	20.4	32.4	26.3	12.9	642
Children and young people	10.4	19.8	33.5	24.5	11.8	946
Older people	9.7	19.5	36.2	23.3	11.2	831
People in general	8.1	20.8	36.5	22.6	12.0	1024
People in rural areas	8.9	22.3	38.0	20.8	10.1	337

Figure 9.7 shows which TSOs are in a strong or very strong financial position by beneficiaries served.



Summary

This Chapter has shown that many organisations in the Third Sector are in a strong financial position, where they have growing numbers of employees, are investing in their development as organisations and have rising income. These factors are not common only to Yorkshire and the Humber, however, the percentage of TSOs in a strong or very strong financial position is similar across all three regions: North West England 29%, Yorkshire and the Humber 32% and North East England 29%.

That stated, TSOs in the poorest areas are twice as likely to be financially vulnerable (30%) when compared with the richest areas (14%). Furthermore, many TSOs which depend mainly upon public sector funding find themselves in difficulties.

Some areas of beneficiary support seem to be struggling more than others. TSOs serving people from minority ethnic groups or of racial origins are the most likely to be in a weak financial position (33%), followed by TSOs tackling concerns about gender and sexuality (32%). By contrast, TSOs serving people in general (23%) and people in rural areas (21%) are the least likely to be in a vulnerable financial situation.

Many TSOs are in a relatively stable financial situation – but headline statistics on income stability can be misleading. It may be that many TSOs have to ‘run faster’ to stand still as access to unrestricted core funding is reduced and TSOs’ dependence on a growing number of smaller grants or contracts, many of which may be entered into in partnership, may result in more work for the same resource.

10 Delivery of public services by contract

The issue of the delivery of public services under contract has been contentious within the Third Sector for many years and often it is assumed by commentators that contracts are now 'the only game in town'. But this is not the case, as shown in Figure 10.1.

- Only a relatively small proportion of TSOs are currently delivering public sector contracts in Northern England (14%) while a further 5% are bidding to do such work.
- The proportion of TSOs undertaking contracts is highest in Yorkshire and the Humber (18%) and to a lesser extent in North West England (14%) and North East England (11%).
- Many TSOs are unaware of such opportunities (18%) but many more which are aware will not deliver public service contracts because it is not relevant to their objectives.
- TSOs in North East England are most likely to eschew the idea of doing contracts (45%) compared with 40% in North West England and 38% in Yorkshire and the Humber.
- Many TSOs perceive barriers to the delivery of contracts – the percentage of TSOs which believe this to be the case is similar across regions with 5-6% stating that they need more information, 7-9% stating they would need support, and 8-11% perceiving barriers.

Since 2013, there have been some changes in Yorkshire and the Humber.

- The percentage of TSOs delivering contracts has risen from 15% to 18%.
- The percentage of TSOs stating that they are aware of such opportunities but feel they are not relevant to their objectives has risen from 33% to 38%.

Figure 10.1

TSOs' attitudes towards public sector contract delivery by region 2016 (2013 in parentheses)	North West England	Yorkshire and the Humber	North East England	North of England
We are not aware of these opportunities	19.0	14.8 (16.6)	19.5	17.9
We are aware of these opportunities but they are not relevant to our organisation's objectives	39.9	37.7 (32.8)	44.5	40.5
We are aware of these opportunities but need more information	5.8	5.2 (6.3)	5.1	5.4
We are interested in this option but would need extra support to do this	8.1	9.2 (9.9)	7.2	8.2
We are interested in this option but feel there are barriers in the tendering process	8.6	10.6 (11.6)	8.1	9.1
We are already bidding to deliver public sector services	4.8	5.0 (8.3)	4.3	4.7
We are already delivering public sector services for which we have tendered	13.8	17.6 (14.6)	11.3	14.2
N=	1,430	1,065 (1,001)	975	3,470

At county-wide and sub-regional levels in Yorkshire and the Humber, as shown in Figure 10.2, it is apparent that in the more urban areas TSOs are more likely to engage in contract working.

- 18% of TSOs in West Yorkshire and 20% of TSOs in South Yorkshire are delivering public sector contracts.
- In the less urban areas of North Yorkshire (15%) and East Yorkshire (14%) fewer TSOs are delivering public sector contracts.
- Disinterest in the delivery of public sector contracts is highest in North Yorkshire (43%).

Figure 10.2

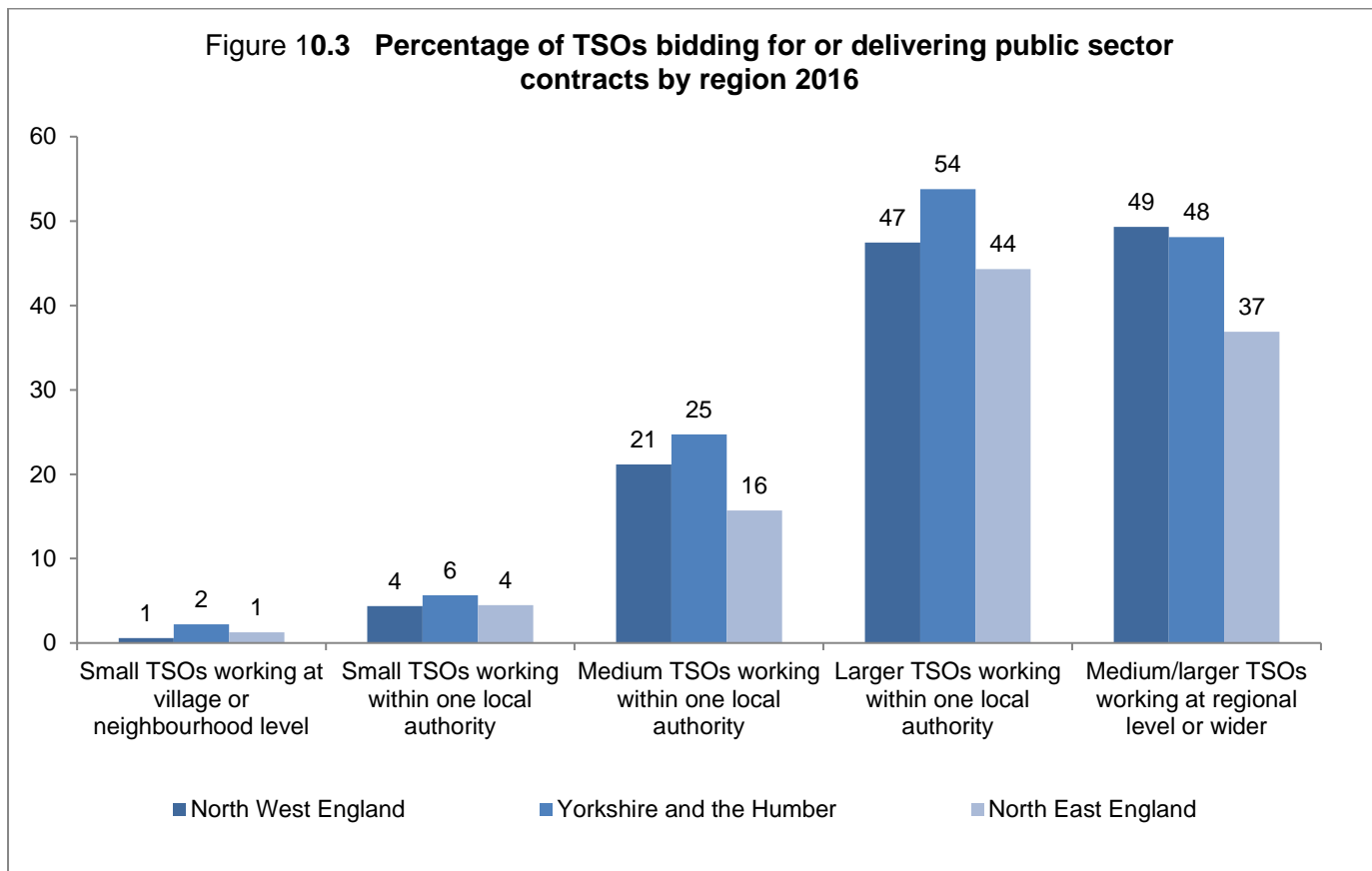
TSOs' attitudes towards public sector contract delivery by sub-region 2016 (2013 in parentheses)

	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire and the Humber	North of England
We are not aware of these opportunities	13.7	13.0	20.1	15.0	14.8 (16.6)	17.9
We are aware of these opportunities but they are not relevant to our organisation's objectives	37.9	32.4	37.3	42.5	37.7 (32.8)	40.5
We are aware of these opportunities but need more information	5.1	6.3	4.7	4.7	5.2 (6.3)	5.4
We are interested in this option but would need extra support to do this	9.3	9.2	7.7	10.3	9.2 (9.9)	8.2
We are interested in this option but feel there are barriers in the tendering process	10.7	13.5	13.0	5.6	10.6 (11.6)	9.1
We are already bidding to deliver public sector services	4.8	5.3	3.0	6.5	5.0 (8.3)	4.7
We are already delivering public sector services for which we have tendered	18.5	20.3	14.2	15.4	17.6 (14.6)	14.2
N=	475	207	169	214	1,065	3,470

Figure 10.3 shows what proportion of TSOs across the regions of Northern England are currently engaging in contract delivery by their size and range of operation. It is clear from these data that:

- Only exceptionally do smaller TSOs engage in contract delivery in all three regions.
- Relatively few medium sized TSOs working within the boundaries of one local authority engage in contract bidding or delivery. In Yorkshire and the Humber, more TSOs are engaged in such work (25%) than in North West England (21%) or North East England (16%).
- Amongst larger TSOs which work within a single local authority, almost half of TSOs take part in contract bidding or delivery. In Yorkshire and the Humber 54% do so, compared with 47% in North West England and 44% in North East England.
- Medium or larger TSOs which work across local authority boundaries are also likely to engage in contract working or bidding: the percentage doing so in North East England (37%) is somewhat lower than in North West England (49%) or Yorkshire and the Humber (48%).

While many medium sized and larger TSOs take part in contract bidding and working, it should be borne in mind that a majority do not do so.



While only a minority of TSOs undertake contracts, this remains an important aspect of the work of larger TSOs. Is it the case, however, that contract working has increased over the last few years? Figure 10.4 presents longitudinal data from North East England and Cumbria to explore this issue.³⁸ The evidence demonstrates that:

- Awareness of contract opportunities has increased since 2010 from 73% to 79% of TSOs.
- Reluctance to consider contracts has varied over time but in a relatively narrow range of 44-54% of TSOs.
- The need for more support before bidding for contracts (4-5%); more information (4-5%), and perceptions of barriers to undertaking contracts (6-7%) have all remained similar over the last ten years.
- The percentage of TSOs bidding for or undertaking contracts since 2010 has remained broadly similar at about 14%.

³⁸ Data are not available for time-series analysis in Yorkshire and the Humber as surveys were only undertaken in 2013 and 2014.

Figure 10.4

Trends in sector participation in the delivery of public sector services under contract (North East England and Cumbria)

	2008-10	2010-12	2012-14	2014-16
We are not aware of these opportunities	26.8	20.9	16.4	20.5
We are aware of these opportunities but they are not relevant to our organisation's objectives	44.1	52.5	47.5	46.8
We are aware if these opportunities but need more information	4.3	3.8	5.0	4.7
We are interested in this option but would need extra support to do this	5.7	5.2	8.7	6.8
We are interested in this option but feel there are barriers in the tendering process	5.5	6.2	6.6	7.1
We are already bidding to deliver public sector services	4.2	4.0	3.7	3.6
We are already delivering public sector services for which we have tendered	9.4	7.4	12.2	10.5
N=	787	1,435	1,083	1,320

The propensity of TSOs to engage in bidding for contracts and delivering services is shaped to a large extent by their interest in capacity and capability to deliver such services. As shown in Figure 10.5:

- Only 4% of smaller TSOs are involved with bidding for or delivering contracts: 25% are unaware of such opportunities and 50% state that such work is not relevant to their objectives. 21% have some interest in the idea but identify barriers to getting involved.
- Medium sized TSOs tend to identify barriers to getting involved in the delivery of contracts (37%) or state that this is contrary to their mission (34%); 24% bid for or are delivering contracts.
- Larger TSOs are the most likely to be delivering or bidding for contracts (59%), but 16% of TSOs state that such work is contrary to their mission or that they perceive barriers to doing such work (22%).

Figure 10.5

Propensity of TSOs of different sizes to deliver public sector contracts (2016)

	Smaller TSOs (£0-£50,000)	Medium TSOs (£50,001-£250,000)	Larger TSOs (£250,001 or more)	Yorkshire and the Humber	North of England
We are not aware of these opportunities	25.2	5.4	2.7	14.8	18.0
We are aware of these opportunities but they are not relevant to our organisation's objectives	49.6	34.1	16.4	37.7	40.5
Perceive barriers to the delivery of public sector contracts	20.9	36.8	21.9	25.1	22.6
Currently bidding for and/or delivering contracts	4.3	23.8	59.0	22.4	18.9
N=	536	261	256	1,053	3444

Summary

The evidence presented in this chapter shows that attitudes and behaviours surrounding the delivery of public sector services under contract have changed little over the last eight years. While there has been a small increase in the percentage of TSOs bidding for and delivering contracts, this is still very much a minority practice in the Third Sector except amongst the larger TSOs.

When assertions are made, therefore, that 'contracting is the only game in town', this is unsupported by the evidence – it is a minority activity and, judging from the evidence presented in Chapter 7, is of declining importance even to larger TSOs across the North of England.

In Yorkshire and the Humber, the evidence suggests that engagement with contracts to deliver public services is at a higher level than in neighbouring northern regions. But it is mainly larger TSOs (60%) that enter this field of work while less than a quarter of medium sized TSOs do so.

It is interesting to note that the reasons cited for not engaging in contracts, such as needing more information, perceiving barriers or needing more support have been given by quite a sizeable proportion of the Third Sector in both the 2013 and 2016 studies (collectively accounting for 26% of TSOs). What is less well understood, however, is that if these barriers were lifted (such as by providing support or information or tackling barriers surrounding procurement processes) – would TSOs then engage with tendering processes?

The evidence presented from trend data in North East England and Cumbria suggests that the percentage of TSOs in his 'liminal' zone between those which do apply for contracts or those which refuse to consider that option has been populated by a similar percentage of organisations for nearly ten years. The indications are, although there are fewer data available to be sure, that this finding applies to Yorkshire and the Humber TSOs too.

11 Routes to grant funding

As the previous Chapter shows, a majority of TSOs do not participate in the delivery of public sector contracts and many have no interest in doing so. It was also demonstrated that TSOs rely on a range of income types, including trading, contracts, gifts, subscriptions, investments and borrowed money.

Grants are generally the most important source of TSOs' income. Consequently, this Chapter will explore the routes TSOs take to grant funding and assess, in broad terms, success rates in winning grants.

Figure 11.1 shows what percentage of TSOs in Yorkshire and the Humber have applied for at least one grant from a local grant-making foundation³⁹ in the last two years.⁴⁰

- 64% of TSOs have made applications for a grant from local foundations in the last two years. Small TSOs were the least likely to have made an application (53%) while medium sized TSOs were the most likely to have done so (81%).
- Of those TSOs which have made applications to a local grant making foundation in the last two years, 83% were successful in winning at least one grant.
- Success rates were the highest amongst medium and larger TSOs (83-85%), although success rates were also high for the smallest TSOs (81%).

