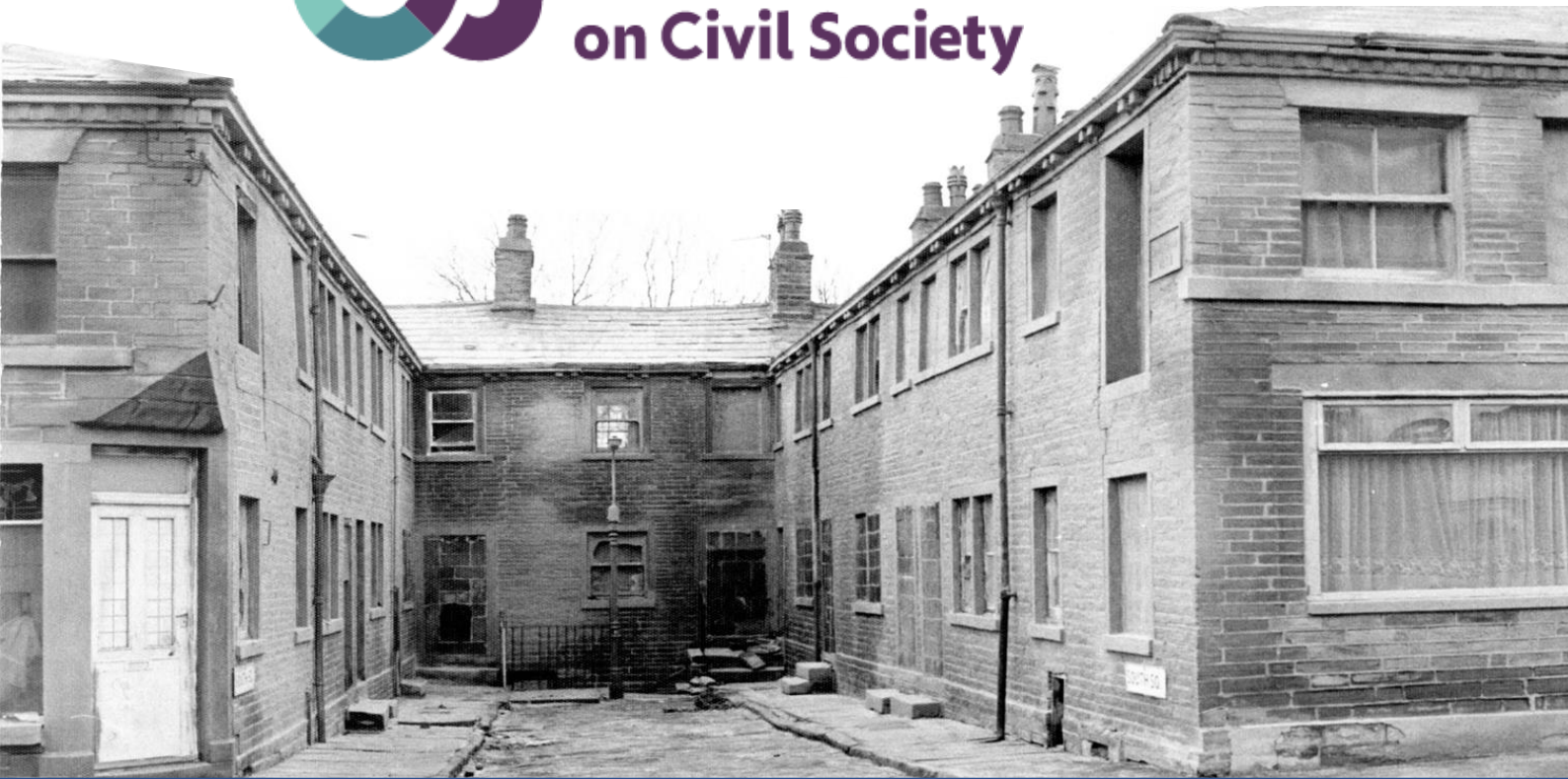




The Law Family  
**Commission  
on Civil Society**



# Going the extra mile

## How businesses work with the local social sector



## About the author

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<https://www.stchads.ac.uk/category/research/>

## The Law Commission on Civil Society

The Law Family Commission on Civil Society is an ambitious programme of ground-breaking research into how we can unleash the potential of civil society, to harness and enhance the powerful community bonds that exist in our nation. It will look at how to get all three sectors – public, private and social – firing on all cylinders to build truly inclusive growth. It will provide tangible ideas for policy-makers, companies, philanthropists and social sector organisations to tackle the systemic challenges that are stopping civil society delivering on its potential. To achieve this, it has assembled 17 Commissioners, drawn from business, from public policy, from charity, from philanthropy and from community organising. The Law Family Commission on Civil Society is created by Pro Bono Economics with the generous support of Andrew Law and the Law Family Charitable Foundation.

<https://civilsocietycommission.org/>

## 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-founder 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, Power to Change and Garfield Weston Foundation to expand and continue the research. All publications from the Third Sector Trends study are available free to download at this address: <https://www.communityfoundation.org.uk/knowledge-and-leadership/third-sector-trends-research/>

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on Civil Society**



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This report is based on responses from over 4,000 leaders of social sector organisations in 2019 and many more in previous rounds of the study. Their willingness to take part and to *continue* to take part in the study over the years is enormously helpful. I am indebted to them for their participation and support.

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## Introduction

The Law Family Commission on Civil Society has been established to do ground-breaking research to enhance the potential of civil society. Unlike other programmes of research, the Commission aims to explore productive relationships between civil society, the state and the private sector and to find out how to maximise the benefits of current or future interactions.

This report plays its part in the aims of the Commission by exploring relationships between the private sector and the social sector. The commission defines the social sector as those organisations which are located within the realms of civil society that provide support to communities and beneficiary groups. These organisations include, for example, charities, cooperatives and community benefit societies, social enterprises, community businesses and community organisations.

The private sector already makes an enormous direct financial contribution to civil society. The NCVO estimates that this amounts to £2.7bn. But its efforts do not end there, businesses also provide in-kind support, pro bono advice and engage their employees with civil society in volunteering.

The relationship between the corporate social responsibility work of big business and the activities of major charities has already been researched quite extensively. This report does not concern itself with these major charities with annual incomes above £25m. Instead, it focuses on the social sector in more general terms – with a particular focus on small to medium sized organisations which generate the bulk of sector activity – especially at the local level.

Little is known about the volume of financial and non-financial support which business provides to the sector in general and how it is distributed across regions, amongst organisations, or within local areas with particular characteristics. Nothing much is known about the social purposes for which support is given, nor the extent to which this support is valued by social sector organisations.

The aim of this report is to begin to fill some of these gaps in our knowledge by drawing upon data from the Charity Commission register and the long-running Third Sector Trends study. Using these data, the report will offer the first substantive study of business and social sector interactions. It will explore the following issues:

- ***The types and extent of business support:*** define what kinds of financial and non-financial support are currently provided and explore the characteristics of social sector organisations that receive support.
- ***What issues does business support:*** to find out what issues business supports and determine whether businesses and social sector organisations share the same kinds of priorities.
- ***The value of business support:*** reconfigure existing data to produce estimates of the financial contribution of business to social sector organisations and the proxy-values of non-financial support.
- ***Regional variations in business support:*** present estimates on the distribution of business support regionally which takes into account variations in affluence and deprivation and the structure of the local social sector.

- ***The quality of relationships with business:*** from a social sector perspective examine the extent to which businesses are accessible to organisations and invest time in understanding their work.
- ***The extent to which organisations feel valued by business:*** finding out which kinds of social sector organisations are most or least likely to feel that business invests trust and energy in their activities.
- ***What the future holds for sector relationships:*** the prospects for the development of productive relationships are considered from a social sector point of view before and after the Covid-19 pandemic began.

The original findings of this report present a number of challenges to practitioners, commentators and policy makers in the public, private and social sectors that need to be addressed. The most important of which is the potential mis-match between the ethos, purposes and practices of sectors and how that may impede good working relationships.

This research report is exploratory and does not claim fully to answer all the questions it addresses. This would not be possible currently, because there are gaps in the existing quantitative data that cannot yet be filled. Consequently, the paper concludes with observations on new directions for research on business and social sector interactions and on the improvement of existing data sources.

It is not all about numbers. There is also a need to collect more deeply textured qualitative data on the experiences of businesses and social sector organisations which work together now or could do in future. This paper presents the groundwork to underpin that qualitative research by identifying questions that need urgently to be answered by the Commission.

# Chapter 1

## Context, data sources and methodology

This chapter sets the scene for the substantive data analysis in Chapters 2 to 5. Section one provides basic statistics on the structure of the private and social sectors and makes initial observations about sector interactions.

Section two outlines the principal types of support offered by businesses to the social sector including financial, in-kind, pro bono and employee volunteer support. The final section provides sector definitions, describes data sources and explains how key variables are constructed for use in the statistical analysis.

### 1.1 The structure of private and social sectors

Previous research on the relationship between business and civil society has tended to be concerned with the 'corporate social responsibility' (CSR) activities of big business. This spotlight on CSR is explicable because it often involves generously funded programmes which capture media and political attention.

The focus on CSR is accentuated by the activities of think tanks which undertake research, evaluation and policy work which is supported by business finance. Similarly, social sector infrastructure organisations are often funded from CSR budgets to facilitate interaction between business and the social sector in, for example, brokerage programmes for employee supported volunteering and pro bono activity.

CSR by big business certainly packs a punch financially. As the Director of Social Change's most recent *Guide to UK Company Giving* shows, the ten largest corporate contributors dispensed £295 million – 61% of the £483 million given by 235 businesses.<sup>1</sup>

#### ***The structure of the private sector***

The enormous financial contribution of big companies should be recognised. But, as shown in Table 1.1 things need to be kept in proportion – because big companies, after all, only represent just 0.1% of the business population.

Consequently, debates about the contribution of the private sector to civil society must be widened to include smaller businesses that also contribute to social wellbeing in financial or other ways.

In 2019, the Federation of Small Business (FSB) published its *Small Business, Big Heart* report to draw attention to the contribution of smaller firms to civil society. Based on 1,876 membership survey responses, the report shows that 80% of small businesses made a contribution to their local community in the last three years and about three quarters of these firms supported local charities.

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<sup>1</sup> Pembridge, I, et al. (2021) *The Guide to UK Company Giving* (13th edition), London: Directory of Social Change.

Table 1.1 Business population, employment and turnover, England and Wales 2020<sup>2</sup>

	Number of businesses	% of businesses	Number of employees	% of employees	Turnover (£ millions)	% of turnover
Micro businesses with no employees	4,181,675	76.6	4,534,000	17.8	289,594	7.2
Micro businesses (1-9 employees)	1,049,940	19.2	3,790,000	14.9	571,865	14.1
Small businesses (10-49 employees)	190,895	3.5	3,729,000	14.7	599,466	14.8
Medium businesses (50-259 employees)	32,590	0.6	3,187,000	12.5	640,321	15.8
Large businesses (250 plus employees)	7,165	0.1	10,170,000	40.0	1,946,672	48.1
Totals	5,462,265	100	25,410,000	100.0	4,047,918	100.0

Support provided by small businesses is not necessarily financial, but includes employee volunteering, pro bono work or in-kind support. For example, 27% business owners stated that they hold a position in the community in conjunction with running their business and 11% say they are community volunteers themselves.

The FSB research did not attempt to determine the percentage of businesses that made a financial contribution to local SSOs nor to find out how much money individual businesses gave. Instead, attention was directed to the approach of local businesses which embraced a range of activities to invest in communities.

*‘Small businesses are not ‘little big firms’ and therefore their approach to social responsibility is distinct from the more familiar large firm Corporate Social Responsibility (CSR) approach. This large firm approach of creating specific CSR programmes, auditing activity and focusing on external promotion of the activity does not translate well for most small businesses.<sup>15</sup> While most smaller businesses are not familiar with CSR, in contrast they do undertake Small Business Social Responsibility (SBSR). SBSR is shaped by the personal commitments of the small business owner. A business owner’s decision to engage with their community is often made on the basis of personal convictions. It is often difficult to separate the individual who owns the business, from the business itself and the activities they choose to support.’<sup>3</sup>*

The notion that small firms are embedded in the community led the report to claim that:

*‘The ability of small firms to give back successfully is underpinned by the trust they are able to earn, in comparison to larger businesses... small firms create strong civic engagement networks utilising their local social capital, which helps to foster greater trust within communities and as a result encourages more people to work together to help the community as a whole.’<sup>4</sup>*

<sup>2</sup> Department for Business, Energy & Industrial Strategy (2020) Business population estimates for the UK and the regions 2020, London: OGL, Extracted from Tables 20 and 21, 7<sup>th</sup> April, 2021.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/923565/2020\\_Business\\_Population\\_Estimates\\_for\\_the\\_UK\\_and\\_regions\\_Statistical\\_Release.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/923565/2020_Business_Population_Estimates_for_the_UK_and_regions_Statistical_Release.pdf).

<sup>3</sup> Federation of Small Businesses (2010) *Small business, big heart: bringing communities together*, Blackpool: National Federation of Self-Employed and Small Businesses, p. 18. <https://www.fsb.org.uk/resource-report/small-business-big-heart-communities-report.html>

<sup>4</sup> FSB (2019) *Ibid*, p. 18.



The FSB report is concerned with direct support offered by small businesses. Business owners may support the community in other ways, by making philanthropic donations to, for example, community foundations or via intermediary organisations such as local Chambers of Commerce, Rotary Clubs or Freemasons.<sup>5</sup>

### ***The structure of the social sector***

Media reporting on the social sector is dominated by the work of major charities. But as Table 1.2 shows, most SSOs are very small. This report will concentrate attention on organisations with income below £25 million to ensure that the analysis is not skewed by the enormous financial clout of major organisations which absorb nearly half of sector finance (48%).

Table 1.2 Charity Commission register population statistics, England and Wales 2020 <sup>6</sup>					
Categories of SSOs used in this report <sup>7</sup>	Size of charity by most recently reported income	Number of charities in each category	Percentage of all charities in each category	Total most recently reported income (£millions)	Percentage of sector income by each category
<b>Micro organisations</b>	£10,000 or under	62,288	41.2	188	0.2
<b>Small organisations</b>	£10,001 - £25,000	28,321	18.7	467	0.6
	£25,001 - £50,000	10,154	6.7	346	0.4
<b>Medium organisations</b>	£50,001 - £100,000	14,731	9.8	1,064	1.3
	£100,101 - £250,000	15,917	10.5	2,529	3.1
	£250,001 - £500,000	7,540	5.0	2,661	3.3
<b>Larger organisations</b>	£500,001 - £1m	4,568	3.0	3,231	4.0
<b>Big organisations</b>	£1,000,001 - £5m	5,129	3.4	11,253	13.8
	£5,000,001 - £25m	1,941	1.3	20,792	25.6
<b>Major organisations (not included in the analysis of this report)</b>	£25,000,001 - £100m	381	0.3	16,634	20.5
	£100,000,001 or more	93	0.1	22,120	27.2
	Total charity income	151,063	100.0	81,286	100.0

When financial issues dominate debates about the social sector, attention is skewed towards the biggest organisations because they absorb the majority of sector

<sup>5</sup> Chambers of Commerce tend to work autonomously on issues surrounding social and community impact. See for example: an example of a campaign to encourage local businesses to 'make a pledge' to commit to their social responsibilities in North and West Yorkshire: <https://www.wnychamber.co.uk/news/chamber-launches-businesses-pledge-to-encourage-social-impact/>; and the commitment of Staffordshire Chamber of Commerce to join Social Value UK to improve their approach to social impact and support other Chambers to do so. For more detail on the purpose, operation and contribution of Rotary Clubs to charitable issues, see: <https://www.rotary.org/en/why-rotary-best-steward-your-money>. A recent Freemasons report states that over 415 grants were given to charities in the previous financial year valued at £42 million: <https://impact.mcf.org.uk/2020/>

<sup>6</sup> The analysis of sector-wide funding and practices undertaken in this report is based on a recent study drawing upon Charity Commission Register (2020) and Third Sector Trends (2019) data. See section 1.3 below for more detail: Chapman, T. (2020) *Structure and dynamics of the Third Sector in England and Wales: technical paper on working definitions and baseline data analysis*, Durham: Policy&Practice, St Chad's College, Durham University. [https://www.researchgate.net/publication/348818069\\_Structure\\_and\\_dynamics\\_of\\_the\\_Third\\_Sector\\_in\\_England\\_and\\_Wales\\_technical\\_paper\\_on\\_working\\_definitions\\_and\\_baseline\\_data\\_analysis](https://www.researchgate.net/publication/348818069_Structure_and_dynamics_of_the_Third_Sector_in_England_and_Wales_technical_paper_on_working_definitions_and_baseline_data_analysis)

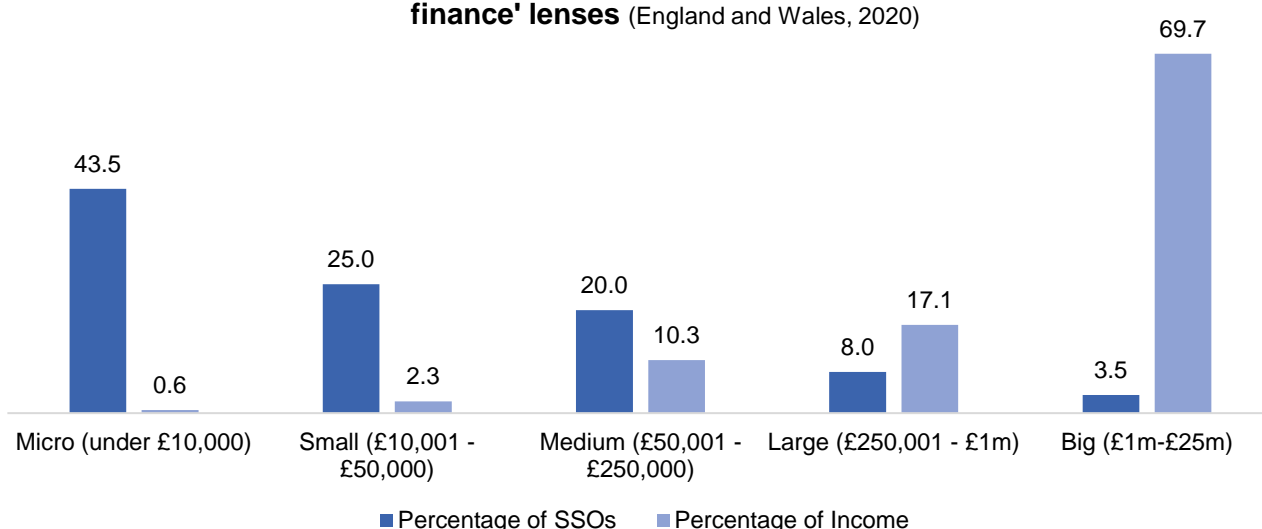
<sup>7</sup> See Section 1.3 for detailed definitions of these organisational categories which have been devised to disaggregate distinctive elements of organisational structure, purpose and practice.

income. Figure 1.1 compares findings through ‘**sector structure**’ or ‘**sector finance**’ lenses. From a structural perspective, micro and small SSOs dominate the sector: comprising nearly 69% of all SSOs but absorb just 3% of sector income.

Smaller organisations tend to draw heavily on non-financial resources to sustain their activities – most notably, time given by volunteers to manage SSOs and undertake all or the bulk of their work. From a financial point of view, by contrast, big SSOs absorb 70% of sector income. These SSOs are more formal and hierarchical in structure and have greater dependence on finance to meet the cost of employee salaries who deliver the bulk of the organisations’ work.

In recent years there has been a good deal of effort invested in raising the profile of smaller social sector organisations to off-set a more general political and media preoccupation with the activities of major charities.<sup>8</sup>

Figure 1.1 **Distribution of SSOs through 'sector structure' and 'sector finance' lenses** (England and Wales, 2020)



## 1.2 Social sector support from the private sector

In recent years, the principle of corporate social responsibility has become embedded in narratives about fair and effective practice in larger businesses and has progressively become more formalised in governance practices.

Social accountability is not limited to community engagement and development issues. The ISO26000 standard on organisational social responsibility also lists factors associated with organisational governance, human rights, labour practices, the environment, fair operating practices and consumer issues.<sup>9</sup>

As noted in the introduction to this report, there has been much research on the corporate social responsibility programmes of big business. But the way that the private sector, broadly defined, contributes to the local social sector is little

<sup>8</sup> Many charitable foundations and community foundations have championed the cause of small SSOs for decades, but their profile has been raised further through ‘small-but-vital’ campaigns by, for example, The Small Charities Coalition: <https://www.smallcharities.org.uk/> and Lloyds Bank Foundation for England and Wales: <https://www.lloydsbankfoundation.org.uk/we-influence/championing-small-but-vital-charities>.

<sup>9</sup> ISO26000 guidance on social responsibility can be found here: <https://asq.org/quality-resources/iso-26000>

understood.<sup>10</sup> It is generally recognised that financial support is just one of many ways that firms can support SSOs.

Levitt has devised a useful approach to help disentangle the varied contributions small businesses can make to the local community, the first two of which have influenced the approach taken in the Third sector Trends surveys which form the basis of the analysis in this report.<sup>11</sup>

- **Cash and kind:** giving money to charities and community groups, or providing free facilities, loans of equipment or services.
- **Time and talent:** providing hours of work and skills by volunteers in work time, or encouraging out of work volunteering by employees to support charities and community groups.
- **Head and heart:** engaging in socially beneficial business through fair trade policies or community liaison work.

Levitt recognises that small and medium sized enterprises (SMEs) may engage with local communities with different levels of intensity. Involvement may be:

- **ad hoc:** where initiation or participation in activity is spontaneous or disorganised,
- **organised:** where activity is purposefully supported and coordinated by the employer; and,
- **strategic:** when involvement is mission-driven investment of time and/or money with tangible company benefit in mind.

Levitt lists the potential benefits which SMEs may accrue from such investment of time, facility or money into the social sector.<sup>12</sup>

- A good reputation, making it easier to recruit employees and generate customer loyalty.
- Employees may stay longer, reducing the costs and disruption of recruitment and retraining.
- Engaged employees are better motivated, more team conscious and more productive.
- Good CSR practice helps ensure compliance with regulatory requirements
- Activities such as involvement with local community are ideal opportunities to generate positive press coverage and brand recognition.
- Good relationships with local authorities make doing business easier.
- Understanding the wider impact of a business can help in the development of products and services.

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<sup>10</sup> One useful exploratory study which broke new ground on the contribution of SMEs was undertaken by CRESR in 2013 which explored national statistics and reanalysis of a survey of organisations in Greater Manchester. However, the number of respondents who had relationships with business was small, providing little room for detailed analysis. See Bashir, N., Dayson, C., Eadson, W. and Wells, P. (2013) *Local business giving: between the raffle prize and a new source of funding*. Sheffield, NAVCA, Centre for Regional Economic and Social Research.

<sup>11</sup> It was not possible to examine the 'head and heart' element in Third Sector Trends surveys as respondents are located in the social sector, not the private sector. But it should not be taken to indicate a lack of interest in this element of business activity and will be explored in future studies from a private sector point of view. Levitt, T. (2013) *The Social SME: a study of small businesses and selected social responsibility issues in Bradford and York*, York, Joseph Rowntree Foundation.

<sup>12</sup> Levitt, T. (2013) *ibid*, p.7. This listing was adapted from research undertaken by Business Link.

- CSR can make companies more competitive and reduce the risk of sudden damage to reputation (and sales). Investors recognise this and may be more willing to invest.

In his small-scale study of SME investment in social and community issues in Bradford and York, it was concluded that engagement was something that a majority of businesses ‘do’ to some degree. However, much of this engagement was on a small scale, ephemeral and unplanned. Furthermore, much of the activity was initiated by employees (in, for example, fundraising activities) rather than company directors or managers.

This led Levitt to conclude that:

*“Small companies of all sizes recognise that... they have responsibilities to society or community but that they generally do not discharge those responsibilities as far as they might”*<sup>13</sup>

Levitt proposes that organisations or agencies which wish to promote business investment in the community need to recognise that there are several ‘triggers’ to initiate activity. These range from:

- **local stimuli** – where businesses help to identify and tackle issues such as multiple deprivation in the immediate vicinity;
- **sector stimuli** – where business networks promote and lead activity;
- **business stimuli** – where direct benefits of contributing to the community in commercial terms are identified;
- **people stimuli** – where personal investment by staff or management leads to social action; and,
- **external stimuli** – such as government policy (e.g., *Public Services (Social Value) Act*, which came into force in 2013).

It is not possible in this report to explore these issues as no data are currently held from the perspective of businesses. However, these points usefully outline potential agendas for future research on local firms.<sup>14</sup>

Below, the distinctions between *time and talent* and *head and heart* introduced above are discussed under four headings: financial support, in-kind support, pro bono support and employee supported volunteering. An explanation of how these categories were used in Third Sector Trends surveys in practical terms is provided in Chapter 2 of the report.

## ***Financial support from business***

An assessment of the financial contribution of business to general charities registered with the Charity Commission in England and Wales is published on an annual basis in the *NCVO Civil Society Almanac*. Table 1.3 presents data on the sources of income of charities.

- Private-sector income amounted to £2.7bn in 2017/18 financial year.
- Over half (54%) of total sector income is held by major or super-major charities.
- Private-sector income only constitutes about 5% of all sector income.

---

<sup>13</sup> Levitt (2013), *ibid*, p. 26.

<sup>14</sup> Levitt develops his ideas on interactions between the social, private and public sectors in more depth in Levitt, T. (2012) *Partners for Good: business, government and the third sector*, Aldershot: Gower.



- Micro and small charities command only 4% of total sector income even though they constitute about three quarters of organisations in the social sector.

It is worth noting that only 2% of private sector income is received by micro or small charities (but as noted above, they receive 4% of total sector income), while over 60% is absorbed by major or super-major charities (which receive 54% of all income).

This suggests that smaller organisations may not be getting their fair share – but it could also be the case that much of the support they gain is not being reported. In other words, their share may be larger than expected.

**Table 1.3 General charities income sources 2017/18** (NCVO Civil Society Almanac 2020<sup>15</sup>)

Income source (£millions)	Micro & small (£0-£100,000)	Medium (£100,000 - £1m)	Large (£1m-£10m)	Major (£10m-£100m)	Super-major (over £100m)	Total
The public	1,274.1	3,635.5	7,348.7	7,551.0	5,574.6	25,383.9
Government	291.3	1,691.1	4,341.8	6,088.1	3,278.9	15,691.2
National Lottery	30.4	157.8	217.7	147.7	21.9	575.6
Voluntary sector	167.6	698.0	1,164.5	1,124.9	1,988.6	5,143.6
Private sector	56.5	260.4	676.1	1,165.3	494.3	2,652.6
Investment	379.4	902.4	1,238.9	703.5	873.6	4,097.9
Total income	2,199.4	7,345.3	14,987.6	16,780.5	12,232.0	53,544.8
<i>Percentage total sector income by SSO size</i>	<i>4.1</i>	<i>9.8</i>	<i>28.0</i>	<i>31.3</i>	<i>22.8</i>	<i>100.0</i>
<i>Percentage of private sector income by SSO size</i>	<i>2.1</i>	<i>9.8</i>	<i>25.5</i>	<i>43.9</i>	<i>18.6</i>	<i>100.0</i>
<i>Percentage private sector income per SSO size category</i>	<i>2.6</i>	<i>3.5</i>	<i>4.5</i>	<i>6.9</i>	<i>4.0</i>	<i>5.0</i>

Total social sector income from business is £2.7 billion which is, by any standards, a large sum of money. But when set against the turnover of the private sector as reported in Table 1.1, the contribution looks somewhat diminished.

NCVO Civil Society Almanac data on private sector income may not cover some financial transfers from business which are recorded elsewhere. For example, independent charitable foundations are located in the 'voluntary sector' category – and many or most of these foundations draw heavily or entirely upon current or historical funds from the private sector.<sup>16</sup>

<sup>15</sup> Web source: <https://almanac.fc.production.ncvocloud.net/about/almanac-data-tables/>. NCVO estimates are scaled up from a sample of about 10,000 general charities. Financial accounts are coded manually. Due to Charity Commission rules, detailed financial data is only required from charities with income above £500,000. Consequently, financial data for smaller charities is patchy at best. In addition to limited published data on accounts, sample sizes for very small charities are not large enough to ensure reliability (only 0.1% of micro and 12.5% of small charities are sampled (n= 37 and 1,237 respectively)).

<sup>16</sup> For detailed definitions of funding bodies see Chapman, T. (2020) *The strength of weak ties: how charitable trusts and foundations collectively contribute to civil society in North East England*, Newcastle upon Tyne: Community Foundation serving

It is also likely that much of the funding provided by smaller businesses has simply not been recorded and as a consequence will not show up in NCVO Civil Society Almanac data. For example, only charities with income above £500,000 are required to provide detailed accounts on private sector income. Furthermore, it is no longer a requirement for companies to declare charitable donations.<sup>17</sup>

As the Directory for Social Change observe:

*'... there remains a long way to go for companies in terms of transparency in their CSR reporting. Obtaining figures for a company's giving is dependent on its commitment to transparency. It is often difficult to ascertain how much is given and in what manner, even for those companies that voluntarily release this information.'*<sup>18</sup>

NCVO Civil Society Almanac data provides an indication of the destination of direct financial transfers from the private sector. The data are presented in rank order for the private sector in Table 1.4.

The principal recipients of financial support, as would be expected, are grant-making foundations, law and advocacy. Infrastructure organisations and research organisations (such as think tanks) also benefit substantially from business finance such as *Business in the Community*, *London Benchmarking Group* and *Business Disability Forum*, *New Philanthropy Capital* and *NCVO* but the dominant funding route is generally via charitable foundations.<sup>19</sup>

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Tyne & Wear and Northumberland.

<https://www.researchgate.net/publication/348817768> The Strength of Weak Ties How charitable trusts and foundations collectively contribute to civil society in North East England

<sup>17</sup> The Companies Act 2006 withdrew the legal obligation to declare charitable donations (enacted 2013). Pembridge, I, *et al.* (2021) *The Guide to UK Company Giving (13<sup>th</sup> edition)*, London: Directory of Social Change. P. viii.