	Smaller TSOs (£0-£50,000)	Medium TSOs (£50,001- £250,000)	Larger TSOs (£250,001 or more)	Yorkshire and the Humber	North of England
In the last two years, we made an application and were successful	42.7	67.7	58.6	52.9	51.1
In the last two years, we made an application but unsuccessfully	9.8	13.0	10.0	10.7	8.7
In the last two years, we did not make an application	47.6	19.3	31.3	36.5	40.3
Percentage success rate	81%	84%	85%	83%	86%
N=	511	254	249	1,014	3,379

Applications to national charitable foundations by TSOs in Yorkshire and the Humber are considered in Figure 11.2.

- Levels of applications to national grant making foundations are generally lower (53%) than to local grant makers (64%).
- Smaller TSOs were the least likely to make such grant applications (35%) whilst the largest organisations were most likely to do so (76%).

³⁹ The use of the term 'local grant making foundation' in the survey questionnaire offered a simple way of drawing a distinction between locality-based grant makers (such as community foundations) and national foundations (such as Garfield Weston). Clearly, there are some difficulties with this distinction such as: when grant-making bodies run both local and national grant-making programmes; when national bodies delegate grant making to local community foundations; or when national bodies have locally based offices which make grants. While the distinction is not perfect, it does, however allow for some analysis of TSOs perceptions of local and national opportunities to garner grant funding.

⁴⁰ There are no comparative data for 2013 as these questions were introduced for the first time in the 2016 survey.

- Success rates for at least one application to national grant making foundations are considerably lower (69% compared with 83% for local grant making foundations). The success rates of smaller TSOs are 63% compared with 73% for the largest TSOs.

Figure 11.2

Applications to a national grant making foundations by TSO size (2016)	Smaller TSOs (£0-£50,000)	Medium TSOs (£50,001-£250,000)	Larger TSOs (£250,001 or more)	Yorkshire and the Humber	North of England
In the last two years, we made an application and were successful	22.2	45.5	56.0	36.6	35.9
In the last two years, we made an application but unsuccessfully	13.0	20.2	20.2	16.7	14.8
In the last two years, we did not make an application	64.7	34.2	23.8	46.7	49.2
Percentage success rate	63%	69%	73%	69%	71%
N=	499	257	252	1,008	3,355

Applications to local public-sector grant making organisations in Yorkshire and the Humber are considered in Figure 11.3.

- 69% of medium sized TSOs have made at least one application to a public-sector organisation for a grant in the last two years compared with 76% of larger and 50% of smaller TSOs.
- Success rates in winning at least one grant are high for TSOs of all sizes, although medium sized organisations were slightly less likely to win at least one grant (78%).

Figure 11.3

Applications to a local public-sector grant maker by TSO size (2016)	Smaller TSOs (£0-£50,000)	Medium TSOs (£50,000-£250,000)	Larger TSOs (£250,000 or more)	Yorkshire and the Humber	North of England
In the last two years, we made an application and were successful	41.6	53.5	67.5	51.0	45.9
In the last two years, we made an application but unsuccessfully	8.6	15.4	8.2	10.2	8.2
In the last two years, we did not make an application	49.8	31.1	24.3	38.8	45.9
Percentage success rate	83%	78%	89%	83%	85%
N=	510	254	255	1,019	3,391

Figure 11.4 shows the extent to which TSOs from different sub-regions of Yorkshire and the Humber applied successfully for grants although it should be borne in mind that sample sizes are small and that this reduces the reliability of findings.

- A similar percentage (63-65%) of TSOs in the sub-regions of Yorkshire and the Humber applied for at least one grant from local charitable foundations over the last two years.
- Success rates in winning at least one grant were high in all sub-regions: but TSOs in North Yorkshire were the most likely to have been successful 87%.

Figure 11.4

Applications to a local grant making foundation by sub-region (2016)	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire and the Humber	North of England
In the last two years, we made an application and were successful	53.7	51.3	51.5	55.2	53.1	51.2
In the last two years, we made an application but unsuccessfully	10.9	12.1	10.7	8.4	10.6	8.7
In the last two years, we did not make an application	35.5	36.7	37.9	36.5	36.3	40.1
Percentage success rate	83%	81%	83%	87%	83%	85%
N=	451	199	169	203	1,022	3,358

- Figure 11.5 shows that grant applications to local public sector organisations were highest in West Yorkshire (64%) and lowest in North Yorkshire (57%).
- Success rates in winning at least one application were the highest in West Yorkshire (86%) and North Yorkshire (87%). Success rates were lowest in East Yorkshire 76%.

Figure 11.5

Application to a local public-sector grant maker by sub-region (2016)	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire and the Humber	North of England
In the last two years, we made an application and were successful	55.3	48.8	44.4	49.5	51.1	46.1
In the last two years, we made an application but unsuccessfully	9.0	11.9	14.2	7.4	10.1	8.1
In the last two years, we did not make an application	35.7	39.3	41.4	43.1	38.8	45.8
Percentage success rate	86%	80%	76%	87%	83	85%
N=	454	201	169	204	1028	3,370

Levels of applications to national grant making foundations are shown in Figure 11.6.

- TSOs in West Yorkshire were the least successful in winning at least one national grant (65%) while TSOs in North Yorkshire were the most successful (74%).
- TSOs in North Yorkshire were the least likely to apply for a national grant (47%), TSOs in South Yorkshire were the most likely to apply (59%).

Figure 11.6

Applications to a national grant maker by sub-region (2016)	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire and the Humber	North of England
In the last two years, we made an application and were successful	35.1	41.5	37.3	34.8	36.6	36.0
In the last two years, we made an application but unsuccessfully	18.5	17.4	16.6	12.4	16.8	14.9
In the last two years, we did not make an application	46.4	41.0	46.2	52.7	46.6	49.1
Percentage success rate	65%	70%	69%	74%	69%	71%
N=	453	195	169	201	1,018	3,334

Factors TSOs consider when making grant applications

It is useful to explore those factors which are considered by TSOs of different sizes to be important when thinking about making grant applications.

Figure 11.7 lists several factors which TSOs feel are ‘important’ or ‘very important’ to them. The six factors are listed in descending order (for Yorkshire and the Humber) depending on the importance accorded to each.

- Having a good relationship with the funder is regarded as important factor by most TSOs (63%); small organisations are more likely to feel that this is important (65%) compared with 61% of the largest TSOs.
- Many TSOs are influenced by their previous success in winning a grant from a funder (57%), medium sized TSOs are the most likely to feel that this is important in their considerations (59%).
- The simplicity of the grant application process is much more important to small TSOs (65%) than for the largest organisations (40%).
- Knowing that a grant funder makes a lot of awards in the area is an important consideration for 53% of TSOs, smaller and medium sized organisations tend to feel that this factor is of greater importance (57%) than the larger TSOs (47%).
- Smaller TSOs are more likely to consider it important that a grant maker has a regional representative in the area (42%) compared with 33% of larger TSOs.
- Relatively few TSOs think it is important that a grant funder will allow them to work on their own when receiving grants rather than working with partners. Independent working seems to be of more importance to smaller TSOs (47%) than for the larger organisations (24%).
- Smaller TSOs are also much more likely (39%) than larger TSOs (22%) to feel that the location of the grant funder in the region is important in their considerations.

Figure 11.7

Percentage of TSOs stating which factors are ‘important’ or ‘very important’ when considering grant applications (2016)

	Smaller TSOs (£0-£50,000)	Medium TSOs (£50,001-£250,000)	Larger TSOs (£250,001 or more)	Yorkshire and the Humber	North of England
If we have established a good relationship with the grant funder	65.3	63.7	60.6	63.4	67.3
If we have received a grant from this funder in the past	58.1	59.7	54.5	57.3	61.7
If the application process is really simple	65.3	48.8	39.7	54.5	54.9
If we know the grant funder gives a lot of grants around here	57.0	51.4	47.3	53.1	59.9
If we're sure that we can do the work on our own without partners	47.2	34.7	23.7	37.7	39.0
If the grant funder has a regional representative to talk to	42.0	31.3	32.5	36.5	41.5
If the grant funder is based in our region	39.3	28.9	22.3	32.0	39.2

Summary

The evidence shows that smaller TSOs tend to approach grant applications in a different way from medium sized and larger TSOs. They prefer to apply for grants from local grant makers, or from national grant makers which have a regional representative. A premium is placed on application processes which are simple to do, and they are more likely to apply for grants if they are sure that they can work on projects independently.

An impression is given of a measure of parochialism and an eagerness for grant makers to make life simple for smaller TSOs. This may be true, but it needs to be borne in mind by grant makers that these organisations have limited resources to apply for grants, may lack confidence or experience in grant bidding and may need encouragement and support when applying for grants.

There is an argument to be made, perhaps, for recognising that these are legitimate reasons to make grant application processes less complicated and more 'personal' for the smallest TSOs – and especially so when recognising that the financial value of such grants may often be quite low – but that the social value of the benefit they may produce locally can be quite high.

12 Relationships within and between sectors

Members of the Third Sector often state that they have strong and productive inter-relationships which enhance the impact and quality of work. Similarly, it is claimed that TSOs are good at both intra- and inter-sector formal partnership working relationships.

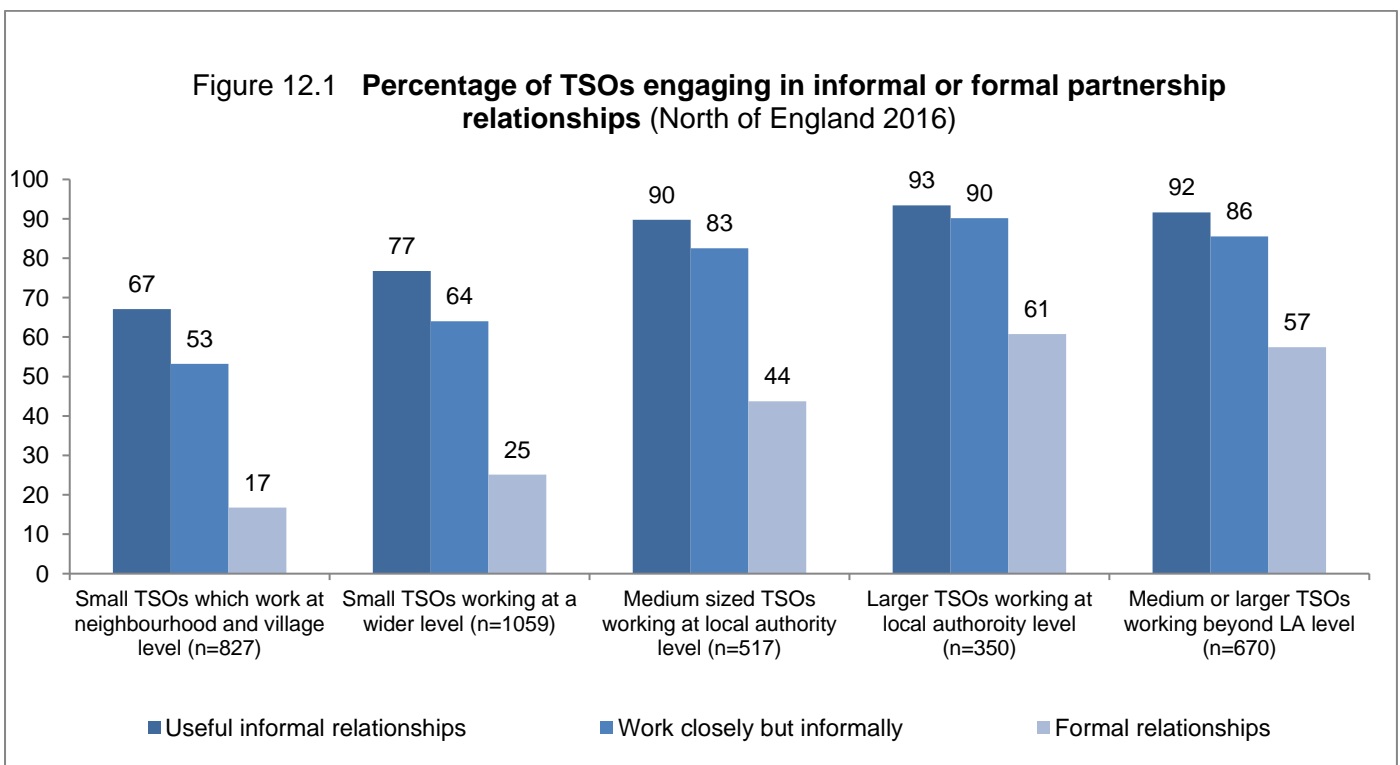
Tangible evidence to show how much interaction there is amongst TSOs and between them and other sectors across the North of England, until now, has been in short supply.

This section of the report will present some headline findings on the extent of intra-sector and inter-sector partnership working in Yorkshire and the Humber in 2016 and, with reference to relationships with the public sector, assess the quality of those relationships in different contexts.

Relationships within the Third Sector

Figure 12.1 shows what percentage of TSOs engage in informal or formal partnership working relationships across the North of England. As organisations become larger in size and work across a wider geographical area, they tend to be more likely to work together.

- Small TSOs working at the neighbourhood or village level are the least likely to work with other TSOs; but 67% of them have useful informal relationships and 53% work together closely but informally.
- The majority of medium sized and larger TSOs work together informally (between 83-93%), which indicates the strength of intra-sector relationships.
- The extent to which TSOs work together in formal relationships is related to the size and geographical breadth of their activity. While only 17% of the smallest TSOs which work at neighbourhood or village level work in formal relationships, 61% of larger TSOs working at local authority level do so.



Relationships with the Public Sector

As shown in previous sections, many TSOs have close working relationships with the public sector by accepting contracts to delivery public services or by being recipients of grants from local authorities, health authorities and so on. However, relationships are broader than this, including, inter-sector debate, consultation or partnership working to identify local priorities and make decisions on how best to tackle issues once they have been identified.

Figure 12.2 details the extent to which TSOs of different sizes feel that they have a good quality relationship with public sector bodies. It is evident from these data the majority of TSOs in all regions share a common belief that their work is valued (~90%), that their independence is respected (~87%) and that they are, to a lesser degree, informed about key issues that may affect them (68%).

Figure 12.2 Relationships with the public sector by organisational size and region (2016) ⁴¹	Micro TSOs 0-£10,000 (n=886)	Small TSOs £10,001- £50,000 (n=729)	Medium TSOs £50,000- £250,000 (n=736)	Large TSOs £250,000- £1m (n=480)	Biggest TSOs £1m or more (n=291)	All TSOs (n=3,122)
They value the work of our organisation						
North West England	87.7	91.1	86.3	91.7	92.3	89.2
Yorkshire and the Humber	87.6	89.0	88.8	93.9	96.8	90.1
North East England	87.3	85.1	89.5	91.8	93.8	88.6
North of England	87.6	88.9	88.0	92.5	94.2	89.4
The respect our organisation's independence						
North West England	86.8	89.8	83.8	87.3	88.4	87.1
Yorkshire and the Humber	86.4	89.3	84.3	89.4	92.6	87.6
North East England	86.8	83.4	89.7	84.4	85.7	86.2
North of England	86.7	88.0	85.6	87.1	89.3	87.1
They inform our organisation on issues which affect us or are of interest to us						
North West England	64.4	63.6	58.7	76.5	78.9	66.1
Yorkshire and the Humber	69.0	71.6	63.4	76.9	74.7	70.0
North East England	69.6	63.7	69.4	74.3	81.7	70.0
North of England	67.3	66.3	63.3	76.0	78.1	68.5
The involve our organisation appropriately in developing and implementing policy on issues which affect us						
North West England	45.1	46.5	39.6	57.0	68.5	48.5
Yorkshire and the Humber	48.9	49.3	41.5	61.6	68.1	51.2
North East England	48.9	43.1	48.4	62.3	64.9	51.5
North of England	47.4	46.5	42.6	60.3	67.4	50.2
They act upon our organisation's opinions and/or responses to consultation						
North West England	49.3	53.2	41.0	59.3	63.6	51.3
Yorkshire and the Humber	55.0	52.7	42.0	62.3	70.3	54.0
North East England	46.2	45.6	48.3	59.2	65.5	50.8
North of England	50.2	50.9	43.4	60.3	66.3	52.1

⁴¹ Refers only to TSOs which have a relationship with public sector organisations.