<sup>18</sup> Pembridge *et al.* (2021) *ibid*, p. xi.

<sup>19</sup> Accounts submitted to the Charity Commission from such organisations indicate a mix of direct funding from businesses and via business-funded charitable foundations. See for example: [New Philanthropy Capital](#)

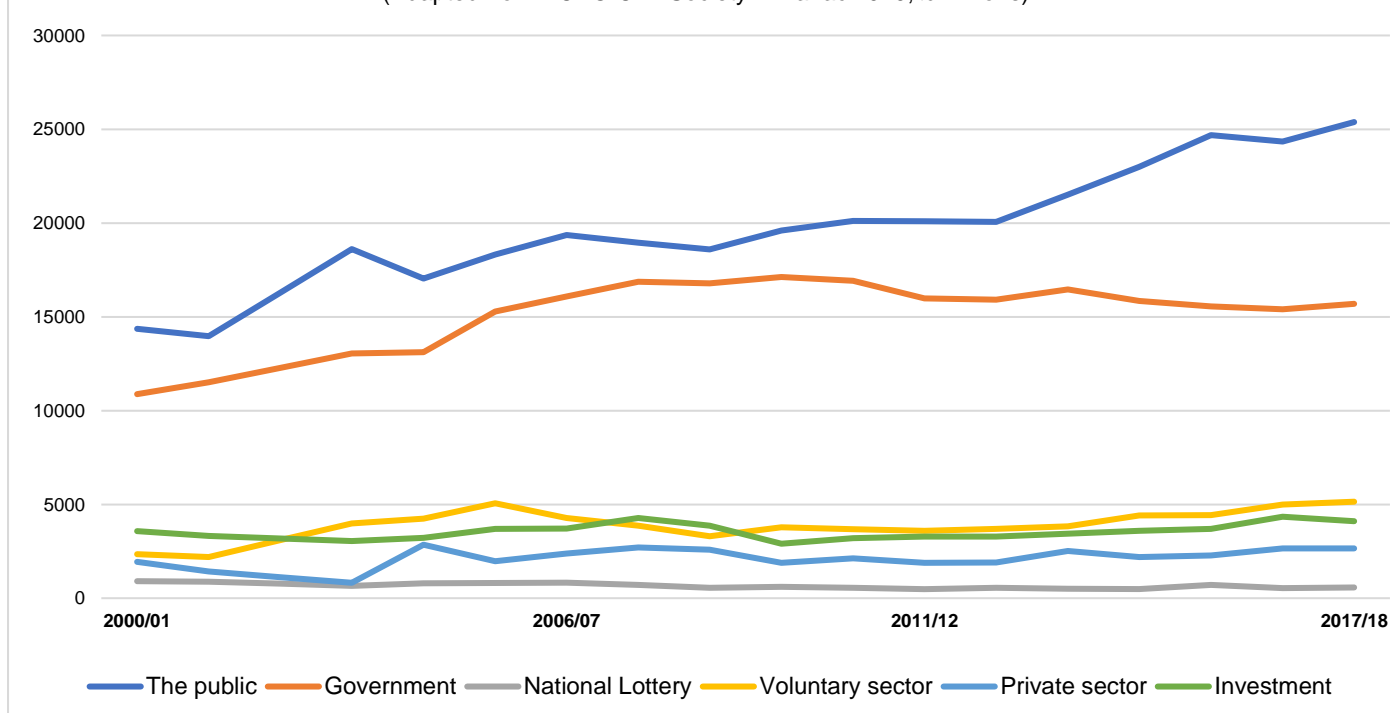
**Table 1.4 Distribution of income sources by beneficiaries (NCVO Civil Society Almanac 2020)**

2017/18 financial year	The general public	Government	National Lottery	Voluntary sector	Private sector	Investment
Grant-making foundations	53.3	3.1	0.5	5.5	<b>10.6</b>	27.1
Law and advocacy	29.2	45.5	1.7	10.8	<b>9.6</b>	3.2
Umbrella bodies	31.3	35.1	4.0	14.6	<b>8.1</b>	6.9
Employment and training	30.7	48.7	1.7	7.9	<b>7.8</b>	3.2
International	31.7	30.3	0.1	29.1	<b>7.5</b>	1.3
Research	51.5	13.8	0.2	8.1	<b>6.6</b>	19.7
Environment	71.00	11.0	1.1	7.7	<b>5.5</b>	3.7
Development	35.6	41.0	2.2	8.2	<b>5.1</b>	8.0
Culture and recreation	61.0	20.4	3.5	6.6	<b>4.8</b>	3.6
Education	56.2	23.8	1.3	9.0	<b>3.5</b>	6.1
Health	51.8	34.9	1.0	6.4	<b>3.3</b>	2.7
Scout groups & youth clubs	58.8	21.4	1.6	7.0	<b>3.1</b>	8.1
Social services	41.8	44.5	0.7	5.6	<b>2.8</b>	4.6
Village halls	58.5	11.6	2.5	10.6	<b>2.8</b>	14.0
Parent-teacher associations	67.0	11.0	1.7	6.8	<b>2.4</b>	11.1
Playgroups and nurseries	50.5	44.2	0.8	2.0	<b>1.6</b>	0.9
Religion	56.2	14.4	0.2	17.7	<b>1.4</b>	10.1
Housing	44.4	33.8	1.1	5.5	<b>1.0</b>	14.2

Annual income from business has remained similar over the last decade, as shown in Figure 1.2. What cannot be gleaned from this chart, however, is whether contributions consistently come from the same companies or whether patterns are much more haphazard due to ephemeral business contributions.

**Figure 1.2 Sources of third sector income 2000-2018**

(Adapted from NCVO Civil Society Almanac 2020, £ millions)



## ***In-kind support from business***

It is not easy to pin down what is meant by in-kind support. It could, conceivably, include *any* kind of support other than cash transfers. In this report, in-kind support is defined as the provision of goods at no cost, or free access to space (such as venues) or facilities (such as workshops or printing equipment) plant and vehicles (such as diggers or minibuses).

Little is known about the volume or types of support that is given by businesses to pursue charitable purposes in the social sector. The Directory of Social Change's *Guide to UK Company Giving* provides some coverage at the individual business level but it would be difficult to bring all this information together in a systematic way. For smaller businesses there is no available evidence and collecting such information systematically would be a daunting task for researchers and respondents.

The provision by firms of goods or kit at no cost, does not mean that businesses do not incur costs. Business owners or their staff will be needed allocate time to get things organised. Furthermore, as recipients of such support, SSOs need to invest staff or volunteer time. The more complex the process of lending support becomes, the costs of devising and managing systems rise.

In recognition of such complexity, some organisations have been established to facilitate or broker in-kind support between businesses and the social sector. For example, *In-Kind Direct* distributes consumer goods donated by companies within the UK and overseas. The charity, which was founded in 1996, claims that:

***'So far, we have distributed over £268m worth of essential products, supporting over 11,000 charitable organisations and millions of people, as well as diverting 30,600 tonnes of usable goods from waste. We empower charities to do more for less and put their local knowledge at the heart of our work. We make it easy for companies and brands to have a positive social impact with the products they make and sell.'***<sup>20</sup>

The impressive volumes of in-kind activity facilitated by the charity is costly and relies heavily upon donations and legacies to fund the programme.<sup>21</sup>

It is a daunting undertaking to collect and distribute public food donations and surplus stock from supermarkets. To fund distribution, supermarkets and other corporate partners make substantial financial contributions.<sup>22</sup>

This has led to the establishment of intermediary organisations to streamline distribution of donations. Robin Ferris, founder of Bankuet has stated that

***'I've met food banks in London with two years' worth of pasta and baked beans. When I look at the ecosystem the support from supermarkets is brilliant, food banks are dependent upon it, but there are operational efficiencies and a slicker way of approaching it.'***<sup>23</sup>

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<sup>20</sup> Full details on the activities of In Kind Direct can be found here: <https://www.inkinddirect.org/companies/>

<sup>21</sup> Full details on income and expenditure involved can be located here: <https://register-of-charities.charitycommission.gov.uk/charity-search/-/charity-details/1052679/accounts-and-annual-returns> (Search date: 8th April 2021)

<sup>22</sup> The logistics of distribution and the controversies arising from this process has led to growing media attention on the role of food banks and distribution charities. For a retail industry point of view, see: Hird, S. (2019) 'Are the supermarkets getting food banks right?' *The Grocer* 30<sup>th</sup> August. <https://www.thegrocer.co.uk/food-waste/are-the-supermarkets-getting-food-banks-right/597063.article>

<sup>23</sup> Quoted by: Hird, S. (2019) 'Are the supermarkets getting food banks right?' *The Grocer* 30<sup>th</sup> August. <https://www.thegrocer.co.uk/food-waste/are-the-supermarkets-getting-food-banks-right/597063.article>; for more detail on Bankuet can be found here: <https://www.bankuet.co.uk/>.



The volume of activity is impressive. In 2019-20, Britain's largest food bank charity, Trussell Trust, delivered over a million parcels.<sup>24</sup> Similarly, FareShare, delivered goods directly to nearly 11,000 community organisations and claim that the replacement cost of freely given goods would be an average £7,900 a year per recipient charities.<sup>25</sup>

In response to growing public need for foodbanks in the UK and overseas, the policy and practice interests of SSOs, public bodies and companies involved in the collection and distribution of food has led to the establishment of representative and campaigning bodies such as the European Food Banks Federation and the Global Foodbanking Network.<sup>26</sup>

Attempts to tackle food insecurity are not without their detractors from across the ethical and political spectrum and, indeed, from within the food banking industry. As Sabine Goodwin, Independent Food Aid Network, has argued:

*'Food banking is not something to be celebrated, despite the good will and generosity of the many volunteers and donors filling a growing gap in the here and now. The fact that charitable food aid is needed at all must remain unacceptable.'*<sup>27</sup>

The above examples are 'exceptional' because they address an issue of need which has garnered enormous public and political attention. But for the most part, in-kind support is likely to be localised, small scale, informal, irregular or occasional because neither businesses nor SSOs want or need to commit the time or effort to cement routines and relationships to any extent.

So there is an argument to be made that it is better to look at this issue from a more generalised perspective, finding ways of recognising the value of in-kind support by making plausible but generalised assessments of the overall value of in-kind support to the social sector.

### ***Pro bono support from business***

Pro bono support is defined in this report as the provision of practical work or advice by people with specific skills to social sector organisations. This can include work freely given by:

- **Professions:** such as solicitors or barristers, accountants, architects, health-care practitioners and so on.
- **Skilled trades:** such as electricians, caterers, hairdressers and beauticians, plumbers, drivers, fitters, florists and so on.
- **Technicians:** such as IT professionals, web-designers, food technologists, graphic designers and so on.
- **Artists, artisans and craft workers:** such as painters and dancers, growers, and bakers, potters and printmakers and so on.

Little is currently known about the volumes of support given in general terms, nor about the actual or potential demand for such support from SSOs.

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<sup>24</sup> Further detail on the activity of the Trussell Trust can be found here: <https://www.trusselltrust.org/hunger-free-future/join-us/?gclid=aw.ds>

<sup>25</sup> Further detail on the activity of FareShare can be found here: <https://fareshare.org.uk/>

<sup>26</sup> European Food Banks Federation: <https://www.eurofoodbank.org/en/mission-vision-values>; Global Foodbanking Network: <https://www.foodbanking.org/>

<sup>27</sup> Butler, P. (2019) Food banks risk being 'captured' by corporate PR drive, say activists', *The Guardian*, 24<sup>th</sup> March. <https://www.theguardian.com/society/2019/mar/24/food-banks-captured-by-corporate-pr-drive-say-campaigners>.

There is, however, a good deal of research on specific areas of expertise, of which the legal profession is undoubtedly the best known. Much of the pro bono work offered is given directly to individuals who are ineligible for legal aid and have insufficient resources to pay.

For example, LawWorks is a charity operating in England and Wales which provides direct or mediated access to pro bono support for individuals by qualified solicitors. LawWorks also produces an annual report on the contribution of pro bono student lawyers who are encouraged to offer support as part of their studies in Law Schools. In 2020 it was reported, for example, that of the 78 Law Schools surveyed, all but one provided pro bono opportunities.<sup>28</sup>

There are many pro bono charities whose interests are served collectively by the National Pro Bono Centre<sup>29</sup> which provides clear advice to individuals, charities and legal practitioners on the opportunities for and limits to pro bono support in general and for events such as the annual Pro Bono Week.<sup>30</sup>

Research on pro bono support has concentrated on the legal profession with a strong focus on the business benefits of engagement.<sup>31</sup> Although there has been some more critical commentary on the practitioner experience and on the institutional risks of providing pro bono support.<sup>32</sup>

In other areas of professional activity there has been a number of attempts to establish brokerage services to match those wishing to offer support with SSOs. In some cases, such schemes go beyond conventional definitions of pro bono work by encouraging businesses to second employees to charities to impart advice and improve understanding and interlinkages between the business and the social sector.

For example, *Business in the Community*, which has over 800 corporate members established a £4.8 million National Lottery funded 'Business Connectors' scheme which ran from 2012 to 2018.<sup>33</sup> While initially heralded as a potential 'game changer' and early evaluations of the pilot programme produced some promising findings on the value of the programme, the programme lost momentum once core funding ended.

Funding priorities are often 'need led', but can be fashion driven too when ideas capture the political imagination. Taking a broad overview of the research and policy literature over the last ten years, it appears that there has been a shift from community engagement activity in CSR work to environmental sustainability.

This is reflected in changing priorities in government policy. For example, initial enthusiasm for funding volunteering initiatives activity associated with the 'Big

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<sup>28</sup> See the LawWorks law school pro bono and clinics report 2014: <https://www.lawworks.org.uk/solicitors-and-volunteers/resources/lawworks-law-school-pro-bono-and-clinics-report-2014>

<sup>29</sup> For more detail on the National Pro Bono Centre, see: <http://www.nationalprobonocentre.org.uk/about-us/>

<sup>30</sup> See: #WeDoProBono (2019) *Guide to Pro Bono: free legal advice in England & Wales*, <http://probonoweb.org.uk/wp-content/uploads/2020/08/ProBonoHandBook-2019-npbc.pdf>

<sup>31</sup> See, for example: Kassi-Vivier, Y, Pawlowski, J. and Guttery, C. (2010) *Demonstrating the business value of pro bono service*, San Francisco: Taproot Foundation: <https://web.archive.org/web/20121105073516/http://www.taprootfoundation.org/docs/Taproot-Business-Value-2012.pdf>

<sup>32</sup> On the experience of front line pro bono work, see: Ryan, F. (2020) Voices from the front line: exploring what pro bono means to lawyers in England and Wales?, *International Journal of the Legal Profession*, <https://www.tandfonline.com/doi/abs/10.1080/09695958.2020.1830099>; on risks to the legal profession itself; Sethumadhavan, S. (2020) 'Should we rely on pro bono to keep the rule of law afloat?' *The Rule of Law Journal*, 1, 25-34. [https://scholar.google.com/scholar?as\\_ylo=2017&q=pro+bono+legal+services+uk&hl=en&as\\_sdt=0.5](https://scholar.google.com/scholar?as_ylo=2017&q=pro+bono+legal+services+uk&hl=en&as_sdt=0.5)

<sup>33</sup> See: Rickets, A. (2012) 'Business in the Community gets £4.6m grant for Business Connectors programme', *Third Sector*, (19<sup>th</sup> June).

Society' agenda, championed by former Prime Minister David Cameron, soon waned.<sup>34</sup>

A more sustainable way of brokering business skills to the social sector can be achieved when connections with local businesses are already well established. Community foundations are in a strong position to do so. For example, Community Foundation serving Tyne & Wear and Northumberland has established a successful *Trustee and Skills Match* initiative.<sup>35</sup>

### ***Employee supported volunteering***

There was a rush of enthusiasm for employee supported volunteering from the middle of the first decade of this century. This led to a flurry of activity amongst policy makers, government, social sector funding bodies and academic researchers. Volunteering England claimed it to be one of the fastest-growing areas of voluntary activity in the UK.<sup>36</sup>

Studies on the value and impact of ESV programmes have been undertaken at the company rather than a national level. Nevertheless, many generalised claims have been made about how it can benefit businesses, employees, charities and society.

For example, it has been shown that involvement in community activity can have a positive impact on employees' perceptions of the work organisation; that ESVs become more committed to the organisation: that it facilitates employee development by strengthening job-related skills such as team working; and can enhance leadership skills.<sup>37</sup>

Enthusiastic supporters of ESV argue that taking time out from work to volunteer reduces the pressures of the workplace and energises employees so that they can take on the challenges of the job when they return. Similarly, it has been claimed that for the career minded, volunteering may open up new possibilities. For those coming to the end of their careers it can help the transition from work to retirement.

While there has been a great deal of academic research on the corporate or employee benefits of ESV, much less attention has been directed towards community benefit in what has often been described as a 'win' arrangement. Anecdotal evidence suggests that ESV programmes give employees an opportunity to mix with people they might not normally have contact with. Furthermore, this external focus may make them more aware of the problems facing people in the community and get to know their local district better.<sup>38</sup>

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<sup>34</sup> For example, government funding for Timebank, Community Service Volunteers and the Mentoring and Befriending Foundation was withdrawn in 2011: See Levitt (2013) *ibid* p. 35.

<sup>35</sup> See: <https://www.communityfoundation.org.uk/knowledge-and-leadership/sector-support-and-development/>.

<sup>36</sup> Due to recurrent loss of funding sources, Volunteering England was, itself, absorbed by NCVO in 2019. Other major volunteering charities have closed due to shifting funding fashions, for example, vInspired was forced into liquidation in 2018, see: Weakley, K. (2018) 'How vInspired went from £50m to bust in less than ten years', *Civil Society Media*, 26<sup>th</sup> November.

<https://www.civilsociety.co.uk/voices/how-vinspired-went-from-being-a-50m-strategic-player-to-struggling-to-find-core-funding.html>

See for contemporaneous discussions in the growth in popularity of facilitating business employee volunteering programmes: Miller, W. (1997) 'Volunteerism: a new strategic tool; companies see bottom-line results in programs encouraging employees to volunteer for community service'. *Industry Week* 246 (16): 13-16; de Gilder, D., Schuyt, T. and Breedijk, M. (2005) 'Effects of an employee volunteering program on the work force: the ABN-AMRO case', *Journal of Business Ethics*, 61:2, 143-152; and Hess, D., Rogovasky, N. and Dunfee, T.W. (2002) 'The next wave of corporate community involvement: corporate social initiatives', *California Management Review* 44: (2): 110-125.

<sup>37</sup> The most frequently cited are transferable skills such as communication, confidence, empathetic understanding and leadership: see, Geroy, G.D., Wright, P.C. and Jacoby, L. (2000) 'Toward a conceptual framework of employee volunteerism: an aid for the human resource manager', *Management Decision* 38(4): 280-286; and, Rose, S. (2002) 'Building a recognition program for corporate voluntary work', *Strategic HR Review*, 1:6, 10-11.

<sup>38</sup> See, for example: Hilpern, K. (2004) 'Everyone benefits', *The Guardian*, 24th November. See also: Malecki, C. (2018) *Corporate Social Responsibility: perspectives for sustainable corporate governance*, Cheltenham: Edward Elgar.

In a well-resourced six-year evaluation of the O2 Think Big programme to help young people make successful life transitions. Most of the experiential value of the programme was gained when ESVs had a measure of autonomy over their activities and were allocated sufficient time fully to commit. Qualitative research revealed how benefit could be gained at an individual level in unexpected ways:

*'I think what was most surprising for me was that... you can't just categorise young people, you know the ones who are on the path to do academic work and have a great future and then these others who you see as hopeless cases, and then the others who you see as borderline delinquents. I've had my eyes opened, you know, they're not a bad lot, they've just had bad breaks. So I think that my views have changed. Changed about colleagues in the workplace too. Interacting with people on the outside has made me see things differently here – I have found that I get less stressed in the workplace [laughs]. If I am getting wound up, I'm better at walking away for a few minutes and not making anything of it.'*<sup>39</sup>

Gains can easily be undermined however, if company commitment to the programme change substantially and limits ESV involvement to surface level community activity.

Given the primary focus on corporate interests, one of the potential problems with ESV programmes is that the support which is offered, such as team-building days decorating a youth centre, fundraising for local charities or marshalling at an event, may only be of ephemeral or incidental benefit to SSOs.<sup>40</sup>

While enthusiasm for ESV has declined in recent years, there is still considerable activity in this area which is supported by a range of infrastructure bodies to act as brokers between businesses and charities at local, national and international level.<sup>41</sup>

The likelihood is, as Levitt has argued, that the bulk of activity is under the radar and is often led by employees themselves rather than being employer initiatives.<sup>42</sup>

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<sup>39</sup> Chapman, T. and Dunkerley, E. (2014) Opening doors: developing young people's skills and raising their aspirations: an evaluation of O<sub>2</sub> Think Big 2010-2012, Durham: Policy&Practice, St Chad's College, Durham University: <https://www.stchads.ac.uk/wp-content/uploads/2015/09/Opening-Doors-an-evaluation-of-O2-Think-Big-in-the-UK-1.pdf>, a more detailed account of the ESVs experiences from this study can be found here: *Building young people's resilience in hard times: an evaluation of O<sub>2</sub> Think Big in the UK*, see Section 6: <https://www.stchads.ac.uk/wp-content/uploads/2015/09/Building-young-people%e2%80%99s-resilience-in-hard-times-O2-Think-Big-Evaluation-Report-May-2012.pdf>

<sup>40</sup> See: Cook, J. and Burchell, J. (2017) 'Bridging the gap in employee volunteering: why the third sector doesn't always win', *Non-Profit and Voluntary Sector Quarterly*, 41(1), 165-184.

<sup>41</sup> Some brokerage organisations work at an international level, see for example Alaya: <https://alayagood.com/> Or for the UK, see Employee Volunteering CIC: <https://www.employeevolunteering.co.uk/> which claims, somewhat controversially, that 'The value of spend saved by volunteers can be up to 8 times more than a donation'.

<sup>42</sup> Levitt (2013) *ibid.*, pp. 98-101.



## 1.3 Definitions and data sources

This section provides a brief explanation of the definition of civil society and of types of organisations included in the analysis presented in subsequent chapters of this report.

### ***Civil society as a contested terrain***

Civil society in the UK is an enduring and powerful force. And yet, a clear definition of civil society is hard to pin down.<sup>43</sup>

Definitions of civil society are contested because this arena has ‘fuzzy’ boundaries. Indeed, the organisations which influence the funding environment contribute to this fuzziness because some are external to civil society, some straddle the boundary between civil society and other sectors, and some are firmly rooted in civil society.

From the perspective of SSOs, it is often easier to define *what civil society is not* rather than *what it is*:

- SSOs differentiate themselves from private-sector companies because they are not driven primarily by financial profitability – instead they prioritise the creation of social, cultural or environmental value.
- SSOs distinguish themselves from private individuals because they have come together with a shared interest to achieve a mission which transcends notions of personal self-interest.
- SSOs position themselves as independent entities which are separate from the state – often claiming that they exist to remedy problems that have gone unrecognised, been ignored or even caused by government.

Civil society occupies ‘the space in between’ the state, the private sector and private life.<sup>44</sup>

Civil society has the capacity to *advance, ameliorate or resist* changes brought about by the market, state or private individuals – it also *produces* change by challenging the status quo. But civil society is not structured – its component parts do not fit together like a jigsaw. Neither does the sector work in a systematic way like a machine. On the contrary, it can often approach the *same* social issues in startlingly different ways to achieve contrary purposes.

Competition to win influence and resources can be intense because all organisations and groups make ‘claims’ about the value of their work. Consequently, civil society as a whole can rarely agree on priorities - apart from sustaining their right to organise and act as they choose within the realm of civil society.

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<sup>43</sup> The definition of civil society has been the subject of academic debate for many years. Consensus on an exact definition of civil society is elusive, but most commentators agree that civil society is different from the state and necessarily must be separate. As an entity, civil society is sustained through the existence of relationships which are built on trust and reciprocity rather than formal or legal constraints. It provides informal mechanisms for conflict resolution, problem solving and co-operation. In sum, civil society provides the arena within which voluntary action flourishes, often to the benefit of society as a whole but also to the benefit of individuals and interest groups which both gain and can inject social capital into civil society through their association. See: Kendall, J. and Knapp, M. (1994) ‘A loose and baggy monster: boundaries, definitions and typologies’. In: Hedley, R., Davis Smith, J. and Rochester, C. (eds.) *Introduction to the Voluntary Sector*. London: Taylor and Francis.

<sup>44</sup> This model of civil society which Third Sector Trends follows, where the social sector sits at the centre of a triangle surrounded by the state, private sector and private life was developed from work by Evers, A. and Laville, J. L. (2004) ‘Defining the Third Sector in Europe’ in A. Evers and J.L. Laville (eds.) *The Third Sector in Europe*, Cheltenham: Edward Elgar Press. A more recent and potentially influential contribution defines civil society as a ‘third pillar’ alongside the state and private sector. This analysis is less convincing as it pays insufficient attention to the blurred boundaries between sectors and over-stresses the extent of homogeneity of the ‘third pillar’ and its comparable size in relation to the state and private sectors. See Rajan, R. (2019) *The Third Pillar: the revival of community in a polarised world*, London: William Collins.

However civil society and its component parts are defined, and no matter how it attempts to distinguish its role from other sectors – nothing stands still socially, politically, culturally or economically. This shapes the way that policy makers think about civil society and take actions which impact on its activities.

### **Defining ‘social sector organisations’ (SSOs)**

The Charity Commission states that there are over 167,000 charities on their register. However, the social sector (which is more often referred to as the ‘Third Sector’) is generally taken to include a wider range of organisations than registered charities. The National Audit Office (NAO) has defined 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 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.’<sup>45</sup>*

As the above quotation indicates, there are several categories of SSO. The following categories are usefully distinguished by the 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.<sup>46</sup>

#### ■ **Social enterprises (and community businesses<sup>47</sup>)**

<sup>45</sup> Bourne, J. (2005) Working with the Third Sector, London, National Audit Office. <https://www.nao.org.uk/report/working-with-the-third-sector/>

<sup>46</sup> While not discussed in detail by the NAO, this may include charities which are: required to register with an income below the reporting threshold; and exempted charities (such as Scouts groups) see: <https://www.gov.uk/government/publications/excepted-charities>.

<sup>47</sup> In recent years, the term ‘community business’ has gained favour in many circles. Community Businesses derive income primarily from trading within a locality and also seek to make a positive contribution to their community and in many cases be accountable to local people. For more detailed discussion from a Third Sector Trends perspective, see: Chapman, T. and Gray, T. (2018) *How do community businesses differ from other Third Sector organisations in the North: evidence from Third Sector Trends*. Durham, Policy&Practice. St Chad’s College, Durham University. <https://www.stchads.ac.uk/research/research-news/how-do-community-businesses-compare-with-other-voluntary-and-community-organisations/>. There is a growing body of research evidence on community businesses commissioned by Power to Change which covers all aspects of organisational work, see: <https://www.powertochange.org.uk/research/>.

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.<sup>48</sup>

### **Data sources used in the analysis**

The analysis in this report relies on two data sources, the *Third Sector Trends* study and the *Charity Commission Register*.

#### **The Third Sector Trends study**

Third Sector Trends is a longitudinal study of the structure and dynamics of the social sector in England and Wales. The research programme was designed to examine how SSOs fare over time in the context of change. The findings presented in this report are based on a robust research methodology which has evolved over the last twelve years to produce comparable time-series data.

Initially, the study's focus was North East England and Cumbria. This was extended to Yorkshire and Humber in 2013 and then to the whole of North West England in 2016. In 2019 a supplementary and less intensive survey was undertaken across the remainder of England and Wales to provide scope for comparative analysis. Table 1.5 shows how sample sizes have developed through the life of the study. The survey will recommence in mid-2022 across England and Wales.

The study was conceived and originally commissioned by Northern Rock Foundation in 2007 with research conducted by the universities of Durham, Teesside and Southampton. The Community Foundation serving Tyne & Wear and Northumberland now funds the study in North East England and is responsible for its legacy.

The Community Foundation has collaborated with partners including St Chad's College, University of Durham, Garfield Weston Foundation, Joseph Rowntree Foundation, Power to Change and IPPR North to expand and continue the research.

#### **Charity Commission Register**

Analysis of Charity Commission register data provides a clear overview of sector structure in England and Wales by size of organisation, income and expenditure and by using post code listings - the location at any spatial level (from ONS lower-layer super output areas up to regional level).

It is currently not possible to construct a single data base which includes other types of SSOs which have different legal forms and whose details are lodged with other regulatory or membership bodies. Consequently, it is necessary to make estimates on 'whole sector' size. The data set does not include several types of organisations

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<sup>48</sup> Definitions and registration criteria have changed since the NAO published its definitions, see: <https://communityshares.org.uk/about-cooperative-and-community-benefit-societies>.

which may be considered to be members of the social sector or civil society by other analysts.<sup>49</sup>

In Table 1.6, estimates are provided to include the following organisational forms. Care has been taken to avoid 'double counting', especially in the case of registered charities and companies limited by guarantee.