Organisational size has only a very limited impact on these three factors – suggesting strongly that the whole sector feels valued, respected and to a large extent informed. TSOs are less effusive about the extent to which they feel involved in developing and implementing policy – and a little more so if they are smaller organisations. Nevertheless, half of TSOs believe that they are involved to some extent.

Similarly, about 52% of TSOs believe that public sector bodies act upon their opinions, although medium sized TSOs are somewhat less positive in this respect, especially in North West England and Yorkshire and the Humber (41-42%).

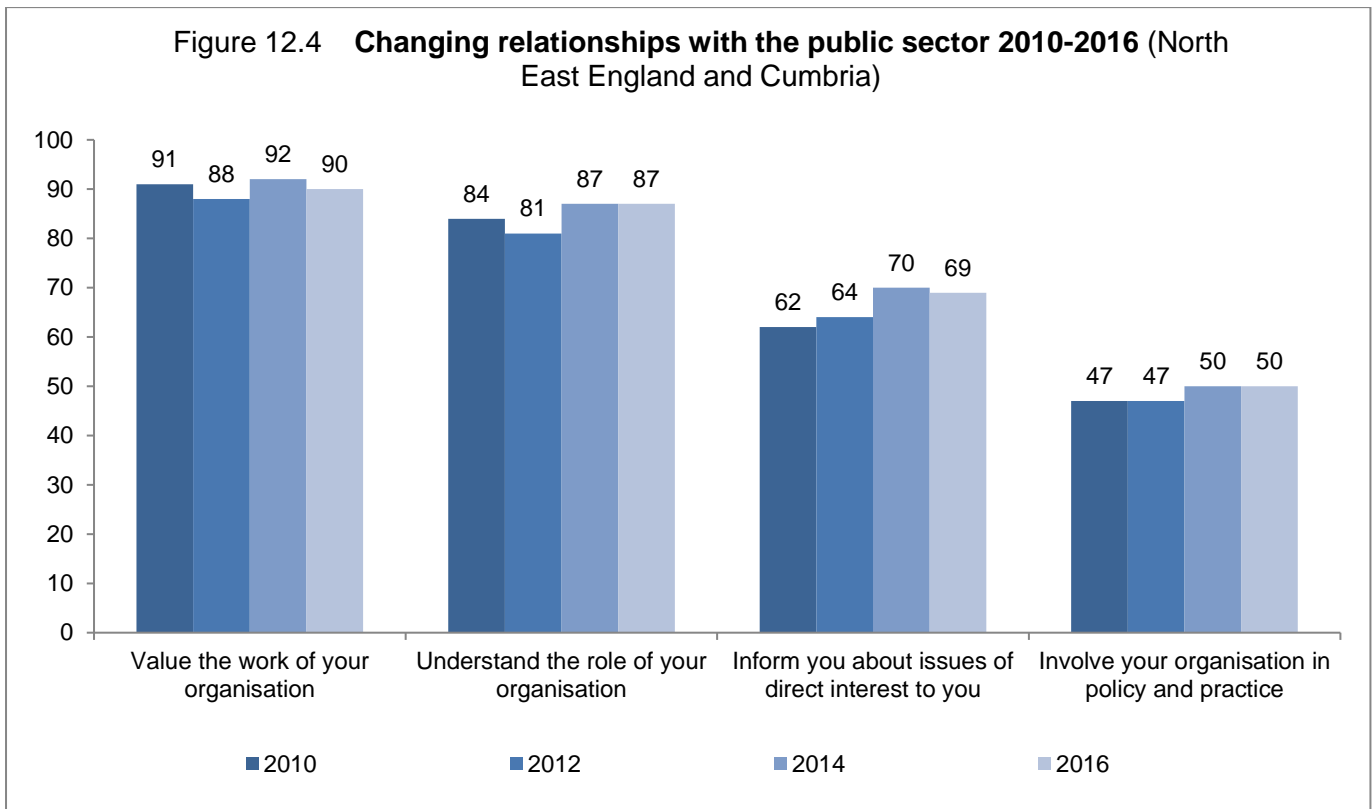
Relationships within the Third Sector

- The evidence presented in Figure 12.3 suggests that TSOs in Yorkshire and the Humber are more inclined towards building informal relationships with other TSOs (87%) than in the North of England (81%).
- Most small TSOs have useful informal relationships (81%) but not to the extent of medium (89%) and larger organisations (97%).
- Smaller TSOs tend to be less inclined to working closely but informally with other TSOs (69%) when compared with medium (83%) or larger TSOs (90%).
- Relatively few smaller TSOs currently work in formal partnership relationships (27%) compared with 48% of medium and 65% of larger TSOs – many more TSOs have an interest in working in such relationships in future (26%).

Figure 12.3 Relationships within the Third Sector by size of TSOs (2016)	Smaller TSOs (£0-£50,000)	Medium TSOs (£50,001-£250,000)	Larger TSOs (£250,001 or more)	Yorkshire and the Humber	North of England
Useful informal relationships with other TSOs					
Yes, this is how we work now	80.6	88.5	97.2	86.5	81.1
Not now but we'd like to	7.9	5.0	1.2	5.7	6.4
No, this doesn't apply to us	11.4	6.5	1.6	7.8	12.5
Work quite closely but informally with other TSOs					
Yes, this is how we work now	69.1	83.1	90.4	77.8	71.2
Not now but we'd like to	12.6	10.4	5.2	10.3	11.0
No, this doesn't apply to us	18.3	6.5	4.4	12.0	17.8
Work in formal partnership arrangements with other TSOs					
Yes, this is how we work now	26.7	47.9	64.8	41.3	36.2
Not now but we'd like to	25.1	31.3	22.1	26.0	22.7
No, this doesn't apply to us	48.2	20.8	13.0	32.7	41.2
N=	525	259	253	1,048	3,448

Since 2010, government has imposed a long period of economic austerity on public sector organisations. But as Figure 12.4 shows, which refers to North East England and Cumbria data⁴², confidence in the quality of inter-relationships has not been damaged.

- TSOs have consistently felt that their work is valued by the public sector (88-92%) between 2010 and 2016.
- TSOs have become more confident since 2010 that their role is understood by public sector bodies (from 84% to 87%).
- TSOs are more likely to feel that they are well informed by public sector bodies about issues of interest to them (rising from 62% to 69%) between 2010 and 2016.
- Fewer TSOs believe that public sector bodies involve their organisation in policy and practice issues, but the percentage has risen from 47% in 2010 to 50% in 2016.



Relationships with the Private Sector

It is often assumed that the Third Sector has only a limited level of support from the private sector. It may well be the case that much of the support offered by business has previously been overlooked because too much focus has been placed on the business community’s contribution of money to TSOs rather than other in-kind contributions.

Consequently, the Third Sector Trends study has introduced new lines of analysis to explore the depth of relationships in more detail. These data do not include money from the private sector which is channelled through charitable foundations. Figure 12.5 shows that in the North of England:

- 57% of TSOs state that that they receive money from the private sector, 39% state that this is of ‘some’ or ‘great’ importance.
- About 46% of TSOs state that they have benefitted from the provision of free facilities by business, with 28% stating that this is of ‘some’ or ‘great’ importance.

⁴² Time series data are only currently available for 2013 and 2016 in Yorkshire and the Humber.

- Many TSOs state that they are supported by volunteers which come to them via business organisations (42%), 23% rate this as being of ‘some’ or ‘great importance’.
- The provision of free expert advice from businesses is recognised by 47% of TSOs, 9% state that this support is of ‘great’ importance, while a further 19% state that it is of ‘some’ importance.
- 41% of TSOs report that businesses provide them with PR or media support: 7% state this is of ‘great’ importance, while a further 15% state this is of ‘some’ importance.

Figure 12.5

Percentage of TSOs which receive monetary or in-kind support from business (North of England 2016)	They give us money to help us do our work	They provide free facilities to help us do our work	They provide volunteers to help us do our work	They provide free expert advice to help do our work	They provide free media/PR support to help our work
Of great importance	13.1	9.8	6.1	8.7	6.8
Of some importance	25.4	18.5	16.7	19.4	14.6
Of little importance	18.6	17.8	18.8	18.5	19.6
Of no importance	42.9	53.9	58.4	53.3	59.0
N=	3,427	3,403	3,394	3,396	3,391

Figure 12.6 considers the level of support offered by business in the regions of Northern England by organisational size. There are some notable, but not dramatic, variations – support in Yorkshire and the Humber tends to be the strongest.

- In Yorkshire and the Humber, 41% of TSOs state that money from business is of ‘some’ or ‘great’ importance to them, compared with 37-38% in other regions. The largest TSOs in all three regions are much more likely to gain such financial support.
- The provision of facilities to support TSOs is higher in North West England (28%) and Yorkshire and the Humber (31%) than in North East England (26%). About a quarter of the smallest TSOs receive such support compared with over a third of the largest in most regions.
- Volunteer support from business varies little between regions. Support of this kind is about twice as likely to be given to the largest TSOs.
- Free expert advice is offered by business to a similar extent in each region (27-30%), but larger or the biggest TSOs are more likely to receive such support.
- Media and PR support is accepted at similar levels across the sector although larger TSOs tend to get more support than smaller TSOs. Support in North East England is marginally lower than in other regions.

These data do not reveal the extent to which support from business was needed, requested or offered. This gap in understanding might usefully be addressed in future iterations of the study.

Figure 12.6

Relationships with the private sector by TSO size and region (2016)

	Micro TSOs 0-£10,000 (n=1064)	Small TSOs £10,001- £50,000 (n=800)	Medium TSOs £50,001- £250,000 (n=753)	Large TSOs £250,001- £1m (n=485)	Biggest TSOs £1m or more (n=289)	North of England
They give us money to help us do our work						
North West England	25.4	38.8	46.9	44.5	50.0	37.9
Yorkshire and the Humber	36.7	45.1	43.2	36.9	44.0	41.0
North East England	27.3	34.8	45.9	40.4	50.0	36.7
North of England	28.9	39.5	45.3	40.8	48.8	38.5
They provide free facilities to help us do our work						
North West England	21.7	29.2	31.0	34.3	37.5	28.4
Yorkshire and the Humber	30.5	33.3	28.5	28.3	34.8	30.8
North East England	23.1	24.3	31.7	25.8	26.2	25.7
North of England	24.4	28.9	30.3	29.8	34.6	28.4
They provide volunteers to help us do our work						
North West England	14.6	18.5	23.7	32.6	35.9	21.6
Yorkshire and the Humber	17.9	21.6	29.3	28.6	31.5	24.6
North East England	13.1	18.7	33.3	30.2	30.8	22.7
North of England	15.0	19.5	28.2	30.6	33.9	22.8
They provide free expert advice to help us do our work						
North West England	19.1	24.8	32.8	33.1	39.8	27.1
Yorkshire and the Humber	22.3	31.5	29.6	35.8	43.5	30.1
North East England	15.4	22.7	33.8	43.3	43.9	27.5
North of England	19.0	26.2	31.9	37.3	42.4	28.2
They provide free media/PR support to help us do our work						
North West England	15.4	20.3	26.5	28.5	29.8	21.7
Yorkshire and the Humber	20.0	24.9	25.4	17.6	22.8	22.3
North East England	14.7	16.7	23.9	26.0	26.9	19.7
North of England	16.4	20.7	25.3	24.3	27.9	21.4

Analysis at sub-regional level is less reliable due to smaller samples. However, it is of some use to explore which areas appear to receive more financial support from business, as shown in Figure 12.7.

- Across the North of England, medium (44%) and larger TSOs (42%) value financial support from business at similar levels when compared with smaller TSOs (32%).
- At a sub-regional level, TSOs in Cheshire (44%) and East Yorkshire (47%) are the most likely to value financial support from business, whilst Cumbria (27%) and County Durham (29%) are the least likely to do so.
- Small TSOs are least likely to feel supported by business in Cumbria (20%) and most likely in East Yorkshire (50%).
- Medium sized TSOs are most likely to value financial support from business in Cheshire (52%) East Yorkshire (54%) and Tees Valley (53%), and the least likely in South Yorkshire (30%) and County Durham (29%).
- The largest TSOs are most likely to value the support they gain from business in Greater Manchester (49%), Cheshire (52%), Lancashire (49%) and Tyne and Wear (50%), and the least likely in Northumberland (29%) and East Yorkshire (33%).

Figure 12.7
Money from business is of 'some' or 'great' importance by sub region and TSO size (2016)

	Smaller TSOs (£0-£50,000)	Medium TSOPs (£50,000- £250,000)	Larger TSOs (£250,000 or more)	All TSOs	n=
North West England	29.7	45.1	46.2	36.5	1,439
Greater Manchester	33.9	48.1	49.2	39.7	363
Merseyside	30.9	44.1	44.0	38.8	240
Cheshire	35.8	51.5	51.5	43.6	133
Lancashire	34.5	37.0	49.4	38.2	353
Cumbria	19.6	49.1	38.2	27.1	350
Yorkshire and the Humber	38.9	41.2	38.2	39.3	1,071
West Yorkshire	38.5	41.7	40.9	40.0	478
South Yorkshire	28.7	30.0	35.3	31.1	209
East Yorkshire	50.0	53.6	33.3	47.1	170
North Yorkshire	38.4	41.9	40.0	39.7	214
North East England	29.1	44.4	42.2	35.3	993
Northumberland	30.0	45.2	28.6	32.2	202
Tyne and Wear	26.9	46.2	50.0	38.3	366
County Durham	27.2	29.3	35.5	29.0	186
Tees Valley	33.1	52.9	37.3	38.5	239
North of England	32.2	43.6	42.4	37.0	3,503

Partnership bidding for grants and contracts

Formal partnership is commonly undertaken in service delivery programmes funded by grants or contracts. The extent to which TSOs engage in such work is affected by organisational size, as shown in Figure 12.8.

- Only 7% of micro TSOs have successfully been involved in bids to undertake work in partnership compared with 53% of the largest TSOs.
- Micro TSOs are the least likely to be considering or doing partnership bidding (24%) when compared with the biggest TSOs (82%).
- 33% of medium sized TSOs are not considering bidding in partnership for grants or contracts, while another 30% are only tentatively considering this idea.
- Of those medium sized TSOs which do put in partnership bids, about two thirds of them have been successful.