- **Registered charities** constitute the majority of organisations within civil society. In the Charity Commission Register dataset that has been collated by Policy&Practice a total of 150,943 cases were included.
- **Community Interest Companies (CICs)**: 14,396 are registered in England and Wales. CICs are fully registered and annual reports are produced on the size of the sub-sector which is broken down by UK nations and English regions.<sup>50</sup>
- **Cooperatives and Societies**: Currently there are 9,245 active organisations on the register (excluding 27 'amalgamated' organisations).<sup>51</sup> Those which are included in this study are as follows.
  - **Community Benefit Societies**: 1,008 registrations.
  - **Cooperative Societies**: 394 registrations.
  - **Credit Unions**: 432 registrations.
  - **Registered Societies**: 1,008 registrations.
- **Companies Limited by Guarantee (CLGs)**: many SSOs are both registered charities and CLGs. In the Third Sector Trends data set, 28.6% of registered charities are also registered as CLGs; but only 12% of CLGs are not registered as charities.<sup>52</sup> It is estimated that non-Charity Commission registered CLGs will be between 3-4% of the whole sector.<sup>53</sup>
- **Faith groups**: there are no reliable data sources to determine how many charities (or other legal forms) are faith-based or faith-led. In the Third Sector

<sup>49</sup> Exclusions include **trade unions**, **political parties** and **trade associations** because these organisations are more likely to serve 'sectional interests' rather than civil society as a whole. While many businesses have social objectives, most pursue financial profit as a principal objective if they are to survive and thrive. Consequently, all **private sector businesses** (including or 'for-profit' worker cooperatives/ partnerships) are excluded. **Housing Associations** and other large-scale Registered Social Landlords provide a vital social purpose but they are excluded because their scale and purpose would skew assessments of sector activity disproportionately. **Private schools** are also excluded because they exist primarily to serve private individuals' interests rather than public interest. **NHS hospital trusts** and **universities** can make a significant contribution to economy and society but they are excluded from the analysis (although these organisations are retained in the CCR database for future analysis). Semi-autonomous Non-Departmental Public Bodies (NDPBs) which are state-funded entities such as **research councils** and the **Care Quality Commission** are also excluded. The Cabinet Office defines a non-departmental public body (NDPB) as a "body which has a role in the processes of national government, but is not a government department or part of one, and which accordingly operates to a greater or lesser extent at arm's length from ministers". See: <https://www.gov.uk/guidance/public-bodies-reform#:~:text=A%20non%2Ddepartmental%20public%20body,at%20arm%27s%20length%20from%20ministers%E2%80%9D>. A more substantive discussion of such bodies can be downloaded here: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/663615/PublicBodies2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/663615/PublicBodies2017.pdf). Producing a definitive list of NDPBs or similar organisations has become increasingly complex as several such bodies have been redefined as charitable organisations such as British Waterways which in England is now known as the Canal and River Trust (see: <https://www.gov.uk/government/news/over-1-billion-investment-secures-future-of-new-waterways-charity>).

<sup>50</sup> See Regulator of Community Interest Companies (2020) *Annual Report 2018-2019*, Cardiff: Office of the Regulator of Community Interest Companies. Companies House holds data on CICs which is accessible online.

<sup>51</sup> The Mutuals Public Register is available here: [Mutuals Public Register \(fca.org.uk\)](https://mutualspublicregister.fca.org.uk). A number of societies cannot properly be described as Third Sector organisations because they are established to serve the financial interests of their members. These include 'benevolent societies', 'building societies', 'friendly societies', 'loan societies', 'superannuation societies', 'working men's clubs'.

<sup>52</sup> The mapping exercise undertaken by Kane, D. and Mohan, J. (2010) *Mapping Registered Third Sector Organisations in the North East*, Newcastle-upon-Tyne, Northern Rock Foundation: <https://www.nr-foundation.org.uk/downloads/Mapping-SSOs-in-NE.pdf> indicated that 10% of SSOs were CLGs that were not also registered charities.

<sup>53</sup> Some SSOs are registered as Companies Limited by Shares but they are currently few in number.



Trends benchmarking exercise undertaken by Southampton University, an attempt was made to map these organisations. They constituted 4.3% of active SSOs in North East England.<sup>54</sup>

- **Community Amateur Sport Clubs (CASCs):** current estimates suggest that there are 6,335 Community Amateur Sport Clubs in England and Wales.<sup>55</sup> Under the Charities Act 2011, CASCs cannot also register as a charity, but can deregister as a CASC if it wishes to do so.

**Table 1.5 Working estimates on the population of SSOs in England and Wales**

Legal form of organisations	Estimated number of organisations	Percentage of the whole population of SSOs
Charity Commission Register <sup>56</sup>	160,000	80.0
Community Interest Companies	14,400	7.2
Cooperatives and Societies	2,800	1.4
Companies Limited by Guarantee (but not registered charities)	6,000	3.0
Faith groups (which are not also registered as charities)	9,000	4.5
Community Amateur Sport Clubs	6,300	3.2
Other not elsewhere classified (e.g., Companies Limited by Shares)	1,500	0.8
Estimated total population of SSOs	200,000	100.1

### ***The size of the social sector***

Table 1.6 presents estimates on the structure of the 'whole' of the Social sector which will form the basis for subsequent work on sector structure and dynamics. The estimates are also shown by organisational size using Third Sector Trends categories.

The Third Sector Trends Study uses qualitative evidence to bolster understanding of the characteristics of SSOs gained from survey data. After ten years of study, the following categories have been defined.

<sup>54</sup> Defining the range of faith-based organisations and how they are registered or regulated is beyond the scope of this study. Having access to such data would be invaluable, but undoubtedly difficult to classify as the range of faith organisations is substantial, see for example: [https://en.wikipedia.org/wiki/List\\_of\\_religious\\_organizations](https://en.wikipedia.org/wiki/List_of_religious_organizations). For a useful report on Christian faith organisations' activity in this field, see *Church in action: a national survey of Church-based social action* (2018) Church Urban Fund/Church of England. [Church In Action: A National Survey Of Church-Based Social Action - CUF](#)

<sup>55</sup> The most recent available estimates derive from a 2016 report. <http://www.cascinfo.co.uk/cascregistrationfigures/201612december/> (accessed 30<sup>th</sup> September 2020). A register of CASCs is available online, but only holds data on the names and addresses of organisations. HMRC definitions, qualifying conditions and taxation rules of CASCs can be observed here: <https://www.gov.uk/government/publications/community-amateur-sports-clubs-detailed-guidance-notes/community-amateur-sports-clubs-detailed-guidance-notes#become-a-community-amateur-sports-club>.

<sup>56</sup> In its annual report 2020, the Charity Commission states that it registered 168,000 charities. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/901690/Charity\\_Commission\\_Annual\\_Report\\_and\\_Accounts\\_2019\\_to\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901690/Charity_Commission_Annual_Report_and_Accounts_2019_to_2020.pdf) However, in the data set of 151,000 charities collated for this study, 1.7% of registered organisations (n=2,562) have an address outside of England and Wales. As noted later in this document, NCVO excludes private schools and universities from its analysis further justifying a reduction in the tally of registered charities in England and Wales. The estimate of 160,000 registered charities may, therefore, be over generous.

Table 1.6 Working estimates on the size of the Social sector in England and Wales<sup>57</sup>

	Number of SSOs in each category	Percentage of all SSOs in each category	Estimated total most recently reported income (£millions)	Average income in each category	Percentage of sector income in each category
Micro (under £10,000)	87,000	43.5	£263	£3,023	0.6
Small (£10,001 - £50,000)	50,000	25.0	£1,057	£21,143	2.3
Medium (£50,001 - £250,000)	40,000	20.0	£4,698	£117,215	10.3
Large (£250,001 - £1m)	16,000	8.0	£7,786	£486,612	17.1
Big (£1m - £25m)	7,000	3.5	£31,728	£4,532,531	69.7
Totals	200,000	100.0	£45,532		100.0

- **Informal organisations:** ‘micro-SSOs’ and ‘small SSOs’ (defined in the Third Sector Trends Survey as organisations with annual income below £50,000) rarely employ staff and therefore operate quite informally in terms of their policies and practices – they mainly operate at a local level, but not exclusively so. They are usually completely reliant on voluntarily given time to sustain their activity. Being small does not mean that these organisations lack complexity in terms of interpersonal relationships – this is largely due to the voluntaristic nature of participation in activity which requires the development of a negotiated order to define and tackle priorities.
- **Semi-formal organisations:** ‘medium sized SSOs’ (with income between £50,000 and £250,000) adopt semi-formal practices. They tend to employ people but there is little scope for a complex division of labour or occupational specialisation. Often, they are the ‘embodiment’ of their leaders’ interest in cultural and value terms – but not always – some adopt more inclusive cooperative approaches. This can make personal interrelationships complex. While they are ambitious to achieve a great deal, they rely mainly on grants to keep going and most have limited or no interest in delivering public sector contracts.
- **Formal organisations:** ‘larger SSOs’ (which have income between £250,000 and £1million) are more formal in their structures and culture because their scale allows for specialisation and a more complex division of labour. There are formally embedded hierarchical aspects to organisational structure and some procedural practices are necessarily adopted. But they are not impersonal bodies in practice because of their small scale and limited number of employees and volunteers. These SSOs rely on a mixed finance diet where grants and self-generated trading tend to be amongst the most important income sources.
- **Formal hierarchical organisations:** ‘big SSOs’ (which have income between £1million - £25million). Due to their scale, they adopt more formalistic inter-personal relationships between strata of employees and social distance becomes more pronounced and separates domains of decision making and practice delivery – whilst not losing elements of organic change from across

<sup>57</sup> The estimates are for registered organisations in England and Wales. Estimates on the number of unregistered or ‘below the radar’ organisations and groups are not included. For further detail, see Chapman, T. (2020) *ibid*, p.10.

the formal hierarchy. Financially, these organisations rely on mixed sources: particularly grants, self-generated income and public contracts. They devote significant time to strategic planning and position themselves beneficially through effective public relations and networking.

- **Formal complex organisations:** Major SSOs (with income above £25million) resemble large businesses or smaller public sector bodies. With stronger reliance on employees than volunteers they adopt standardised structures and expect procedural conformity. They rely heavily on public sector contracts, trading and to a lesser extent grants. Very large organisations also depend upon self-generated fundraising. Consequently, they seek to develop a recognisable presence or 'brand' in the public domain. Such organisations tend to be effective at influencing policy stakeholders and/or formal engagement in visible campaigning.

The use of these categories does not imply that they are completely separate and distinctive, but they are useful when making comparisons about organisational structure, functions, policy and practice preferences which inform analysis, interpretation, conclusions and recommendations.

Table 1.7 presents estimates on the number of SSOs in each English region and of the number of SSOs per 1,000 population. These estimates will be used in all scaling-up exercises to ascertain the value of the contribution of business in Section 3 of this report.

Table 1.7 Number of SSOs per 1,000 population in Wales and English regions				
	Estimated Number of all SSOS	Percentage of SSOs in each region	Population in each region	SSOs per 1,000 population
North East England <sup>58</sup>	6,128*	3.1	2.67m	2.30
North West England	18,977	9.5	7.34m	2.59
Yorkshire and Humber	14,275	7.1	5.5m	2.60
East Midlands	14,665	7.3	4.84m	3.03
West Midlands	16,039	8.0	5.93m	2.70
East of England	22,691	11.3	6.24m	3.64
London	39,675	19.8	9.18m	4.32
South East England	34,367	17.2	8.96m	3.84
South West England	23,133	11.6	5.62m	4.12
<b>England</b>	<b>189,949</b>	<b>95.0</b>	<b>56.28m</b>	<b>3.38</b>
Wales	10,051	5.0	3.15m	3.19
<b>England and Wales</b>	<b>200,000</b>	<b>100.0</b>	<b>59.43m</b>	<b>3.37</b>

<sup>58</sup> It should be noted that the estimates for North East England are lower than those published by Third Sector Trends at 7,200. This estimate is built upon a census examination of the sector undertaken by Kane and Mohan (2010a) to include faith groups and a range of other organisations which were not included in formal sector categorisations. It could be the case, therefore, that the estimates presented in Table 1.8 are too low. That is not certain because a census exercise was also carried out by Kane and Mohan (2010b) in Yorkshire and Humber and the number of SSOs is similar to the CCR estimate. Without the advantage of census appraisals across other regions, these differences cannot be resolved so the North East England CCR estimate is used in this study – but for discrete regional reports, the published TSTS estimates will be retained.

## Chapter 2

### Extent and value of business support

In this chapter, analysis is presented on the proportion of organisations in the social sector which receive a range of types of support from business. The chapter opens with a discussion of types of business support and how they are measured.

The analysis then disaggregates the proportion of SSOs which receive business support by their size and explores whether levels of support have changed over time. Following this, spatial variations in the extent of reliance on business support is examined with a close focus on the affluence or deprivation of the areas within which SSOs are located

The final stage of the analysis looks at the extent of business support received by SSOs which serve specific beneficiary groups and the areas of social life upon which organisations feel that they have their most impact.

#### 2.1 Types of business support

Third Sector Trends surveys are designed to collect data on all aspects of the structure and dynamics of activity in civil society, so it was necessary to categorise aspects of support as concisely as possible. Four types of support were defined which are used extensively in the analysis.

- **Financial support:** money given to SSOs in various ways such as sponsorship of events, one-off financial contributions to support projects and initiatives, more regularised payments to sustain activities, and so on.
- **In-kind support:** use of facilities (such as meeting rooms, minibuses, plant or studios), new, used or surplus goods (such as DIY products, food and drink, stationary, computing equipment) and services (such as printing leaflets, catering services).
- **Pro bono expert advice:** where business owners, partners or qualified employees provide unpaid professional or technical support to SSOs with, for example, book-keeping and accountancy, architectural and design services, mentoring, business and management consultancy, media support and public relations, amongst other things.<sup>59</sup>
- **Employee supported volunteers:** where companies allocate time for their employees to undertake tasks for SSOs on an occasional or regularised basis – but not necessarily using their work-related skills. Volunteering activities may include, for example, decorating a community centre, fundraising, environmental work, marshalling at events and so on.

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<sup>59</sup> This could also, presumably, include membership of boards of trustees, finance sub-committees, etc. if undertaken during 'company time'.

By providing support to SSOs, companies will incur financial costs. For example, the organisation of activities for ESVs or the provision of staff time taken up to provide in-kind support.

Respondents were asked to make a qualitative judgement about how much they valued support rather than asking for specific examples of the assistance received. A more textured understanding of the kinds of support given and how it is valued was gained from qualitative interviews in the TSO50<sup>60</sup> study and other directly related projects.<sup>61</sup>

## 2.2 Characteristics of organisations receiving support

The analysis begins with a basic breakdown of the percentage of SSOs which have gained support from business. Table 2.1 also indicates the extent to which organisations have valued such support.

- A majority of SSOs (55%) state that financial support from business is at least of some value – but only 14% report that financial support is of ‘great importance’ – implying that they have substantive reliance on money given to them by businesses.
- A majority of SSOs have received in-kind support from business in the last two years (61%); only 12% emphasise that it is of ‘great importance’ to them but a further 23% state that it is ‘of some importance’.
- Fewer SSOs receive pro bono support from business (43%) and few claim that this is of great importance to them (7%) – that stated, 25% say that pro bono support is of ‘some’ or ‘great’ importance.
- Support from employee volunteers is the least valued resource from business (41%), nevertheless, 23% of SSOs state that such support is of ‘some’ or ‘great’ importance to them.<sup>62</sup>

<sup>60</sup> Third Sector Trends has followed the situation of 50 SSOs across North East England and Cumbria since 2009 with in depth qualitative work and analysis of Charity Commission financial reports. The last iteration of the study was completed in 2018. Throughout this research, interviews have asked SSOs about their interactions with private sector businesses which has produced a large volume of data to inform the development of subsequent survey questions. The most recent publication on the research is Chapman, T. (2017) ‘Journeys and destinations: how third sector organisations navigate their future in turbulent times’, Voluntary Sector Review, 8(1).

<sup>61</sup> Power to change commissioned Policy&Practice to explore interactions between community businesses and the private and public sectors. This in-depth qualitative study has strongly influenced subsequent quantitative analysis. Chapman, T. and Gray, T. (2019) *Striking a balance: a study of how community businesses in Bradford, Hartlepool and Middlesbrough build working relationships with the public, private and third sector organisations*, London: Power to Change, [https://www.researchgate.net/publication/348818185\\_Striking\\_a\\_balance\\_a\\_study\\_of\\_how\\_community\\_businesses\\_in\\_Bradford\\_Hartlepool\\_and\\_Middlesbrough\\_build\\_working\\_relationships\\_with\\_the\\_public\\_private\\_and\\_third\\_sector](https://www.researchgate.net/publication/348818185_Striking_a_balance_a_study_of_how_community_businesses_in_Bradford_Hartlepool_and_Middlesbrough_build_working_relationships_with_the_public_private_and_third_sector). The qualitative analysis was further explored with new quantitative questions for Power to Change in the 2019 iteration of Third Sector Trends, see: Chapman, T. (2020) *Community Businesses in the North of England 2020: New comparative analysis from the Third Sector Trends study*, London: Power to Change. study [https://www.researchgate.net/publication/348818301\\_Community\\_Businesses\\_in\\_the\\_North\\_of\\_England\\_2020New\\_comparative\\_analysis\\_from\\_the\\_Third\\_Sector\\_Trends\\_study](https://www.researchgate.net/publication/348818301_Community_Businesses_in_the_North_of_England_2020New_comparative_analysis_from_the_Third_Sector_Trends_study). A study for Lloyds Bank Foundation England and Wales explored the role of consultants supporting small charities in Neath Port Talbot and Redcar and Cleveland. As a part of this exploratory study, in depth qualitative work was undertaken on the receptiveness of small charities to business support which has influenced subsequent work. See: Chapman, T. (2019) *The social process of supporting small charities: An evaluation of the Lloyds Bank Foundation Grow pilot programme*, Durham: Policy&Practice, St Chad’s College, Durham University. [https://www.researchgate.net/publication/348818231\\_The\\_social\\_process\\_of\\_supporting\\_small\\_charities\\_An\\_evaluation\\_of\\_the\\_Lloyds\\_Bank\\_Foundation\\_Grow\\_pilot\\_programme](https://www.researchgate.net/publication/348818231_The_social_process_of_supporting_small_charities_An_evaluation_of_the_Lloyds_Bank_Foundation_Grow_pilot_programme).

<sup>62</sup> Employee supported volunteering is not mentioned specifically in Third Sector Trends surveys, instead, respondents are asked to respond to a more general statement ‘They [i.e. private businesses] provide volunteers to help us do our work’. This could lead, potentially, to an under-estimation of employee volunteer numbers if associated with the provision of pro bono support, which is defined as ‘free expert advice to help do our work’. The ESV value estimates are based on SSOs’ knowledge of when volunteering time is supported by an employer. Estimates do not therefore include paid volunteering leave days which may be taken by volunteers without formally notifying the SSO that they are being paid for this time.



**Table 2.1 Percentage of SSOs gaining support from private sector businesses**

(Source: Third Sector Trends, 2019, England and Wales)

	They give us money to help us do our work	They provide free facilities, or goods and services to help us do our work	They provide free expert advice to help do our work	They provide volunteers to help us do our work
Of great importance	14.0	12.2	7.4	7.0
Of some importance	23.1	23.3	17.6	15.6
Of little importance	17.7	25.7	18.0	18.6
No business support <sup>63</sup>	45.1	38.8	56.9	58.8
Total	3,984	3,974	3,963	3,954

### Variations by organisational size

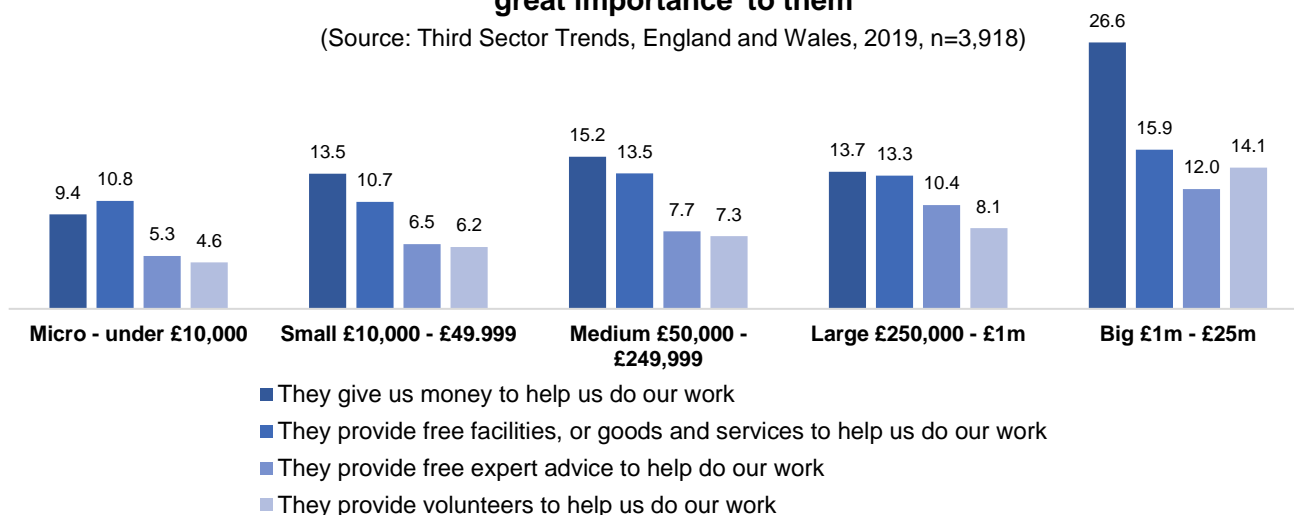
To deepen the analysis, Figure 2.1 explores variations in the proportion of organisations that highly value business support by size of SSOs.

It is clear that micro SSOs are the least likely to be recipients of support from business: indeed, the biggest SSOs are almost three times as likely than the smallest to state that financial support from business is 'of great importance' to them. Similarly, the biggest SSOs are three times as likely to value support from ESVs.

One striking finding from this chart, is that the extent to which SSOs value in-kind support from business is similar irrespective of organisational size: amongst organisations with income below £1m, percentages only vary by about 2.5%.

**Figure 2.1 Percentage of SSOs which state that support from business is 'of great importance' to them**

(Source: Third Sector Trends, England and Wales, 2019, n=3,918)



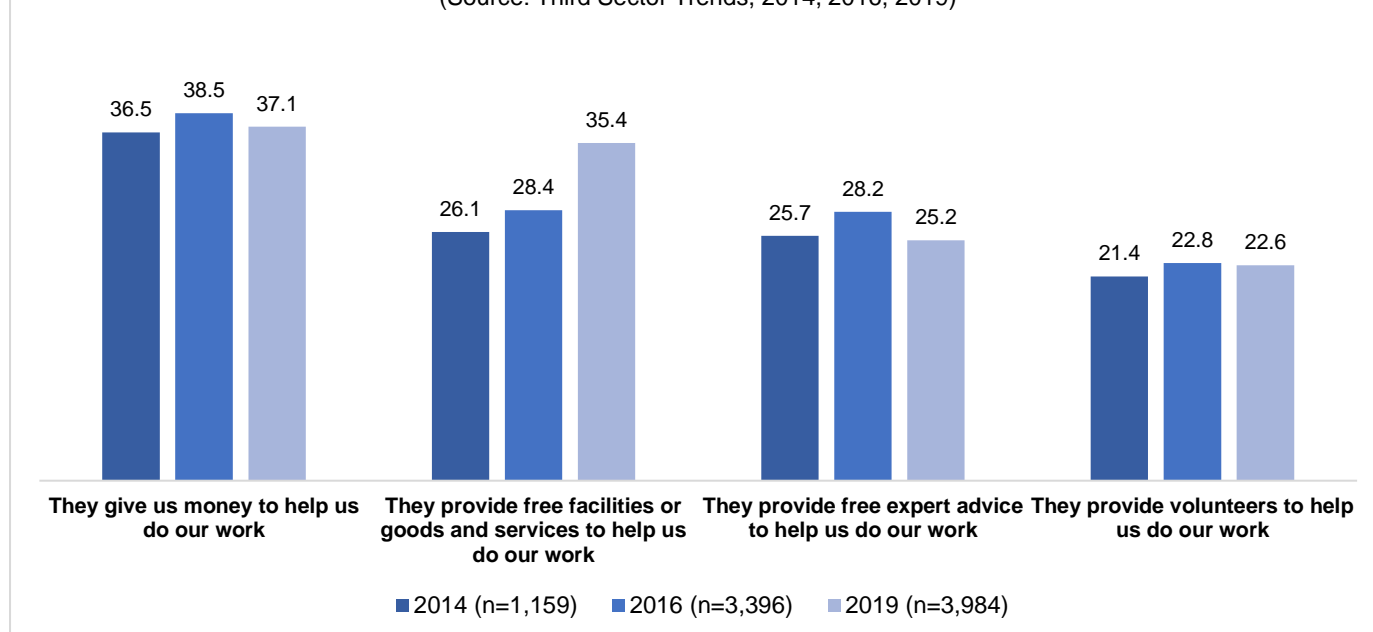
The series of charts which follow examine if SSOs' reliance on support from business has changed in the last few years. Figure 2.2 indicates that there has been little change in the extent to which financial, pro bono and ESV support has been valued by SSOs between 2014 and 2019. In only one aspect, *in-kind support*, has there

<sup>63</sup> In the survey questionnaire the option 'of no importance' is taken to mean that SSOs have no such relationship with businesses.

been a substantial increase in perceptions of support – rising from 26% in 2014 to 35% in 2019.<sup>64</sup>

Figure 2.2 Percent of SSOs stating that support from business is of 'great' or 'some' importance to them, 2014-2019

(Source: Third Sector Trends, 2014, 2016, 2019)



65

These data need to be interpreted carefully. It is not yet known if 'actual' levels of support have increased or whether increases represent a change in perceptions of relative importance: that 'appreciation' of such support or 'reliance' upon it has increased. Further research needs to be undertaken to get to the bottom of this interpretative problem.

The next four charts present data on aspects of support from private sector business between 2014 and 2019. Figure 2.3(a) shows that there has been an upward trend in the extent to which financial support was valued only amongst the biggest SSOs (those with annual income above £1million).

There was an uplift in the extent to which *small*, *micro* and *medium* sized SSOs valued financial support from business in 2016, but this returned to 2014 levels in 2019. Amongst *larger* SSOs (income between £250,000 and £1million) there was little change.

It is clear from Figure 2.3.(b) that SSOs of all sizes reported an increase in in-kind of support from business – percentages almost double for *micro*, *small* and *large* SSOs. In the case of *larger* and especially amongst *big* SSOs, reliance seems to have accelerated between 2016 and 2019.

<sup>64</sup> It should be noted that these datasets are not entirely comparable. In 2014, the data were collected from North East England and Cumbria only. In 2016, data were collected from North East England, North West England and Yorkshire & the Humber. Only in 2019 did the data set have coverage across England and Wales (although the majority of responses (75%) were from the North of England. That stated, all samples are large relative to the local population of SSOs and the structure of each sample is similar, which provides some confidence on the comparability of data sets. For more details on comparisons between sample structures see:

<https://www.researchgate.net/publication/348817959> Third Sector Trends in North East England 2020 a digest of findings

<sup>65</sup> In the following section of analysis, the categories 'of great importance' and 'of some importance' have been combined to provide better balanced comparable data which irons out quite pronounced variations between these two categories in background crosstabulations. Full data tables will be provided by the author if requested.

Figure 2.3(a) **Percent of SSOs stating that financial support from business is of 'great' or 'some' importance: 2016-2019**

(Source: Third Sector Trends, 2014, 2016 and 2019)

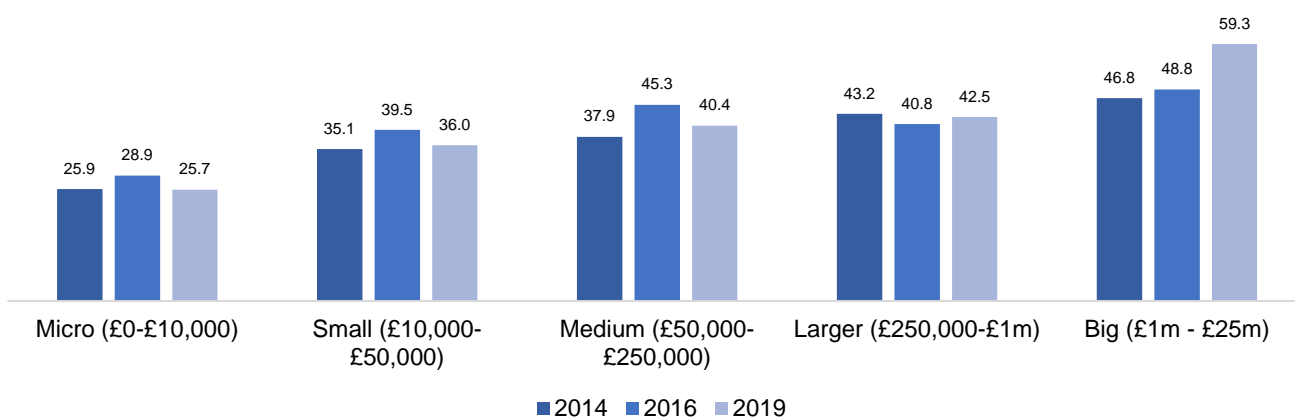


Figure 2.3(b) **Percent of SSOs stating that in-kind support from business is of 'great' or 'some' importance: 2016-2019**

(Source: Third Sector Trends, 2014, 2016 and 2019)

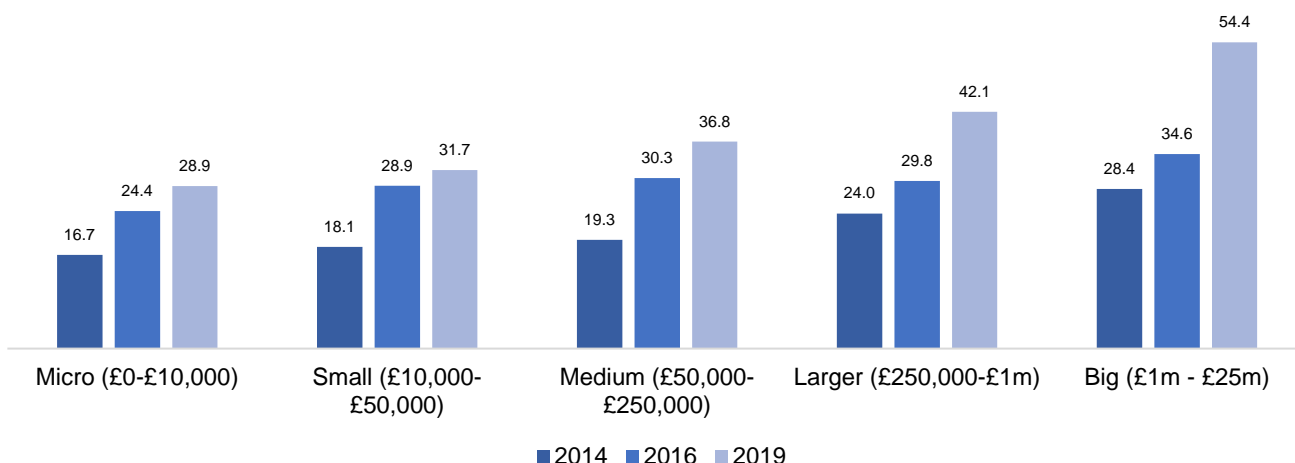


Figure 2.3(c) shows that perceptions of reliance on pro bono support have changed, but in a variety of ways - depending upon the size of organisations. *Micro*, *small* and *medium* sized SSOs appear to have experienced an uplift in support in 2016 but this subsequently declined to 2014 levels. *Larger* SSOs report a steady, though not precipitous decline in support.