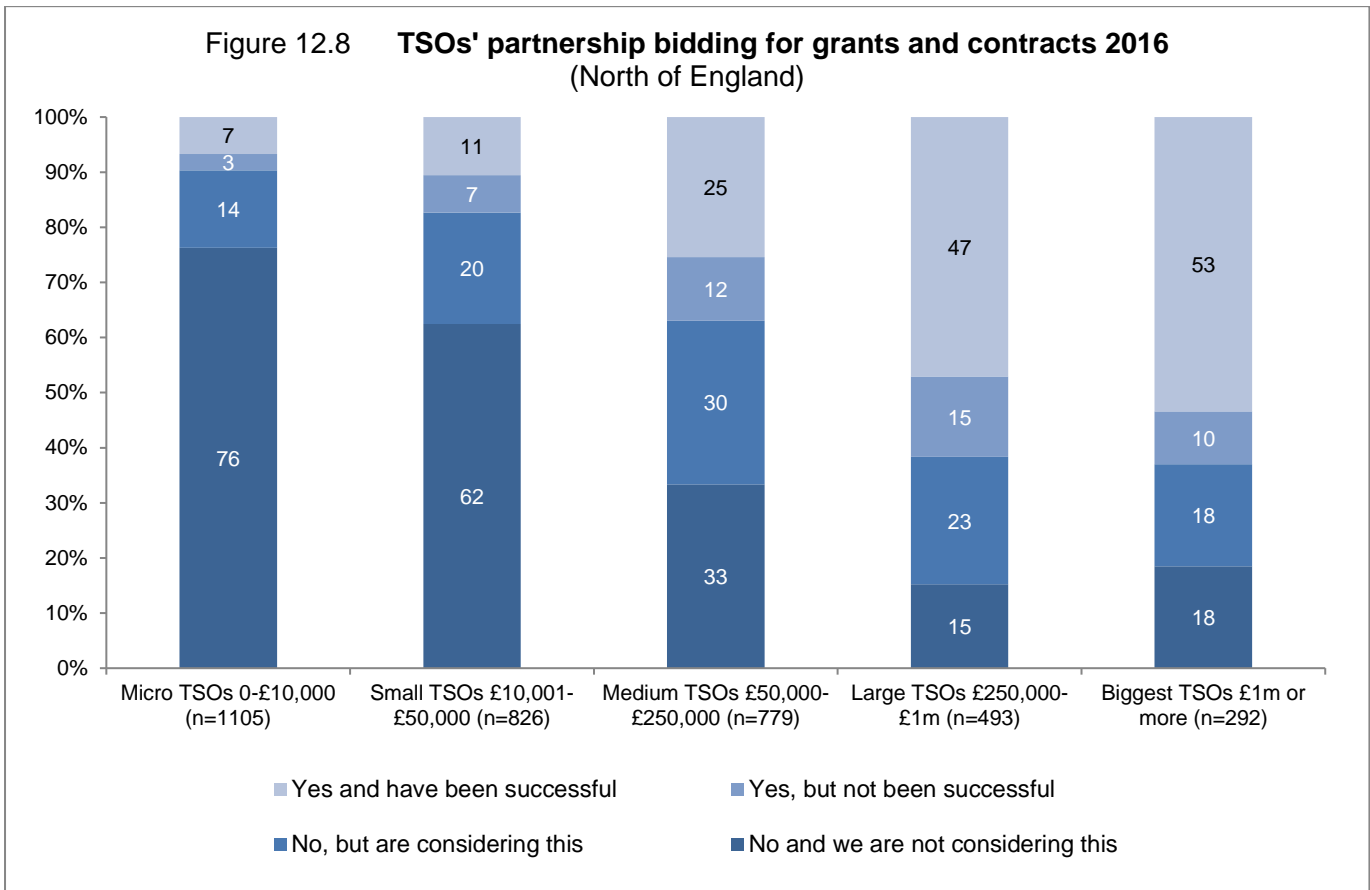


Figure 12.9 presents data on the percentage of TSOs which have been successful in bidding for grants or contracts in partnership by size of organisation and region.

- Micro TSOs are generally unlikely to have successfully won grants or contracts in partnership bids (nor to have been interested in doing so) across the North of England; in Yorkshire and the Humber, the percentage doing so is the highest (9%).
- Small TSOs in North West England and Yorkshire and the Humber were more likely to have successfully made bids in partnership (12%) compared with North East England (7%).
- Medium sized TSOs were more likely to have been successful in partnership bidding in North West England (33%) than in Yorkshire and the Humber (24%) and especially North East England (16%).
- Large TSOs had similar levels of success in partnership bidding in Yorkshire and the Humber and North East England (44-45%) but more success in North West England (52%).
- The biggest TSOs were considerably less likely to be successful in partnership bidding in North East England (43%) than in Yorkshire and the Humber and North West England (57%).

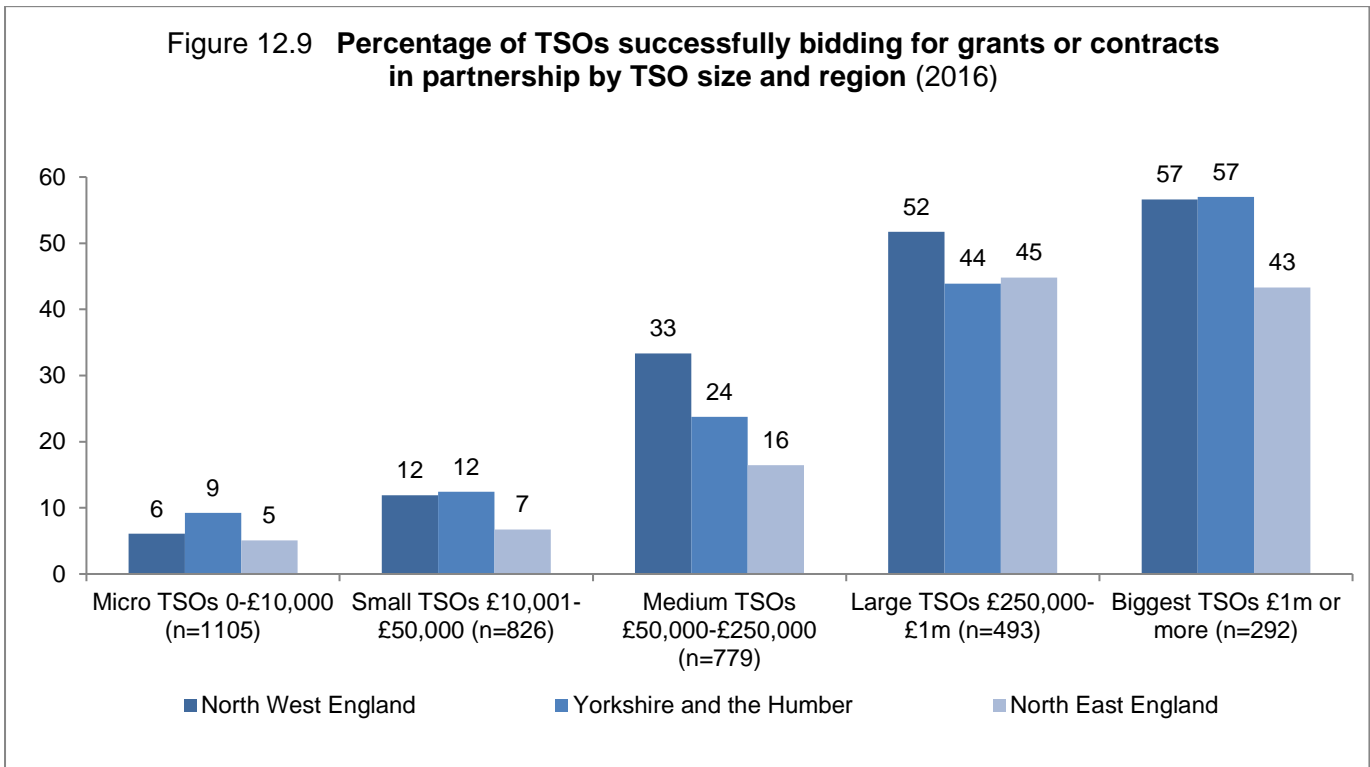


Figure 12.10 shows the percentages of TSOs which have been participating in partnership bidding in the sub-regions of Yorkshire and the Humber. There has been little change in the propensity of TSOs to work in partnership between 2013 and 2016 apart from the percentage of TSOs not considering partnership which has fallen from 46% to 43%.

- TSOs in North Yorkshire are the most likely not to consider partnership bidding (51%) compared with 38-45% in other sub-regions. Similarly, TSOs in North Yorkshire are the least likely to be considering such action (20%).
- TSOs in West Yorkshire (25%) and South Yorkshire (26%) are the most likely to have been involved in successful partnership bidding over the last two years, while TSOs in East Yorkshire are the least likely (17%).
- While fewer TSOs in North Yorkshire will consider partnership bidding, those which do are the most successful.

Figure 12.10 Participation in partnership bidding by TSOs by sub-region 2016 (2013 in parentheses)

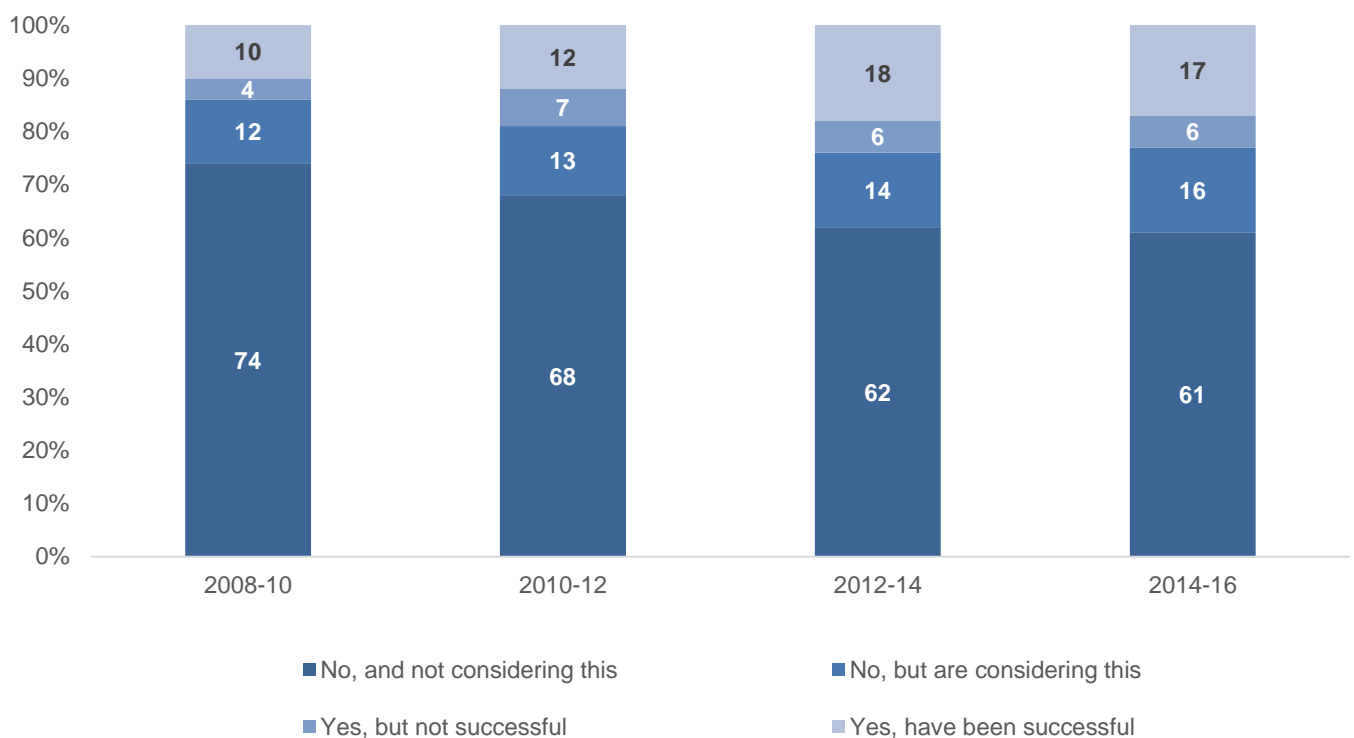
	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire and the Humber	North of England
Yes, and have been successful	24.6	25.5	17.1	22.7	23.2 (25.1)	21.4
Yes, but not been successful	10.8	9.6	9.4	6.0	9.4 (9.4)	7.9
No, but are considering this	24.0	26.9	28.2	20.4	24.5 (21.4)	20.6
No and we are not considering this	40.6	38.0	45.3	50.9	42.9 (46.1)	50.1
Percentage of TSOs which have been successful in partnership bidding	69%	72%	64%	79%	71% (73%)	73%
N=	480	208	170	216	1,074 (1,001)	3,541

Evidence from North East England and Cumbria shows that levels of engagement in partnership bidding has grown over time. Figure 12.13 shows that in 2008-10 only 10% of TSOs had been successful in partnership bidding but this rose to 18% in 2012-14 – with a small decline in 2014-16 to 17%.

General interest in partnership bidding has clearly increased in North East England and Cumbria (although still not to the extent of Yorkshire and the Humber). In 2008-10, 74% of TSOs stated that they were not considering this option, but by 2014-16 this has declined to 61% of TSOs.

In each phase of the study in North East England and Cumbria, a fairly large percentage of TSOs stated that they were not bidding but were considering the option (rising from 12–16% over time). While this suggests that there is some ambivalence about partnership bidding – many TSOs do make the transition from considering the option to practical action.

Figure 12.13 **Changing attitudes to partnership bidding: 2008-2016** (North East England and Cumbria)



Summary

This Chapter has demonstrated that there are many productive informal relationships running within the Third Sector. While fewer TSOs engage in formal partnership working, there is much evidence of this too – especially amongst larger organisations.

There are also strong indications that many TSOs work independently and autonomously, especially if they are small organisations. This should not be regarded as a weakness that needs to be tackled, however, but as an established part of sector culture where smaller organisations work independently on a small scale in their local communities.

Over time, it has been shown, larger TSOs have become increasingly likely to engage in partnership bidding for grants and contracts which is an indication of growing sector integration of effort. But there are limits to the extent to which such integration can further develop – many larger TSOs eschew the idea of partnership working because they prefer to operate independently.

Relationships between the Third Sector and the Public Sector have been shown to be strong. Furthermore, the evidence suggests that these relationships have been maintained or strengthened over the last 8 years. TSOs generally feel valued and respected by public sector organisations.

While fewer organisations think they are fully informed about policy or involved in decision making – the indications are that larger TSOs, in particular, feel well informed and have a say in the generation of policy and practice in areas relevant to their interests.

It is often assumed that the Third Sector connects with the Private Sector in only a very limited way. But, until now, there has been little research available on the relationships between the local Third Sector and the Private Sector to confirm or challenge such assumptions.

It has been demonstrated in this Chapter that business makes a significant contribution to the resources of the Third Sector and perhaps more so than many observers may have expected. This contribution includes the provision of financial resources, facilities and volunteer support, and involves the provision of free professional advice.

As will be shown in the next chapter, many TSOs are not yet acting or planning to act to build stronger connections with the private sector. This may be due to a lack of awareness of how much of a contribution the private sector currently makes in resource terms.

13

Expectations and preparation for the future

The final chapter of this report considers TSOs' expectations about the future and examines what action TSOs are taking to address future opportunities and challenges.