The *biggest* SSOs (with income above £1million) have become progressively more reliant on pro bono support: rising from 31% in 2014 to 46% in 2019 – indicating, perhaps, that pro bono support is either more likely to be offered to big SSOs or that these SSOs are more likely to ask companies for such support. It could be a mixture of both factors.

The final chart in this series (Figure 2.3.(d)) shows that support from ESVs is generally valued to a greater extent by SSOs as they become larger in size. Time-series data suggest that few *micro* SSOs have valued this kind of support and that

the percentage that do is falling (though only from 16% to 14%, a trend is suggested).

*Small and medium* sized SSOs had an uplift in support from ESVs in 2016 only to see that decline in 2019 - though it did not fall back as far as 2014 levels. Amongst *larger* SSOs, little change is noted – remaining at about 31% stating that ESV support is of some or great importance to them.

There has, however, been an exceptional rise amongst the *biggest* SSOs from around 33% in 2014 and 2016 to 46% in 2019. It is worth noting that background analysis reveals that the percentage of big SSOs stating that ESV support was of 'great importance' rose from 9% in 2014 to 14% in 2019.

Figure 2.3(c) **Percent of SSOs stating that pro bono support from business is of 'great' or 'some' importance: 2016-2019**

(Source: Third Sector Trends, 2014, 2016 and 2019)

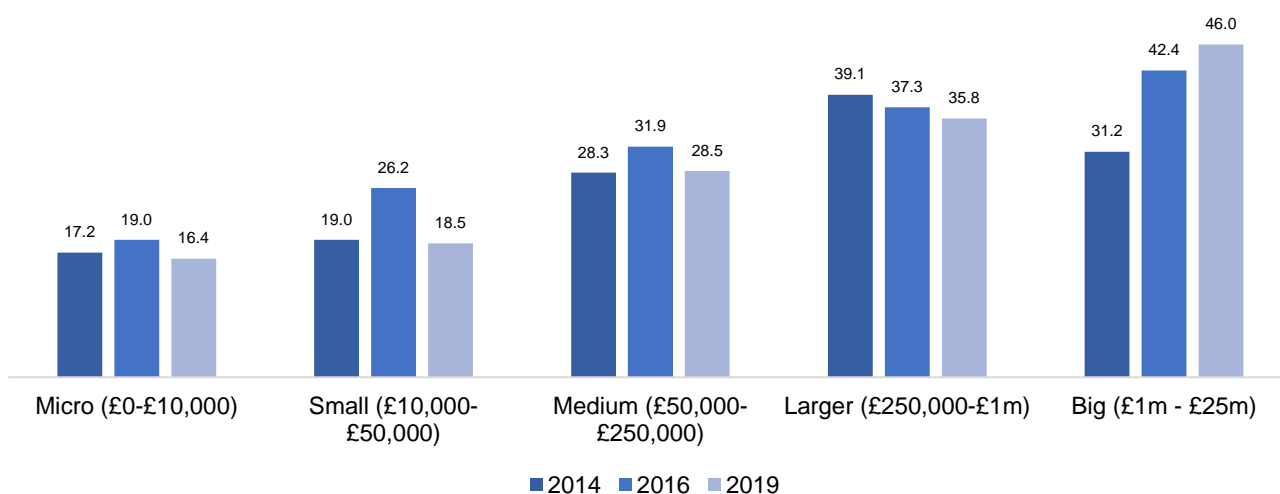
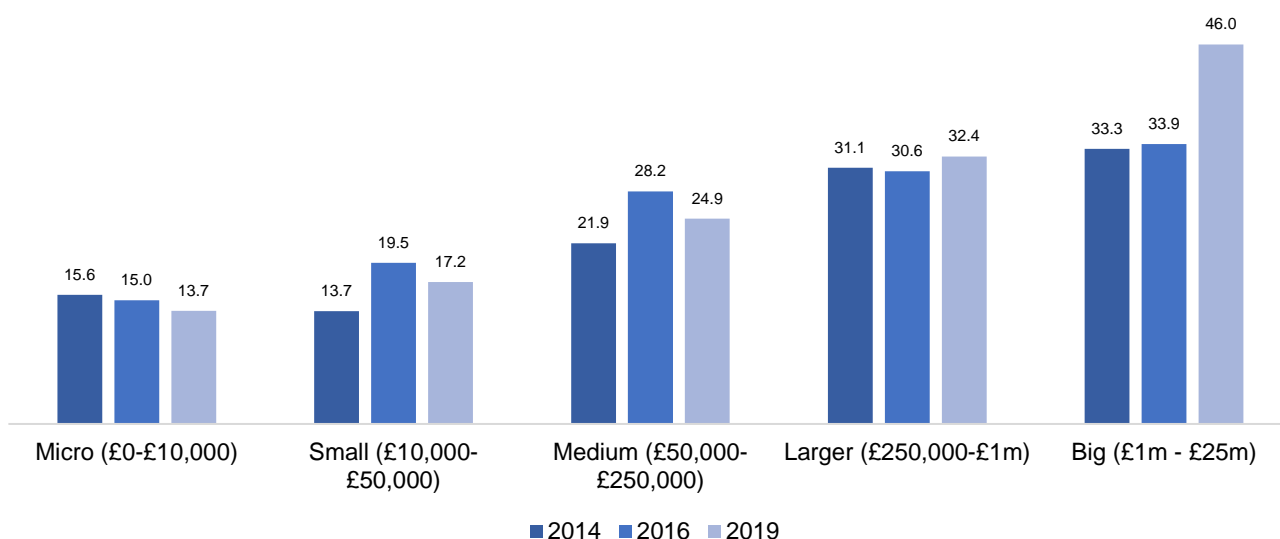


Figure 2.3(d) **Percent of SSOs stating that ESV support from business is of 'great' or 'some' importance: 2016-2019**

(Source: Third Sector Trends, 2014, 2016 and 2019)



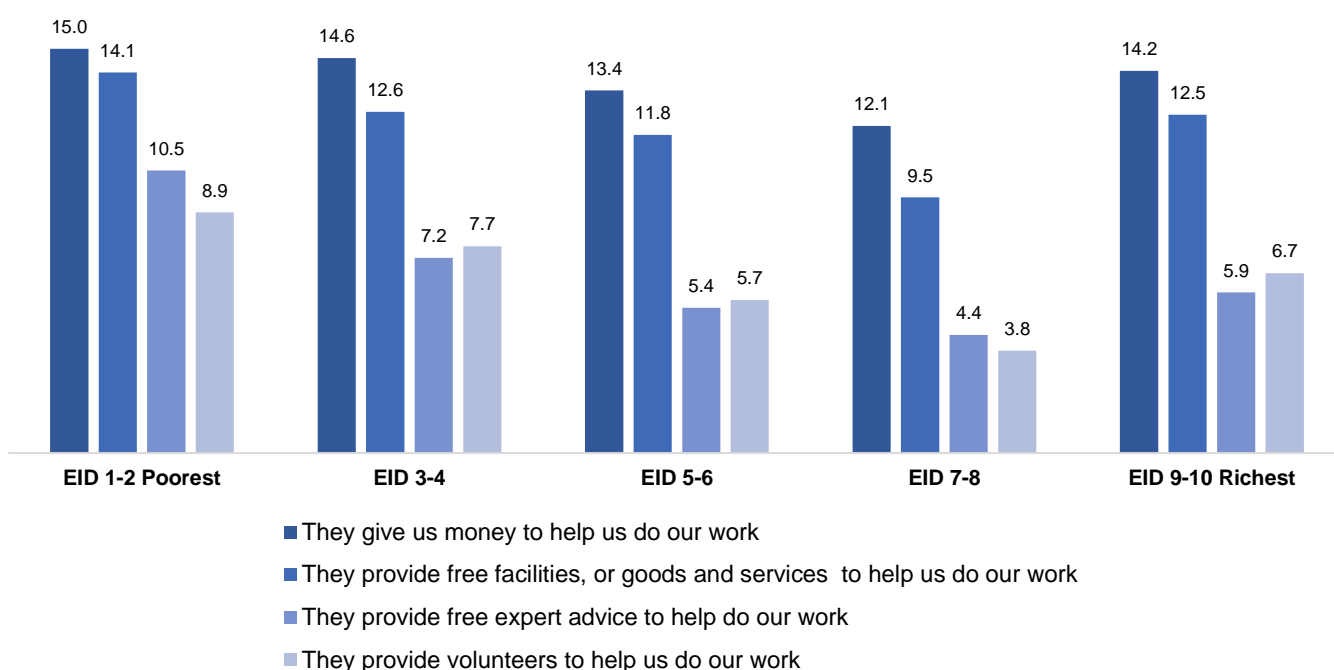
## Spatial variations in private sector support

Figure 2.4 examines levels of business support in more or less affluent areas using the English Indices of Deprivation (EID).<sup>66</sup> It is clear from this chart that SSOs in the least affluent areas are the most likely to state that sources of all kinds of support from business are 'of great importance' to them.

Levels of reliance on business steadily declines when comparing SSOs in progressively more affluent areas. But there is an exception – in the *most affluent areas* there is an uplift in reliance on business on all aspects of support. And in relation to financial and in-kind support – the extent of reliance is close to that of SSOs in the least affluent areas.

Figure 2.4 **Percent of SSOs which state that support from business is 'of great importance' to them in rich and poor areas**

(Source: Third Sector Trends 2019, England, n=3,650)



The spatial range within which SSOs work also has a bearing upon the extent to which they value support from business. As shown in Figure 2.5, SSOs which operate only at the neighbourhood or village level are the least likely to gain any type of support from businesses.

This may reflect limited options to engage with business within their local area. These differences may be exaggerated, however, as SSOs which operate at a very local level tend to be smaller.

Proximity to private sector businesses may also help to explain why take up of pro bono and ESV support in rural areas seem to be lower, as shown in Figure 2.6.

<sup>66</sup> SSOs in Wales are excluded from this chart because indices of deprivation are calculated differently than in England. Full details on how the 2019 English Indices of Deprivation are constructed can be found here:

<https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019>



Figure 2.5 **Percent of SSOs valuing support from business by spatial range of their work**

(percentage stating 'some' or 'great' importance: Third Sector Trends 2019, North of England, n=2,935)

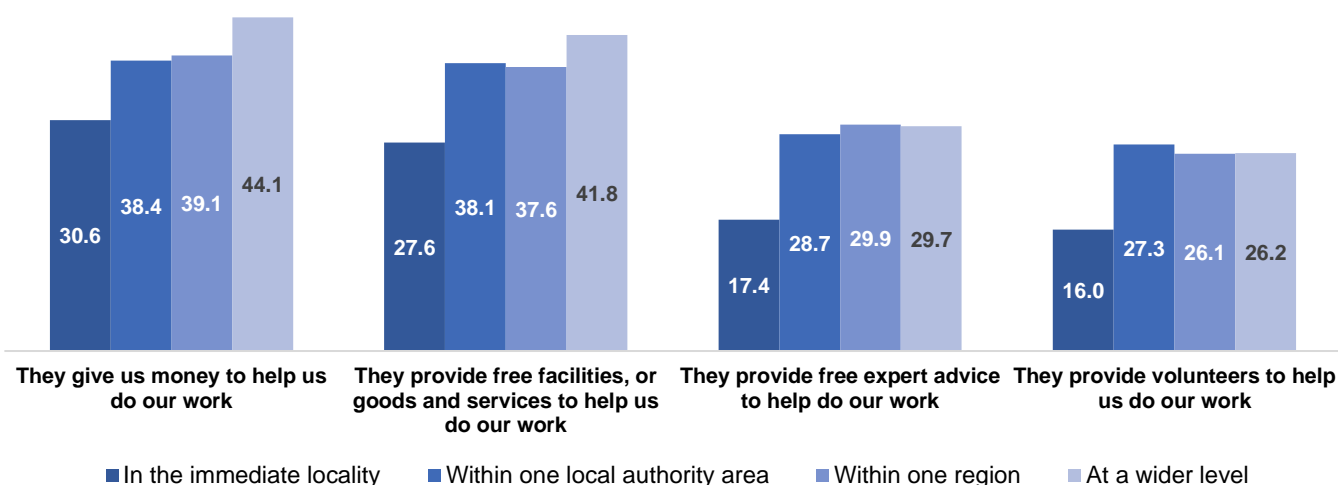
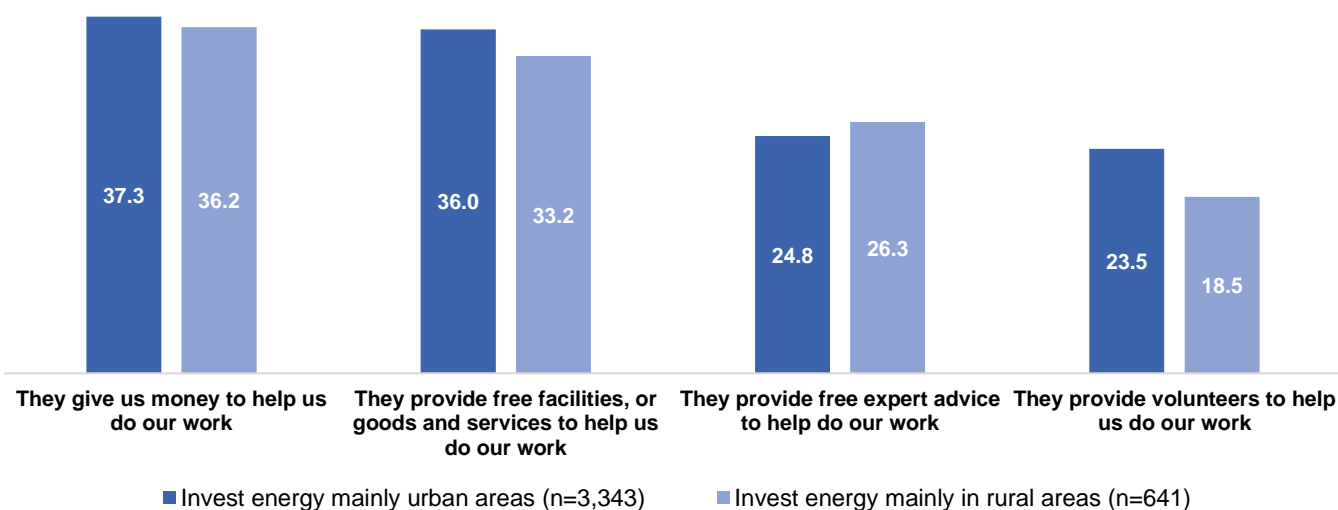