Figure 13.1 shows what percentage of TSOs from each region expect that change will occur over the next two years. The responses only apply to TSOs which state that the issue in question is applicable to their organisation.

- Optimism about increased income is most common in Yorkshire and the Humber (41%). In North East England and North West England 35% of TSOs expect that income will increase over the next two years. Only 17-18% of TSOs across the North of England expect income to decline.
- 50% of TSOs in Yorkshire and the Humber and 45% of TSOs in North East England and North West England expect their expenditure to increase, which lags 10% behind expectations about increased income. Only 7% of TSOs expect that expenditure will decline, a somewhat lower percentage than of those organisations which expect income to decline (17%).
- Between 28-33% of TSOs expect that the numbers of paid staff will increase over the next two years, while 15-18% of TSOs expect a decline.
- Expectations about increased numbers of volunteers are high, and especially in Yorkshire and the Humber where 45% of TSOs expect this to happen. Relatively few TSOs expect the numbers of volunteers to decline (in the range of 7-9%).
- A majority of TSOs expect that demand for their services will increase in the North of England (68%); this is most pronounced in Yorkshire and the Humber (73%) but the least in North East England (62%). Virtually none of the TSOs believe that demand will fall for their services.
- Expectations about statutory income are mixed: 18% expect increases in income from public sector sources, while 49% expect a decrease. TSOs in North East England are the most pessimistic about falling income (51%) and least optimistic about rising income (14%).
- There is a widespread expectation that working in partnerships will increase (55%), especially in Yorkshire and the Humber (57%) and North West England (56%). Very few TSOs think that partnership working will decrease (3%).

There have been some changes in Yorkshire and the Humber since 2013:

- There are signs of increased optimism about rising income (from 35% to 41%), and rising numbers of paid staff (26% to 33%).
- TSOs were less likely to expect partnership to increase in 2016 (57%) than in 2013 (65%).

Figure 13.1

Expectations of TSOs about change over the next two years by region 2016 (2013 in parentheses)	North West England	Yorkshire and Humber	North East England	North of England
Income will increase	35.2	40.7 (35.3)	34.9	36.7
Income will decrease	17.9	17.3 (22.5)	16.6	17.2
Expenditure will increase	45.3	50.0 (52.6)	46.2	47.0
Expenditure will decrease	7.3	7.2 (9.1)	7.0	7.2
Numbers of paid staff will increase	30.6	33.0 (25.7)	28.2	30.6
Numbers of paid staff will decrease	17.9	14.8 (21.2)	17.6	16.7
Number of volunteers will increase	42.1	44.5 (43.9)	36.4	41.3
Number of volunteers will decrease	7.7	8.3 (10.7)	9.4	8.4
Need for our services will increase	68.9	73.0 (73.6)	62.1	68.4
Need for our services will decrease	1.1	1.2 (1.4)	1.0	1.1
Statutory income will increase	19.3	18.0 (no data)	14.1	17.6
Statutory income will decrease	47.6	48.3 (no data)	51.3	48.7
Working in partnership will increase	55.5	57.1 (64.7)	50.7	54.9
Working in partnership will decrease	2.7	2.5 (4.2)	4.9	3.2

Figure 13.2 shows how expectations about the future vary by size of TSOs in Yorkshire and the Humber.

- Smaller TSOs (36%) are the least likely to expect income to increase in the next two years, compared with 42% of medium and 47% of larger TSOs. Larger TSOs are the most likely to expect income to decline (22%) compared with 18% of medium and 14% of small TSOs.
- There is widespread expectation that expenditure will increase, especially amongst medium sized TSOs (55%); very few TSOs anticipate decreasing expenditure (7%) although the larger TSOs are most likely to hold this expectation (14%).
- There is widespread optimism about increasing numbers of paid staff (33%), rising to 37% of the largest TSOs. That stated, 20% of larger TSOs expect staff numbers to decrease in the next two years.
- Many TSOs anticipate that volunteer numbers will increase (45%). Larger TSOs are the most likely to believe so (53%) compared with 35% of small TSOs.
- There are general expectations that demand for services will increase (73%), and especially amongst the largest TSOs (85%). Very few TSOs expect that demand will decrease (1%).
- Few TSOs expect that income from statutory sources will increase: medium TSOs (14%) and larger TSOs (16%). Indeed, 55% of larger TSOs and 53% of medium sized TSOs expect such income to decline.
- There is a general expectation of increased partnership working across the sector (57%). Only 3% expect that partnership working will decrease. Large TSOs are the most likely to expect increasing partnership working (68%).

Figure 13.2
Expectations about the next two years by TSO size (2016)

	Smaller TSOs (income £0- £50,000)	Medium TSOs (income £50,001- £250,000)	Larger TSOs (income £250,001 or more)	Yorkshire and the Humber	North of England
Income will increase	35.8	42.1	46.8	40.7	36.7
Income will decrease	14.1	18.1	22.0	17.3	17.2
Expenditure will increase	46.5	54.6	48.8	50.0	47.0
Expenditure will decrease	4.1	7.3	13.6	7.2	7.2
Numbers of paid staff will increase	31.7	28.5	36.7	33.0	30.6
Numbers of paid staff will decrease	8.3	15.3	19.5	14.8	16.7
Number of volunteers will increase	35.0	52.6	53.4	44.5	41.3
Number of volunteers will decrease	10.1	6.4	6.4	8.3	8.4
Need for our services will increase	62.5	78.7	84.8	73.0	68.4
Need for our services will decrease	1.4	0.4	1.2	1.2	1.1
Statutory income will increase	21.0	14.1	15.6	18.0	17.6
Statutory income will decrease	37.8	53.7	55.3	48.3	48.7
Working in partnership will increase	45.5	61.7	68.0	57.1	54.9
Working in partnership will decrease	2.4	2.1	3.2	2.5	3.2

Is the Third Sector too optimistic about the future?

The above analysis shows that TSOs are particularly optimistic about the future. There are high expectations about increased resources of employees, volunteers and money to meet the expected challenges surrounding rising demand for services.

But are TSOs' expectations about the future *too* optimistic? It is possible, using Third Sector Trends data in North East England and Cumbria to examine the mismatch between expectations about the future and the reality of what happened.⁴³

The most useful indicator of this potential mismatch is expectations TSOs hold about changing levels of income in the next two years and reported levels of actual income change reported in subsequent biennial surveys.

Figure 13.3 shows the mismatch between expectations about rising income and the actual situation two years later. The evidence presented shows that there is a substantive variation between expectations and reality and that this gap has widened from 10% to 20% over the last six years. However, it is indicated that expectations about increasing income has levelled off for 2016-18 at about 35%, which may narrow the gap between expectations and reality at the time of the next survey.

⁴³ Time series data is not available for Yorkshire and the Humber.

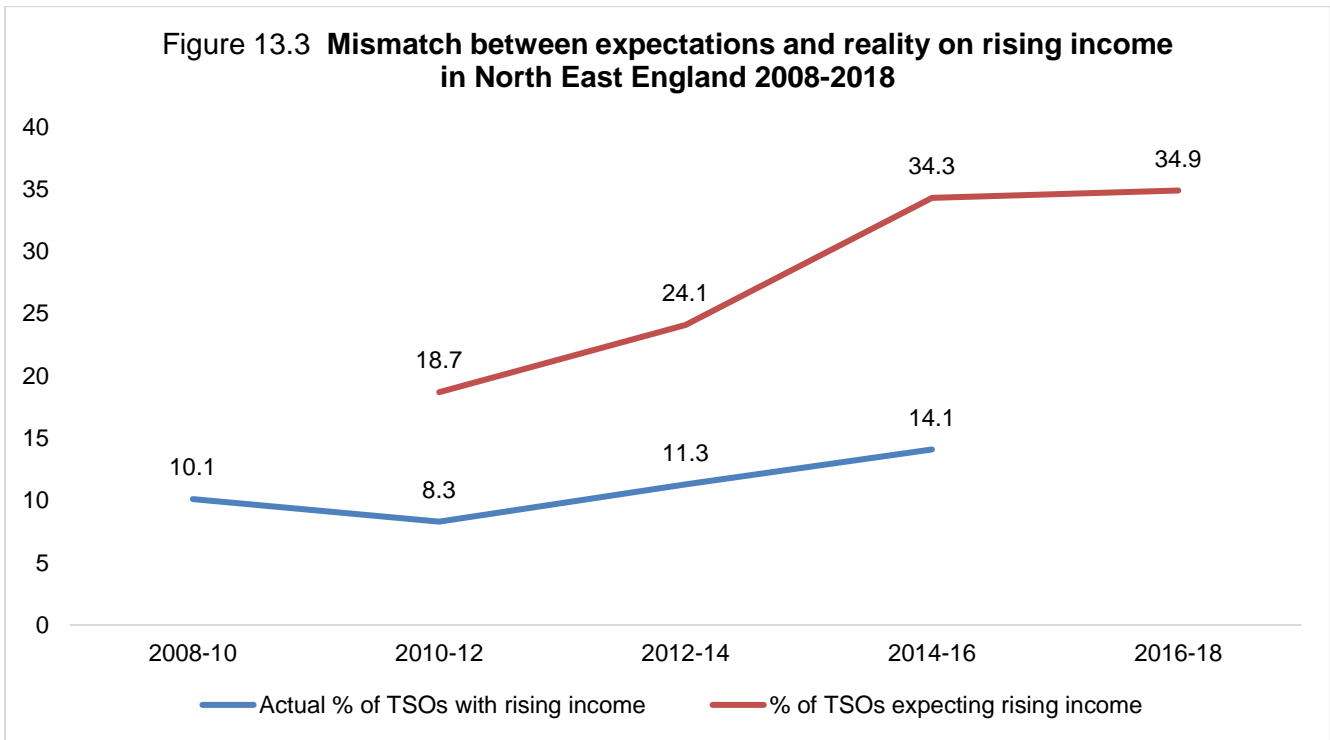
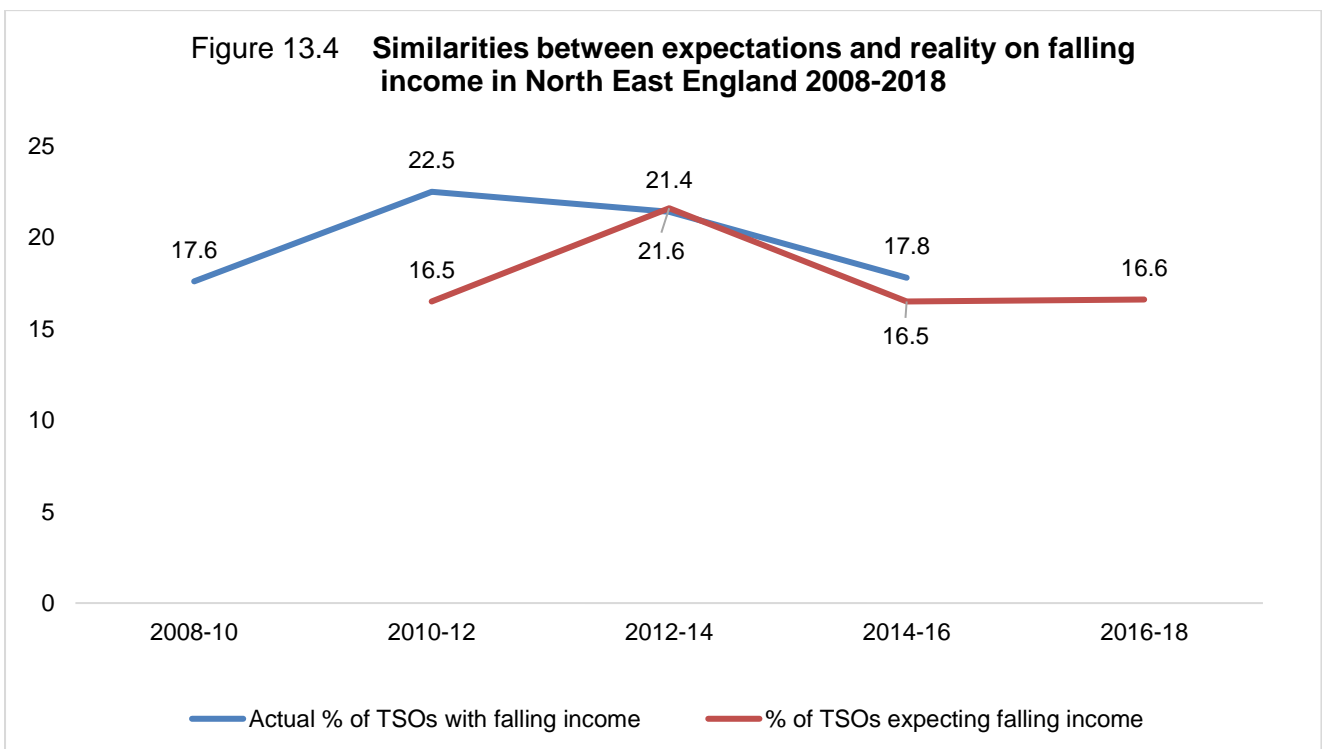


Figure 13.4 compares expectations of those TSOs which felt that income may fall over the next two years. In this case, the gap between expectations and reality are narrower. For example, in 2010-12 it was expected that income would fall by 17% of TSOs but in fact, 23% had significantly falling income. In 2012-14 and 2014-16 however, expectations and reality were closely matched.⁴⁴



⁴⁴ What is not known from these data is whether the organisations which expected their income to increase achieved the outcome they hoped for. While the Third Sector Trends data set is large and has run for many years, it has not been possible to track the same organisations consistently through the study in sufficient number to make assessments of this kind.

Being optimistic about the future is laudable only, arguably, when the prospect of achieving objectives are realistic. Otherwise, many TSOs are likely to feel a permanent sense of disappointment that expectations have not been met.

Many other areas of optimism have been identified above, such as increasing the number of employees – but that cannot happen if there is insufficient financial resource to pay their salaries.

Similarly, high expectations for increased numbers of volunteers may be dashed by the reality that neither volunteer numbers nor time given by volunteers are likely to grow significantly.⁴⁵

Taking action to meet future challenges and opportunities

There are many factors which are beyond TSOs' control, when planning for the future. As it is clear from the evidence, a long period of economic insecurity following the financial crash in 2008 has produced many pressures on the Third Sector – but those pressures have fallen unevenly – meaning that many organisations have experienced income stability or growth while others have struggled to maintain their resource base.

It is possible, using Third Sector Trends data to examine the extent to which TSOs are preparing for the future challenges they have identified. Figure 13.5 begins this analysis using regional data to determine whether the situation in Yorkshire and the Humber differs from other areas.

The evidence suggests that TSOs in Yorkshire and the Humber are more dynamic in terms of current action compared with TSOs in North West England and particularly so than in North East England.

- 41% of TSOs in Yorkshire and the Humber are acting to increase earned income compared with 36% in North West and 39% in North East England.
- 22% of TSOs in Yorkshire and the Humber are acting to increase donations – the same percentage as in North East (22%) and North West (22%) England.
- Borrowing is an unpopular option in all regions and only 3-5% of TSOs are acting to do so. Similarly, very few TSOs are acting on merging with other TSOs (4-6% across the North of England).
- In Yorkshire and the Humber 28% of TSOs are changing practices to meet future challenges and opportunities compared with 25% in North West and 21% in North East England.
- Only 23% of TSOs in North East England and 27% in North West England are acting to work more closely with other TSOs, while in Yorkshire and the Humber 30% of TSOs are doing so.
- TSOs in Yorkshire and the Humber are more likely to be acting to work with public sector organisations (28%) compared with North West (21%) and North East England (20%).
- In Yorkshire and the Humber, TSOs are about as likely to be acting to work with private sector businesses (9%) as in North West England (9%) but more so than in North East England (6%).

⁴⁵ The NCVO Civil Society Almanac shows that levels of volunteering have remained stable for many years and that the hours of work they contribute has remained about the same since 2001: <https://data.ncvo.org.uk/a/almanac17/volunteering-overview/>

Figure 13.5

Percentage of TSOs planning to work more closely with other organisations (2016)	North West England	Yorkshire and the Humber	North East England	North of England
Increase earned income	36.4	41.6	39.1	38.3
Increase individual donations	21.9	22.6	21.9	21.9
Borrowing money to increase volume of activity/enter new areas of work	3.0	5.5	3.5	3.9
Merging with one or more similar TSOs	5.9	5.8	4.2	5.5
Changing the way services and activities are delivered	24.5	28.3	21.0	24.4
Working more closely with other TSOs	26.9	30.2	23.2	26.6
Working more closely with public sector bodies	20.6	27.5	19.6	22.2
Working more closely with private sector businesses	8.9	8.6	6.1	7.9
N=	1,462	1,083	1,012	3,594

Figure 13.6 shows variations in the extent to which TSOs are acting to work more closely with other organisations within the Third Sector, or with the public or private sectors in each of the sub-regions of Yorkshire and the Humber.

- Organisations in East Yorkshire are the least likely to be acting to work more closely with other TSOs (23%) compared with 29-33% of TSOs in other sub-regions (although 28% of TSOs in East Yorkshire are 'planning' to do so).
- TSOs in North Yorkshire are the most likely not to be planning to work with other organisations in the Third Sector (57%).
- TSOs in West Yorkshire (30%) and South Yorkshire (33%) are the most likely to be acting to work more closely with the public sector, while TSOs in East Yorkshire are the least likely to be doing so (18%).
- 61% of TSOs in East Yorkshire and 63% of TSOs in North Yorkshire are not planning to work more closely with the public sector.
- Relatively few TSOs are acting to work more closely with the private sector (9%) – variations between sub-regions are not pronounced (8-11%).
- In North Yorkshire (82%) of TSOs are not planning to work with private sector organisations compared with about 70% in West and South Yorkshire.
- TSOs in West Yorkshire (21%) and South Yorkshire (20%) are the most likely to be planning to work with business organisations in future.

Figure 13.6

Percentage of TSOs in sub-regions planning to work more closely with other organisations (2016)

	West Yorkshire	South Yorkshire	East Yorkshire	North Yorkshire	Yorkshire and the Humber	North of England
Intention to work more closely with other TSOs						
Doing this now	32.6	31.3	23.3	29.2	30.2	26.9
Planning to do this	19.2	23.7	27.9	14.4	20.5	18.2
Not planning to do this	48.1	45.0	48.8	56.5	49.3	54.9
Intention to work more closely with public sector organisations						
Doing this now	30.4	32.7	18.0	23.6	27.5	22.4
Planning to do this	17.4	19.4	21.5	13.9	17.7	16.4
Not planning to do this	52.3	47.9	60.5	62.5	54.8	61.2
Intention to work more closely with private sector organisations						
Doing this now	8.7	10.9	7.6	6.9	8.6	8.0
Planning to do this	21.1	19.9	14.0	11.1	17.7	16.1
Not planning to do this	70.2	69.2	78.5	81.9	73.7	75.9
N=	484	211	172	216	1083	3,557

It is useful to take the analysis forward one more step by comparing the situation of TSOs of different sizes.⁴⁶ It is evident from Figure 13.7 that smaller TSOs are very much less likely to be acting or considering action to work with other organisations within or outside of the Third Sector. Perhaps surprisingly, only 3% of smaller TSOs are acting to work more closely with businesses.

Medium sized TSOs are much more likely than small organisations to be acting to work more closely with other TSOs and public-sector organisations. But still, they are comparatively few. It is particularly interesting to note that only 9% are acting to work more closely with business.

Larger TSOs are far more likely to be acting to work with other organisations within the Third Sector (48%) or are planning to do so (20%). Similar percentages of larger TSOs are acting (49%) or are planning (14%) to work with public sector organisations. While only 13% of larger TSOs are acting to build closer relationships with business, 19% of these larger TSOs are planning to do so.

⁴⁶ The differences between regions identified in Figure 13.4 are not accounted for by differences in sample structures – but rather reflect different attitudes in North East England from other areas.

Figure 13.7
Planning to work more closely with other organisations by TSO size (2016)

	Smaller TSOs (income £0- £50,000)	Medium TSOs (income £50,001- £250,000)	Larger TSOs (income £250,001 or more)	Yorkshire and the Humber	North of England
Intention to work more closely with other TSOs					
Currently taking action to achieve this	21.6	30.9	47.5	30.2	26.8
Planning to take action to achieve this	17.5	27.5	19.7	20.5	18.2
Not planning to do this	60.9	41.6	32.8	49.3	55.1
Intention to work more closely with public sector organisations					
Currently taking action to achieve this	16.5	29.8	49.0	27.5	22.3
Planning to take action to achieve this	17.3	22.5	13.9	17.7	16.3
Not planning to do this	66.2	47.7	37.1	54.8	61.4
Intention to work more closely with private sector organisations					
Currently taking action to achieve this	6.4	8.8	13.1	8.6	8.0
Planning to take action to achieve this	14.7	22.9	18.5	17.7	15.9
Not planning to do this	78.9	68.3	68.3	73.7	76.1
N=	550	262	259	1,083	3,594

At an organisational level, TSOs have many options when developing their capacity or capability to do things in new ways. Figure 13.8 presents data on several available options. It should be noted that in each of the categories listed, close similarities with the broader North of England sample are evident – suggesting that TSOs in Yorkshire and the Humber are equally dynamic (or in relation to some factors, equally disinterested).

- About 42% of TSOs are acting to increase earned income – with the larger TSOs the most active in this respect (63%), that stated, about half of smaller TSOs are acting or planning to increase earned income.
- A relatively small proportion of the Third Sector is acting to increase donations (23%), larger TSOs are the most active (31%) or are planning to do so (37%).
- Borrowing money (to invest in future developments, purchase or upgrade property or borrow working capital) is not a popular option amongst TSOs. Only 5% are acting (13% of the larger TSOs) to do so; and 83% of TSOs will not consider this possibility at present.
- Fewer TSOs than may be expected are acting to change their current practices (28%), but of course many may not need to, especially amongst smaller TSOs (14%).
- Larger TSOs are much more likely to be changing practices (48%) or are planning to do so (25%). It is notable that 41% of medium sized TSOs (which have been shown to be amongst the most vulnerable) are taking no action.
- For TSOs to merge is a big step as organisations tend to put a high value on their independence. Indeed, only 6% of TSOs are acting to do so and just 12% are planning for this possibility.
- Very few small (3%) or medium sized organisations (7%) are acting to merge with another TSO, while 10% of larger TSOs are doing so.

Figure 13.8 Planning to tackle objectives by TSO size (2016)	Smaller TSOs (income £0- £50,000)	Medium TSOs (income £50,001- £250,000)	Larger TSOs (income £250,001 or more)	Yorkshire and the Humber	North of England
Increasing earned income					
Currently taking action to achieve this	28.5	48.5	62.5	41.6	38.5
Planning to take action to achieve this	29.5	31.3	25.5	28.7	26.7
Not planning to do this	42.0	20.2	12.0	29.6	34.8
Increasing individual donations					
Currently taking action to achieve this	17.1	27.5	30.5	22.6	22.0
Planning to take action to achieve this	34.0	35.9	37.1	35.3	30.9
Not planning to do this	48.9	36.6	32.4	42.1	47.1
Borrowing money to increase volume of activity/enter new areas of work					
Currently taking action to achieve this	1.6	6.5	13.1	5.5	3.9
Planning to take action to achieve this	10.4	15.3	10.0	11.5	11.5
Not planning to do this	88.0	78.2	76.8	82.9	84.7
Changing the way services and activities					
Currently taking action to achieve this	14.2	38.2	47.5	28.3	24.6
Planning to take action to achieve this	18.9	21.0	25.1	20.8	18.5
Not planning to do this	66.9	40.8	27.4	50.9	57.0
Merging with one or more similar organisations					
Currently taking action to achieve this	3.3	7.3	9.7	5.8	5.5
Planning to take action to achieve this	9.8	13.4	13.9	11.6	10.3
Not planning to do this	86.9	79.4	76.4	82.5	84.2
N=	550	262	259	1,083	3,594

Figure 13.9 shows the percentages of TSOs of different sizes which put a high priority on developing their organisational capability in several domains.

- TSOs tend to put much more emphasis on building their capability to bring in more money by bidding for grants (41%) or fundraising (40%) compared with developmental capability in strategic management (22%) or financial management (19%).
- Marketing and publicity is an area of development that many TSOs emphasise (39%), presumably because they feel that this will put them in a strong position to win grants or attract other sources of funding.
- Small TSOs put a very low priority on the development of organisational managerial capability, as would be expected, given their scale. But considerable emphasis is placed on fundraising (42%) and grant bidding (43%).

- Medium sized TSOs are also likely to emphasise the need to build their capability in bidding for grants (42%), fundraising (42%) and marketing themselves (43%).
- Larger TSOs put a similar emphasis on funding issues and other aspects of organisational capability (such as business planning, strategic management). Marketing and publicity is regarded as the highest development priority (46%) while financial management is the lowest (16%).

There have been some changes in attitudes since 2013.

- Between 2013 and 2016 the percentage of TSOs prioritising training or development in bidding for grants has fallen from 44% to 41%; fundraising from 43% to 40%; and tendering and commissioning (from 30% to 25%).
- Emphasis on business planning has risen slightly (from 24% to 26%) as is the case for people management and financial management, while prioritisation on strategic management has fallen from 25% to 22%)

Figure 13.9
TSOs' priorities for development by size of organisation (2016)

	Smaller TSOs (income £0- £50,000)	Medium TSOs (income £50,001- £250,000)	Larger TSOs (income £250,001 or more)	Yorkshire and the Humber	North of England
Bidding for grants	43.3	42.0	34.0	40.6 (44.2)	39.1
Fundraising	41.5	41.6	33.6	39.6 (43.4)	38.4
Marketing and publicity	34.5	43.1	45.6	39.2 (37.3)	35.7
Business planning	18.9	34.7	33.2	26.4 (24.4)	22.5
Tendering and commissioning	15.8	35.1	34.7	25.2 (29.5)	22.1
People management	16.7	31.7	25.9	22.7 (20.6)	21.2
Strategic management	17.5	24.4	30.1	22.3 (24.7)	21.1
Financial management	15.5	27.9	15.8	18.5 (17.8)	17.9

Summary

This Chapter has shown that TSOs tend to be very optimistic about the future in terms of increasing income and raising the number of employees and volunteers. Longer-term trends strongly suggest that such optimism is likely to be misplaced; which, for many organisations, will lead to disappointment as their expectations are unlikely to be realised.

When planning, TSOs need to have a realistic perspective, otherwise, their emphasis on development needs may be misplaced. The evidence shows that most TSOs put the strongest emphasis on bringing in money rather than balancing this with other developmental needs such as strategic, people and financial management.

Smaller TSOs may not need to develop such skills as their organisations are less complex, but medium sized TSOs probably do need to pay more attention to such issues. Larger TSOs tend to be more able to balance the range of organisational capabilities when they set future priorities.

There is a good deal of evidence to show that action is being taken by many TSOs to develop useful informal and formal relationships within the Third Sector and with the public sector. However, the value of building links with the private sector seems to be less well recognised given the current scale of interaction between business and the Third Sector.

5

Conclusions

Sector size and structure

Yorkshire and the Humber's Third Sector is large, with over 10,250 Third Sector organisations (TSOs). The economic value, by salaries, of employees is estimated at £1.8bn. The Third Sector workforce accounts for between 3-4% of regional employment. In 2016 there were 85,000 full-time equivalent employees although there appears to be a progressive shift from full-time to part-time employment.

Volunteers put in an enormous amount of work and time to support activities by the Third Sector in Yorkshire and the Humber. It is estimated that there are 341,700 volunteers who deliver 24,530,000 hours of work. The replacement value of such work by employees would be between £176m (at National Minimum Wage level) and £297m (at 80% of average wages).

It is very much a local Third Sector. 30% of TSOs work only at neighbourhood or village level and 70% work within the boundaries of a single local authority: only 6% of TSOs based in Yorkshire and the Humber work nationally or internationally.

Given that the sector is rooted in localities, it is not surprising to find that volunteers' journeys into the sector are shaped by local knowledge and relationships: 80% of TSOs state that most volunteers arrive by 'word of mouth' and only half of TSOs make a big effort to recruit volunteers by holding events or advertising. Only 18% of TSOs rely on other organisations, such as a CVS or volunteer bureau, to find volunteers for them.

Continuity and change in the Third Sector

The overall picture is one of relative stability, although there have clearly been winners and losers in the sector over the last few years. This finding may not 'ring true' to many people who run TSOs however, because life in the Third Sector can often feel like a 'struggle against all odds' to maintain income levels.

Often leaders of TSOs feel that they are 'living on a knife edge'. This is understandable because the Third Sector is, arguably, under-capitalised in the sense that most TSOs have none or few fixed assets or investments and limited cash reserves. But it is important not to take this too far: the signs are that fewer TSOs are drawing as heavily upon their reserves for essential costs (27%) as was the case in 2013 (33%).

Third Sector Trends research does not collect complex financial data from TSOs.⁴⁷ Consequently, it is necessary to rely on NCVO data⁴⁸ on income composition and examine how sector-wide income levels have changed. National level data provide a good indication of general trends which help to confirm the validity of findings drawn from Third Sector Trends income data in Yorkshire and the Humber.

As shown in Figure 14.1, UK Third Sector income has risen from £36bn - £45bn between 2003-4 and 2013-14. During this period, earned and investment income has risen substantially from £20.3bn to £28bn, while gifts and grants have remained at a similar level of £16-17bn.

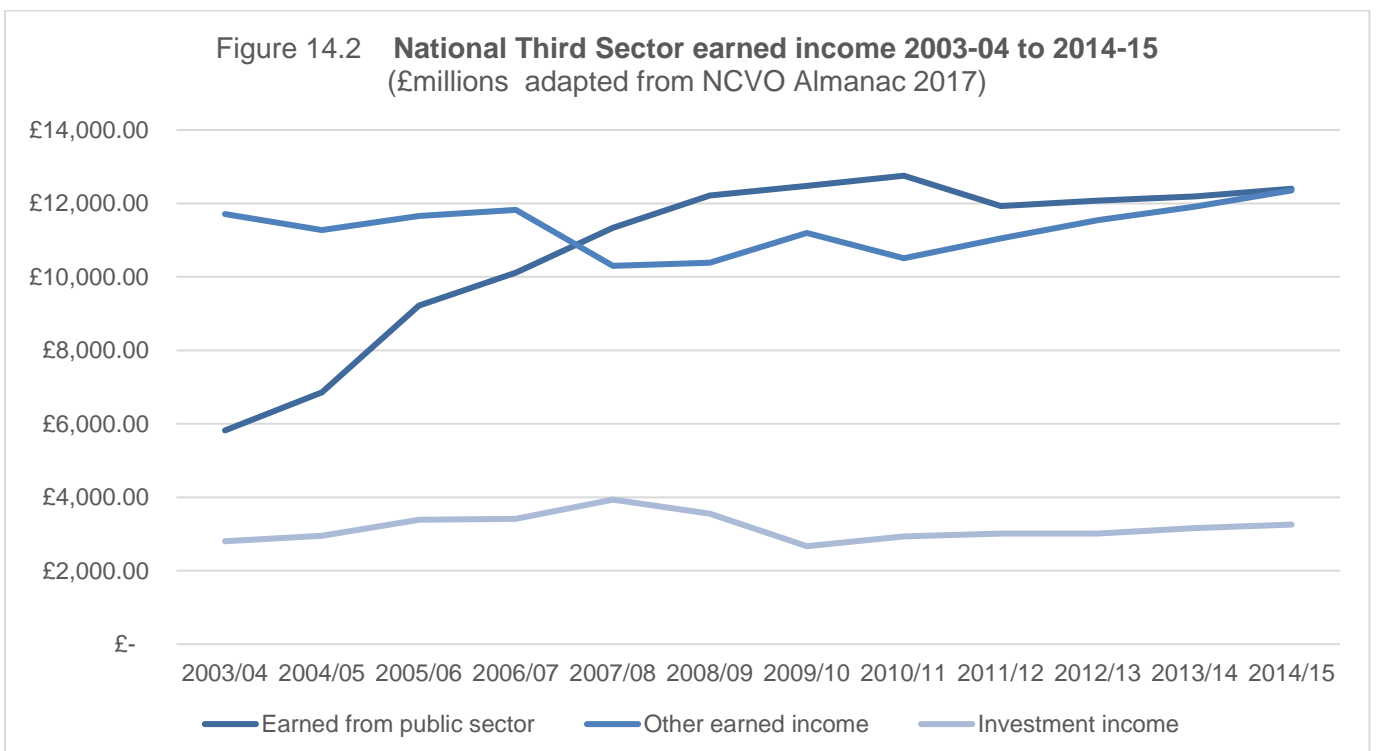
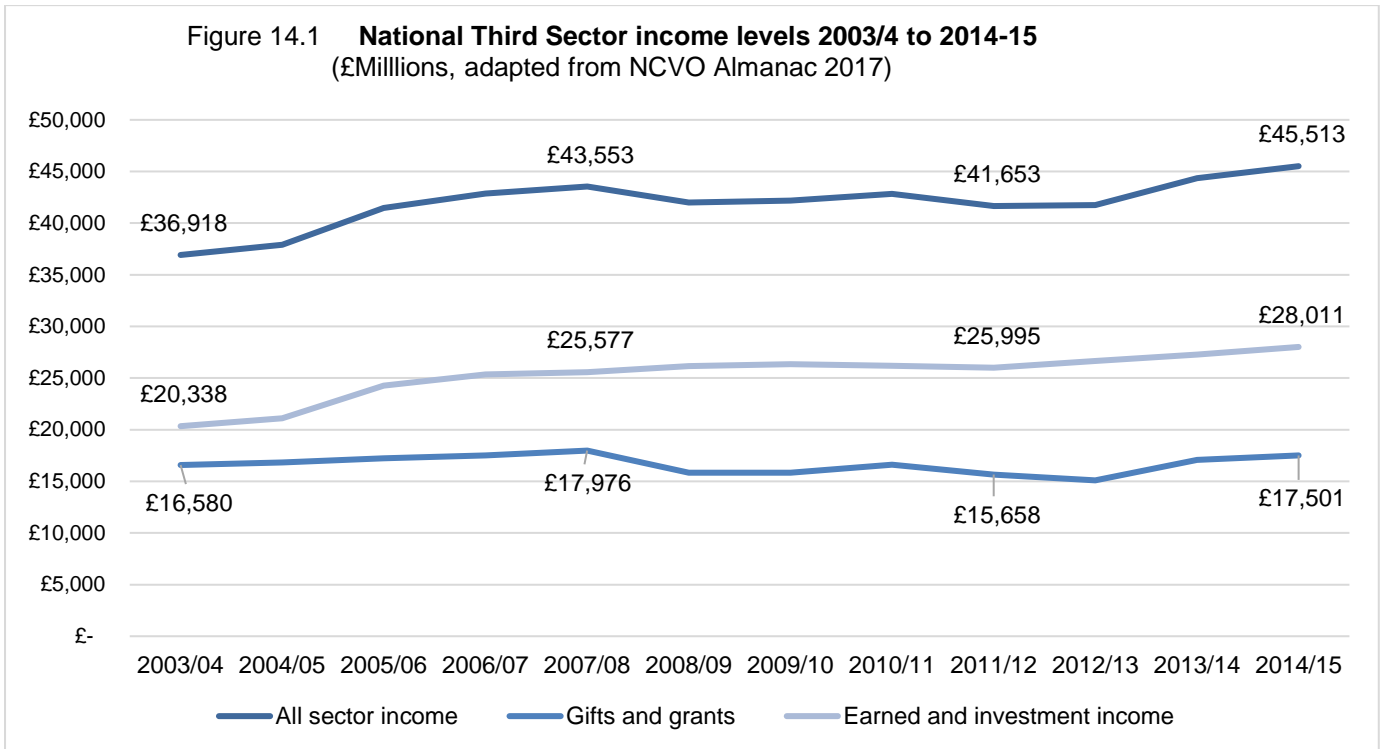
Figure 14.2 shows changing levels of earned income between 2003-04 and 2014-15 as reported by NCVO. Earned income from the public sector (primarily through the delivery of public services under contract) has risen dramatically from £5.8bn to £12.4bn: although

⁴⁷ Data are only collected on the 'relative' value of various sources of income and the overall volume of income. Asking TSOs to report in detail on income levels tends to dissuade respondents from returning data for several reasons including worries about confidentiality and/or not having easy access to the relevant data (resulting in non-completion of specific questions or abandonment of the survey).

⁴⁸ NCVO Almanac 2017: <https://data.ncvo.org.uk/category/almanac/voluntary-sector/income/>

there was a short period of decline following the financial crash (between 2009-2012) after which income has slowly risen again.

Other earned income from individuals, private sector or voluntary sector sources has remained at a similar level, but dipped to some extent between 2006-07 and 2013-14. Investment income was at its height in 2006-08 after which there was a substantive decline; investment income recovered to 2003-04 levels by 2013-14 and has continued to grow slowly since to £3.3bn.



Income of Third Sector organisations

As the above evidence indicates, the Third Sector has experienced relatively stable income over the last ten years, although the composition of that income has changed to some extent. But often, from the perspective of individual organisations, it is felt that the Third Sector faces a perpetual financial crisis.

The evidence from Third Sector Trends research confirms that is not the case. Indeed, between 2015-16, 64% of TSOs in Yorkshire and the Humber experienced income stability – the same percentage as reported in the in 2013 survey. Furthermore, about 18% of TSOs in Yorkshire and the Humber had significantly rising income over the last two years, an increase from 13% in the 2013 survey. That stated, in 2013, 24% of TSOs reported falling income in the previous two years in Yorkshire and the Humber, but in 2016 the percentage has reduced to 19% - suggesting signs of improvement in sector finances.

The Third Sector Trends study shows that, at the individual organisational level, fluctuations in income are very common, indeed it has been argued that short-term income instability is 'endemic'. While this may lead to some TSOs to feel that they are constantly living on a 'knife edge', well governed organisations general know that they must learn to manage the consequences of continual change.⁴⁹

Beneath the headline statistics about income stability, it is also recognised that, much more is going on. For example, while it is the case that the majority of TSOs have reasonable levels of income stability, this is not to say that life is easy. From associated long-term qualitative research work, it is known that many organisations can no longer access unrestricted 'core' funding they once relied upon and find themselves chasing smaller pots of money, which is often shared in complex partnerships to sustain their operations. Having 'to run faster to stand still', is a common refrain amongst TSOs which, on the surface at least, have stable income.

The Third Sector does not have a 'contract culture'

For many years, commentators on the Third Sector have, arguably, over-egged the importance of the growing dominance of contracts to deliver public services as a driving force in sector economics. While the volume of money from the public sector which goes into contracts has undoubtedly grown and grant funding from the public sector declined⁵⁰ (see Figures 14.1 and 14.2), the Third Sector Trends study shows that the *proportion* of TSOs in Yorkshire and the Humber bidding for or delivering contracts has changed little (rising from 15% in 2013 to 18% in 2016). Indeed, 38% of TSOs will not consider bidding for public sector contracts as this is contrary to their mission (risen from 33% in 2013).

Many TSOs which rely heavily upon public sector funding have clearly struggled to maintain income levels following a long period of government austerity policies. With falling income, lower employee numbers and reliance on reserves to keep going – times are hard for many of these TSOs, and especially so when they are based in poorer areas. This is not, however, the situation of the majority of TSOs. Indeed, many TSOs based in poorer areas which are funded mainly by the public sector are in a very strong financial position. Furthermore, these organisations are more likely to be investing in their future capability than other TSOs – which may help secure their long-term future.

In Yorkshire and the Humber, reliance on a wide range of income resources is changing. While grants have remained the most important source of income in the sector, reliance on contracts to deliver public services has declined to some extent while dependence on earned income from other sources of trading has increased.

⁴⁹ Chapman, T. (2017) 'Journeys and destinations: how third sector organisations navigate their future in turbulent times', *Voluntary Sector Review*, vol. 8, no, 1, pp. 25-40.

⁵⁰ Declining grant funding is difficult to assess in concrete terms as, in many cases, former service level agreements or grants may have been re-defined/configured as contracts by the local public sector. It is also important not to over-generalise on the demise of grant funding. Many health authorities and local authorities in Yorkshire and the Humber have maintained the practice of awarding small grants to local voluntary and community organisations to maintain good community networks and sustain community led initiatives.

Earned income and enterprising outlooks

Earned income, from trading or contracts is important to many TSOs in Yorkshire and the Humber. 73% of TSOs in Yorkshire and the Humber rely on earned income to some extent. But even amongst those TSOs which earn over 81% of their income, only 13% of them state that grants are of 'no importance' to them.

Cooperative and Community Benefit Societies are the most dependent on earned income with 63% earning more than 61% of their income. About 30% of Community Interest Companies and 35% of Companies Limited Guarantee earn over 61% of their income. Independent Registered Charities are much more likely to earn more than 61% of their income (29%) when compared with Federated Registered Charities (15%).

Charitable Incorporated Organisations are less likely to earn over 61% of their income (20%) than most other legal forms, and nearly 60% earn none or less than 20% of their income. Informal voluntary or community organisations, which tend to be very small, have very low levels of reliance on earned income: 75% earn none or less than less than 20% of their income.

Limits to the enterprising potential of TSOs

Many TSOs operate in 'business-like' ways. But being a business-like TSO is not the same as being a private sector business. This study shows clearly, for example, that most TSOs refuse to consider the option of borrowing money. Indeed, there is often reluctance to consider borrowing money even for purposes which make sound economic sense in business-planning terms if it is felt that a grant might be accessed instead.⁵¹

Reluctance to borrow money (or 'working capital') to engage in social investment initiatives or payment by results contracts does not just derive from cultural resistance to such practices in the sector. It is apparent to TSOs, which take the idea of borrowing more seriously, that the risks associated with borrowing are too high for one or several reasons including, for example: that the measurable outcomes of payment by results contracts are too ambitious; that the price allocated to aspects of service delivery is too low; or, that the length of contracts are too short or contracts are too insecure to justify borrowing.

Third Sector Trends research shows that some TSOs are more adept at working in business-like ways than others – but this does not mean that they can rely wholly, or in some cases even partly on such sources of income.⁵² Grants also remain vital even for those TSOs which earn substantive income from trading or contracts because the market place within which they work is simply not strong enough for them to survive otherwise.

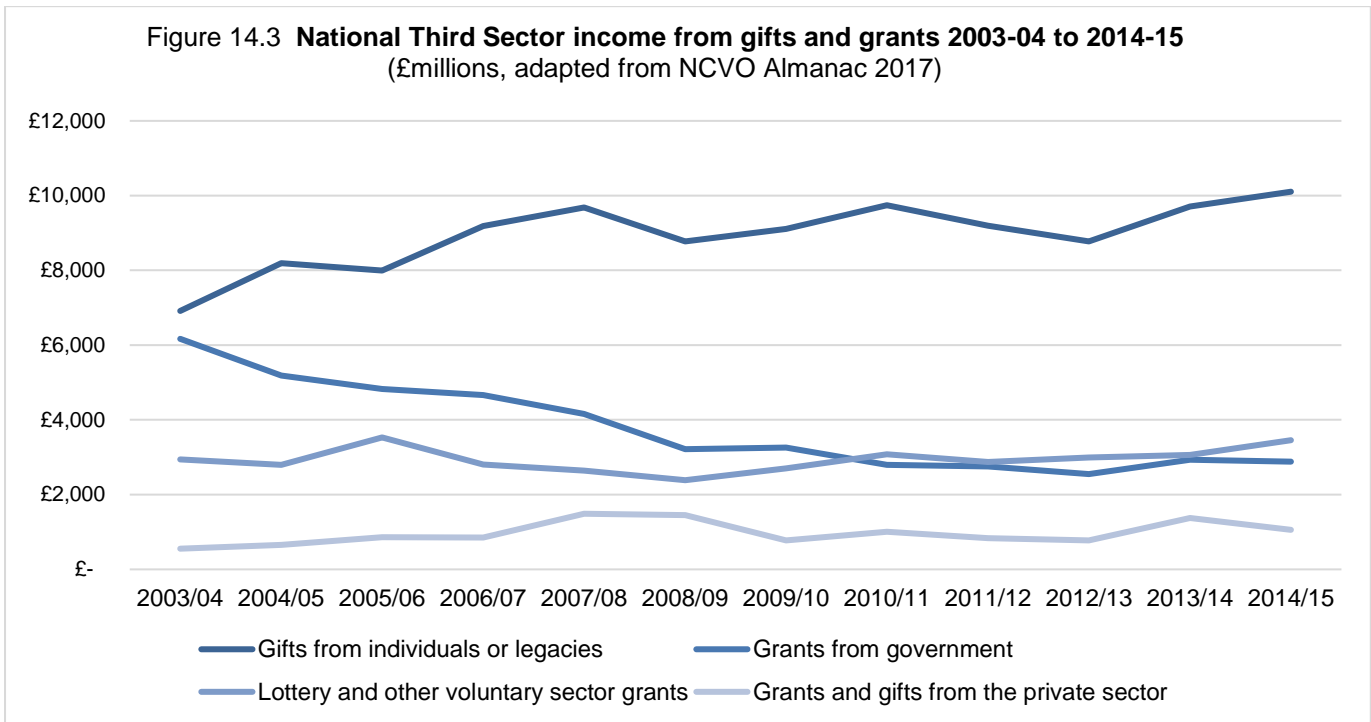
Grant funding as the bedrock of sector finance

When looking in more detail at income from gifts and grants, there are substantive underlying changes. Grant income from government has declined substantially from £6.1bn to £2.9bn (while earned income from public sector funding has risen from £5.8bn to £12.4bn – see Figure 14.3).

Grant income from voluntary sector sources (including the National Lottery) has grown by about a third from £2.5bn and £3.5bn, while income from the private sector has also steadily risen from £550m to £1bn. Income from individuals as gifts or legacies has fluctuated to some extent but follows a rising trend from £7bn to £10bn.

⁵¹ Chapman, T. (2017) 'The propensity of third sector organisations to borrow money in the UK', *Policy Studies*, vol. 38, no. 2, pp. 185-204.

⁵² Charging for services is feasible in some contexts but not in others. TSOs operating in poorer communities or with financially vulnerable groups, for example, cannot reasonably be expected to charge for services if their beneficiaries cannot contribute wholly or partly to the costs of delivery.



Grant funding is the mainstay of sector finances: 64% of TSOs in Yorkshire and the Humber have made applications for a grant from local foundations in the last two years and 53% to national grant making foundations. Small TSOs were the least likely to have made applications to local foundations (53%) while medium sized TSOs were the most likely to have done so (81%).

Success rates in winning at least one grant are very high: 83% of TSOs which have made applications to a local grant making foundation in the last two years were successful in winning at least one grant. Levels of applications to national grant making foundations are generally lower (53%) than to local grant makers (64%) but amongst those who apply, 69% are successful.

The research shows that TSOs consider several factors when they are thinking about applying for grants. Having a good relationship with the funder is regarded as an important factor by most TSOs (63%) and many TSOs are influenced by their previous success in winning a grant from a funder (57%) or whether the funder is known to give a lot of grants in the area (53%). Smaller TSOs are much more likely (39%) than larger TSOs (22%) to feel that the location of the grant funder in the region is important in their considerations.

For smaller TSOs, the simplicity of the grant application process is a big consideration for 65% of organisations compared with just 40% of the largest organisations. Relatively few TSOs think it is important that a grant funder will allow them to work on their own when receiving grants rather than working with partners. Independent working seems to be of more importance to smaller TSOs (47%) than for the larger organisations (24%).

Working with the private sector

Commentators tend to under-play the role of the private sector in resourcing the Third Sector. However, the evidence presented in this report shows that the business community puts a great deal of resource into the Third Sector in Yorkshire and the Humber as is the case nationally (see Figure 14.3).

Much of the resource from the private sector arrives directly via corporate social responsibility programmes or indirectly in the form of grants from intermediaries such as charitable grant giving foundations (for example, Lloyds Bank Foundation and Garfield Weston) or from community foundations which manage philanthropic giving.

While it is not possible to give an estimate of the actual financial value of funding directly from business to the local Third Sector in Yorkshire and the Humber, this research indicates that the volume of contributions of money and in-kind support from business is substantial. Indeed, in Yorkshire and the Humber, 41% of TSOs state that money from business is of 'some' or 'great' importance to them, compared with 37-38% in neighbouring Northern regions.

Almost a third of TSOs are provided with facilities to support their work by the private sector or get support from people who volunteer from businesses. About 30% of TSOs also get free expert advice from business (such as PR, legal advice or accountancy) although the biggest TSOs are more likely to receive such support (43%).

Awareness of the contribution of business to the local Third Sector appears to be quite limited and this is reflected in the relatively low level of activity in building stronger links with the business community in the future. Only 6% of TSOs are currently acting to work more closely with business (14% of larger TSOs) while a further 14% are planning to do so (25% of larger TSOs). 80% of TSOs, however, have no such plans.

To assert that TSOs should work harder to harness the resources of business requires qualification, however, because too little is known about the nature and quality of interactions between business and the Third Sector in Yorkshire and the Humber. If the Third Sector Trends research continues to a third phase in 2018-19 – exploring this issue should perhaps be a priority.

Developing the capability of TSOs

Organisational capability for larger, more formal and complex TSOs which need to deliver work in a business-like and professional way ought to be underpinned by investment in organisational development by TSOs.

The evidence shows that the extent of investment by TSOs in the development of their capability is higher in Yorkshire and the Humber than in adjacent regions. As shown in Figure 14.4, 42% of TSOs in Yorkshire and the Humber have a training and development budget, compared with only 32% of TSOs in North East England and 35% in North West England.

Larger TSOs, as would be expected, are much more likely to invest in training and development of their staff (79% in Yorkshire and the Humber compared with only 73% in North East England). It would not be expected that smaller and less formal TSOs would have training budgets (because they have no employees or contracts), but in the case of medium sized TSOs, it is revealing that only 55% of organisations in Yorkshire and the Humber invest regularly in training and development (although this is considerably higher than in North East England (39%).

Qualitative evidence from the Third Sector Trends study shows that leaders of these TSOs too often claim, perhaps erroneously, that a training budget is 'a luxury they cannot afford'.⁵³

Percentage of TSOs in Northern England which have a training budget (2016)	Smaller TSOs (£0-£50,000)	Medium TSOs (50,001-£250,000)	Larger TSOs (£250,000 or more)	All TSOs	N=
North West England	13.8	46.7	79.0	34.6	1,439
Yorkshire and the Humber	18.0	55.0	78.8	41.7	1,071
North East England	13.5	38.8	73.1	32.3	993
North of England	14.8	47.2	77.4	36.3	3,525

⁵³ See Chapman, T. and Robinson, F. (2013) *Walking a Tightrope: balancing critical success factors in hard times*, Newcastle upon Tyne, Northern Rock Foundation.

Relatively few medium sized or larger TSOs invest in key aspects of organisational development (such as business planning; people, financial and strategic management). Indeed, longitudinal analysis shows that much of the sector is 'consistently disinterested' in such forms of development and puts its faith instead in building its fundraising and grant bidding skills – as if money was always the answer to all their problems.

Swings and roundabouts

Perhaps one of the great strengths of civil society is its ability to champion causes that have gone unrecognised or have been neglected by the state. By drawing attention to worthy causes and making successful claims about the importance of tackling such issues, the Third Sector has helped to transform society.

One of the challenges produced by sector ambition to achieve good outcomes for beneficiaries is that leaders of TSOs may be too *optimistic* about their prospects of garnering the resources to achieve their objectives. In Yorkshire and the Humber, it has been shown that 41% of TSOs expect to increase their income, 33% expect to increase numbers of paid staff and 45% expect to attract more volunteers over the next two years. Many TSOs will, of course, achieve their ambitions – but as previous Third Sector Trends studies have shown – many will not.

The fact that anyone, within the limits of the law, can set up an organisation or group to tackle an issue that they feel is important has undoubtedly strengthened the hand of civil society in many respects. But in so doing, claims are made implicitly or explicitly, on the comparative value of different social objectives and the beneficial outcomes of social action. In turn, these produce competing demands for resources to make good things happen, whether it is the renovation of an historic building, providing support to homeless people, fighting discrimination, alerting the medical profession to the existence of a hitherto unrecognised disabling conditions, or to any number of other good causes.

The Third Sector operates in an environment where access to the resources of people and money are finite. There will never be sufficient resource to meet every demand – no matter how strong claims may be. It is now known that the leaders of TSOs tend to be too optimistic about future access to resources. The problem with unattainable optimism is that it makes many leaders of TSOs feel disappointed that their efforts to draw in resources have not met their expectations.

It should be remembered, as the above analysis indicates, that the Third Sector in Yorkshire and the Humber has strengthened to some extent since the last survey was undertaken in 2013. And, as was the case in 2013, there is much optimism about TSOs' prospects for drawing in new resources of money, employees and volunteers. Arguably that optimism is likely to be exaggerated – as has been shown to be the case in the past

An attempt to dampen the sector's ambition might seem like a sensible way of concluding this report – but it would not be good advice – and in any case, it is advice that would not be heeded. The Third Sector exists to make a difference. Its people are committed to achieving that and, without doubt, its benefactors and funders want this to continue to happen.

The downside is that competition will continue to be intense for finite resources – but this is something that the Third Sector has learned to live with – albeit with a risk of disappointment for some while others prosper. There is, in fact, much room for optimism that this robust sector will continue to go from strength to strength because, as this report shows, TSOs can flex their shape to mould to new circumstances and consequently the majority will retain their resilience and remain sustainable.

Appendix 1: Publications from the Third Sector Trends study

- Chapman, T. (2017) 'Journeys and destinations: how third sector organisations navigate their future in turbulent times', *Voluntary Sector Review*, 8:1, 3-24.
- Chapman, T. (2017) 'The propensity of third sector organisations to borrow money in the UK', *Policy Studies*, 38:2, 185-294.
- Chapman, T. (2017) A digest of findings from the Third Sector Trends Study in North East England, Durham: St Chad's College, Durham University.
- Chapman, T. (2017) A digest of findings from the Third Sector Trends Study in Yorkshire and the Humber, Durham: St Chad's College, Durham University.
- Chapman, T. (2017) A digest of findings from the Third Sector Trends Study in North West England, Durham: St Chad's College, Durham University.
- Chapman, T. and Hunter, J. (2017) *Third Sector Trends in the North of England: a summary of key findings*, Manchester: IPPR North.
- Chapman, T. and Robinson, F. (2015) *Key findings from the Northern Rock Foundation Third Sector Trends Study in North East England*, Newcastle, Northern Rock Foundation.
- Chapman, T. (2015) *The situation of Third Sector organisations working in rich and poor areas: key findings from North East England and Cumbria*, Newcastle, Northern Rock Foundation.
- Chapman, T. (2015) *An assessment of Third Sector organisations' willingness to borrow money: evidence from Yorkshire, North East England and Cumbria*, Newcastle, Northern Rock Foundation.
- Chapman, T. and Robinson, F. (2014) *Third Sector Trends in North East England and Cumbria: headline trends 2008-2014*, Newcastle, Northern Rock Foundation.
- Chapman, T. and Robinson, F. (2014) *Keeping it simple: how to work effectively with the Third Sector, a discussion paper and evidence review*: Durham: Institute for Local Governance.
- Chapman, T. (2014) *Third Sector Trends in Yorkshire and Humber*, Leeds: Involve Yorkshire and Humber.
- Pharoah, C., Chapman, T. and Choudhury, R. (2014) *An insight into charity funding in the North East*, London: Garfield Weston Foundation.
- Chapman, T. (2013) 'Regeneration through Social Enterprise: government-driven and community-led initiatives in Britain and Japan', in M. Leary and J. McCarthy (eds.) *Companion to Urban Regeneration*, London: Routledge.
- Chapman, T. and McGuinness, B. (2013) 'Consuming values in a social market: making choices about volunteering and non-volunteering', *Social and Public Policy Review*, Vol. 7: 1.
- Robinson, F. and Chapman, T. (2013) *The Reality Check: final report from the second phase of the Third Sector Trends Study*, Newcastle: Northern Rock Foundation.
- Chapman, T. and Robinson, F. (2013) *On the Money: how does the way Third Sector organisations think about money affect the way they work?* Newcastle: Northern Rock Foundation.
- Chapman, T. and Robinson, F. (2013) *The Crystal Ball: how do Third Sector Organisations see their future, and what are they doing about it?* Newcastle: Northern Rock Foundation.
- Chapman, T., Robinson, F., Bell, V., Dunkerley, E., Zass-Ogilvie, I. and van der Graaf, P. (2013) *Walking a Tightrope balancing critical success factors in hard times*, Newcastle: Northern Rock Foundation.
- Robinson, F., Bell, V., Chapman, T., Dunkerley, E., Zass-Ogilvie, I. and van der Graaf, P. (2013) *Taking the Temperature: how are Third Sector organisations doing?* Newcastle: Northern Rock Foundation.
- Chapman, T., Robinson, F., Bell, V., Dunkerley, E., Zass-Ogilvie, I. and van der Graaf, P. (2012) *Journeys and Destinations: the impact of change on Third Sector organisations*, Newcastle: Northern Rock Foundation.
- Chapman, T. and Robinson, F. (2011) *Taking Stock, Moving On: a summary report on the results of the Northern Rock Foundation Third Sector Trends Study*, Newcastle: Northern Rock Foundation.
- Mohan, J., Rajme, F.G. and Kane, D. (2011a) *Paid work and volunteering in the Third Sector in North East England*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.

- Mohan, J., Rajme, F.G. and Kane, D. (2011b) *Paid work and volunteering in the Third Sector in Cumbria*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.
- Robinson, F., Bell, V. and Chapman, T. (2011) *Building Better Boards: What's the problem?* Newcastle: Northern Rock Foundation.
- Chapman, T. (2011) Smoke and Mirrors: The Influence of Cultural Inertia on Social and Economic Development in a Polycentric Urban Region, *Urban Studies*, Vol. 48, No. 5, pp. 1037-1058.
- Chapman, T., Brown, J., Ford, C. and Baxter, E. (2010) 'Trouble with champions: local public sector – Third Sector partnerships and the future prospects for collaborative governance in the UK', *Policy Studies*, Vol. 30, No.6, pp. 613-630.
- Bell, V., Robinson, F., Chapman, T., van der Graaf, P., Shaw, S., Brown, J. and Chinaka, G. (2010) *Forearmed with Foresight: speculations on the future development of the Third Sector in North East England and Cumbria*, Newcastle: Northern Rock Foundation.
- Chapman, T., van der Graaf, P. Bell, V., Robinson, F. and Crow, R. (2010) *Keeping the Show on the Road: a survey of dynamics and change amongst Third Sector organisations in North East England and Cumbria*, Newcastle, Northern Rock Foundation.
- Chapman, T., Robinson, F., Brown, J., Crow, R., Bell, V. and Bailey, E. (2010) *What makes Third Sector organisations tick? Interactions of foresight, enterprise, capability and impact*, Newcastle: Northern Rock Foundation.
- Kane, D. and Mohan, J. (2010a) *Mapping registered Third Sector organisations in the North East*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.
- Kane, D. and Mohan, J. (2010b) *Mapping registered Third Sector organisations in Cumbria*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.
- Kane, D. and Mohan, J. (2010c) *Mapping registered Third Sector organisations in Yorkshire and the Humber*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.
- Mohan, J., Kane, D., Wilding, K. Branson, J. and Owles, F. (2010) *Beyond 'flat earth' maps of the Third Sector*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.
- Chapman, T. Robinson, F., Brown, J. Ford, C., Shaw, S. Crow, R. and Bailey, E. (2009) *A Mosaic, Jigsaw or Abstract: getting a big picture perspective on the Third Sector in North East England and Cumbria*, Newcastle: Northern Rock Foundation.
- Chapman, T. and Crow, R. (2008) *A Thriving Third Sector: a study of North Yorkshire and City of York*, Middlesbrough: Social Futures Institute.
- Chapman, T., Crow, R. and Brown, J. (2008) 'Entering a Brave New World? An assessment of Third Sector readiness to tender for the delivery of public services', *Policy Studies*, Vol. 28, No 1, pp. 1-17.
- Chapman, T., Forbes, D. and Brown, J. (2007) 'They think they have God on their side': the impact of public sector attitudes on the development of social enterprise', *Social Enterprise Journal*, Vol. 2, No. 1, pp. 78-89.
- Chapman, T., Crow, R. Brown, J. and Ward, J. (2006) *Facing the Future: A Study of the Impact of a Changing Funding Environment on the Voluntary and Community Sector in the North East of England*, Middlesbrough: Social Futures Institute.