Figure 2.6 **Percent of SSOs working in rural and urban areas valuing support from business**

(percentage stating 'some' or 'great' importance: Third Sector Trends 2019, England and Wales, n=3,976)



### ***Affinity with private sector business practice***

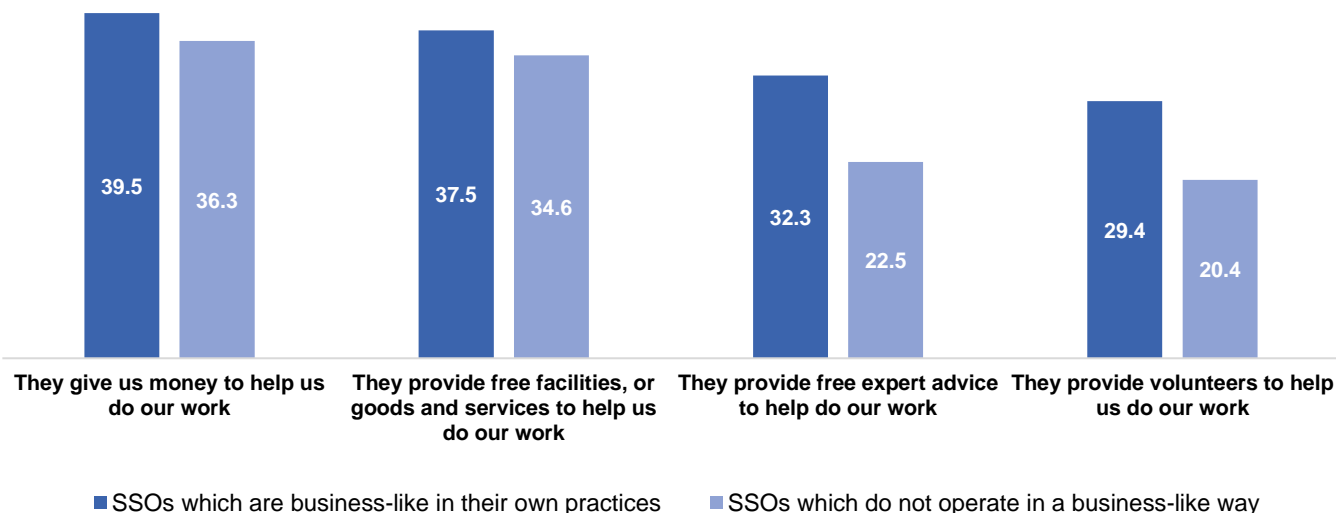
It is conceivable that SSOs which have a stronger affinity with business ethos and practice are more likely to gain support because communication between the two sectors may be more straight-forward.

Business oriented SSOs include those organisations which earn a proportion of their income from trading. Business ethos is also indicated by their legal form (for example, Community Interest Companies, Cooperatives and Community Benefit Societies, and Companies Limited by Guarantee).

Figure 2.7 indicates that differences between business-oriented and less business-oriented SSOs are discernible but not pronounced. When considering pro bono and

ESV support, by contrast, it is evident that business-oriented SSOs are much more likely to value support than other SSOs.

**Figure 2.7 Percent of SSOs valuing support from business by affinity with conventional business practice**  
(percentage stating 'some' or 'great' importance: Third Sector Trends 2019, England and Wales, n=3,976)



## 2.3 Beneficiaries served and areas of social impact

Little is known about where businesses deploy resources on social issues. Consequently, perceptions about issues that business support are shaped by high profile activities supported by big companies such as *Barclays*, *Starbucks* and *O2* supporting programmes for young people, or oil companies such as *Shell* and *BP* supporting community projects and the arts.

Third Sector Trends survey data facilitates a broader view by looking at the way all types of SSO are supported by business. To do this, Table 2.2 lists the beneficiaries that SSOs support and assesses the type and level of support that is provided by business. The beneficiaries SSOs serve are presented in rank order – with the most business-supported beneficiary groups at the top.

In broad terms, it seems that SSOs which address the needs of discrete beneficiary groups are the most likely to gain support – for example, *carers*, *people with learning disabilities* and *people with homelessness/housing issues*. At the centre of the list of beneficiary groups, issues surrounding poverty and social exclusion dominate, such as: *unemployed/workless people*, *people in disadvantaged urban areas* and *people or households living in poverty* followed by health conditions.

**Table 2.2 SSOs stating that support from business is of ‘great’ or ‘some’ value by beneficiaries served** (Third Sector Trends 2019, England and Wales)

Percent of SSOs reporting that support is of ‘great’ or ‘some’ importance					
Beneficiary orientation of SSOs presented in rank order (by sum of percentages in columns 1 – 4)	They give us money to help us do our work	They provide free facilities, or goods and services to help us do our work	They provide free expert advice to help do our work	They provide volunteers to help us do our work	n=
People with learning disabilities	48.8	46.3	36.0	32.1	754
People with concerns about gender/sexuality	46.1	45.2	37.4	32.5	228
Carers	46.8	42.8	35.0	30.7	539
People with homelessness/housing issues	45.5	43.3	33.4	32.1	543
Unemployed/workless people	44.8	42.0	33.7	31.2	804
Other social sector organisations	42.9	41.6	36.1	31.1	399
People in disadvantaged urban areas	44.0	42.5	32.1	31.5	924
People or households living in poverty	43.4	40.9	33.2	31.1	897
People with mental health conditions	44.6	42.5	31.7	28.7	1171
People with physical health conditions	44.3	42.4	30.5	28.8	944
People with physical disabilities	43.4	41.3	30.3	28.1	944
Children and young people	42.2	38.2	27.5	25.4	1664
People of a particular ethnic or racial origin	37.8	38.6	30.1	26.1	357
Older people	37.7	34.9	24.9	22.9	1431
People in rural areas	36.2	33.2	26.3	18.5	641

The SSOs which are the least likely to value support from business work with people in rural areas. This could be because there are fewer large businesses in more spatially isolated locations.

Some beneficiary areas receiving lower levels of support are more surprising. For example, SSOs which support *children and young people* or *older people* are amongst the least likely to value support from business. It is noteworthy that *people of a particular ethnic or racial origin* are amongst the least likely to gain support from business.

These findings need to be interpreted with care because most SSOs serve a range of beneficiary groups.<sup>67</sup> Nevertheless, the broad impression is that business is more likely to support SSOs which have a narrower beneficiary focus or which concentrate on issues surrounding poverty and deprivation.

A key question arising from the above analysis is whether businesses and social sector organisations share the same priorities. This issue can be explored by comparing priority areas of business support with the claims that SSOs make about their social impact. Table 2.3 begins this analysis by listing, in rank order, the social issues which businesses are the most and least likely to lend support.

<sup>67</sup> Give an example from the impact paper on who goes with whom?

**Table 2.3 SSOs stating that support from business is of great or some value by social objectives of SSOs** (Third Sector Trends, 2019 England and Wales)

<i>Percent of SSOs reporting that support is of 'great' of 'some' importance</i>					
<i>SSOs which claim to make 'a good' or 'very strong' impact on social objectives presented in rank order (by sum of percentages in columns 1 – 4)</i>	<b>They give us money to help us do our work</b>	<b>They provide free facilities, or goods and services to help us do our work</b>	<b>They provide free expert advice to help do our work</b>	<b>They provide volunteers to help us do our work</b>	<b>n=</b>
We increase employability	46.4	45.4	37.9	33.9	1,058
We help people to lift themselves out of poverty	45.2	45.6	37.9	34.6	933
We improve people's access to basic services	46.0	46.0	36.3	33.5	1,308
We tackle the consequences of poverty	46.5	44.5	35.4	35.0	1,059
We empower people in the community	44.5	43.3	33.3	30.6	2,026
We give people confidence to manage their lives	45.0	43.0	32.7	30.1	2,070
We improve the local environment	43.1	43.0	32.7	31.6	1,031
We increase people's pride in their community	43.4	41.8	32.1	29.0	1,709
We promote community cohesion	42.2	40.5	30.8	28.4	2,071
We improve health and wellbeing	42.2	40.3	29.2	27.5	2,662
We reduce social isolation	41.1	39.7	29.2	27.8	2,438
We enhance the cultural & artistic life of the community	36.8	35.3	26.0	21.9	1,593

It is clear that the areas of impact business are most likely to support centre on poverty, social exclusion and routes to employment. The issue least likely to receive support from business is the enhancement of cultural and artistic life in the community.

A second broad impression is that supporting more 'concrete' areas of social impact (such as tackling aspects of poverty) have precedence over less 'tangible' areas (such as pride in the community, health and wellbeing, social isolation, cultural and artistic life).

Figure 2.8 compares social issues which the social sector prioritise with those that business is most likely to support. The findings show that, at best, SSOs' and businesses interests are 'divergent' – but a more convincing interpretation could be that in some respects they are 'opposite'.<sup>68</sup>

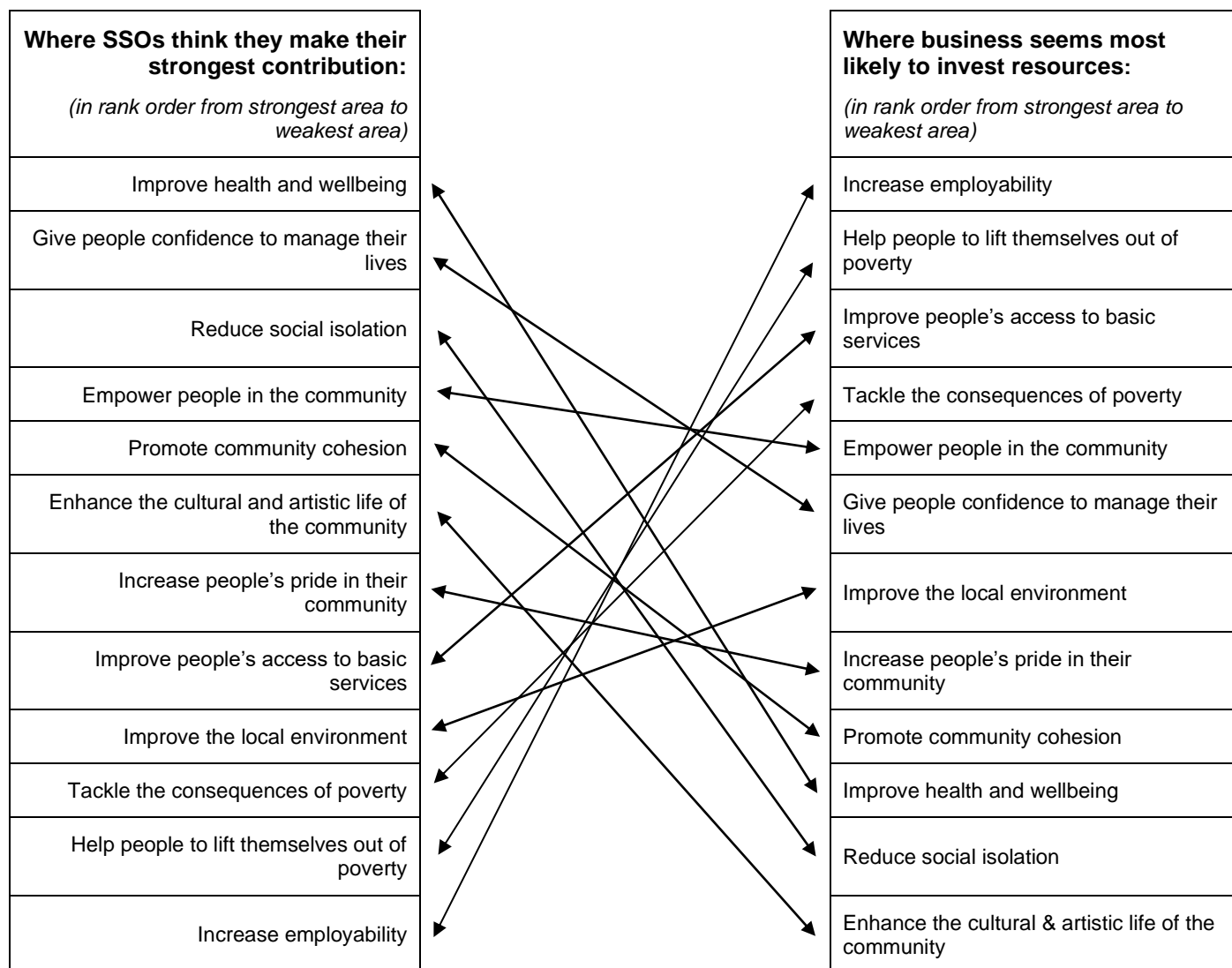
For example, at the top of the list of issues that businesses give support is to 'increase employability', but this is at the bottom of the list of what SSOs claim to achieve. At the other end of the spectrum, businesses are least likely to lend support to SSOs focusing on 'social isolation' or 'enhancing the cultural and artistic life of the community'; and yet, these issues are high on the list of SSOs' claims of social impact.

It is necessary to add a cautionary note on interpretation because this analysis does not tell us whether SSOs (which serve specific beneficiary groups or seek to tackle

<sup>68</sup> This interpretation must be treated with caution: as respondent numbers indicate, some areas of activity would, by default, attract a greater volume of business support because more SSOs attend to such issues. Only 1,056 SSOs attend to issues surrounding 'employability' while 2,662 address issues associated with 'health and wellbeing'.

discrete social issues) are more or less active in trying to secure support from business. Furthermore, data on the distribution of business support have been provided by SSOs, *not businesses*. While these data inform understanding - they do not represent the *actual* views of businesses.

Figure 2.8 **Mismatch between SSOs perceived strengths in achieving social objectives and areas of social impact business are most likely to invest in**





## 2.4 Summary

This section has shown that business makes a wide-ranging contribution to civil society by supporting the activities of SSOs. This support is highly valued by organisations addressing social issues.

Recipients of business support vary in character. Bigger SSOs are more likely to gain support from business – whether that support is financial or takes other forms such as in-kind provision of facilities, products or services, pro bono expert advice or the provision of employee supported volunteers.

The receipt of support is more common in poorer communities and is focused primarily in urban areas. This may partly explain why more business support is concentrated on poverty, worklessness and social exclusion.

What we do not yet know, however, how support is distributed at a national, regional and local levels and its value in financial terms. The next section will tackle that issue.

## Chapter 3

### Estimating the value of business support

This section will present comparative data on business support to SSOs in English regions.<sup>69</sup> Its main purpose is to explore the *distribution* of support rather than the calculation of financial value.<sup>70</sup>

The analysis is based on a statistical model which scales up Third Sector Trends survey data using evidence on sector structure from the Charity Commission register to produce reliable regional and national estimates on the distribution of support and the calculation of proxy values for in-kind, pro bono and employee volunteer support.

Given the complexity of the processes underpinning the analysis, a brief explanation on the methodology is presented below.

#### 3.1 Methodology

Third Sector Trends surveys collate evidence on the proportion of SSOs which gain financial, in-kind, pro bono and ESV support (see Chapter 2). The data set is sufficiently large (with over 4,000 responses) to make reliable statements on sector-wide activity. While the data collected are broadly representative, insufficient data have been collected from English regions to make reliable statements on sector structure.

To achieve this, data from the Charity Commission register in 2020<sup>71</sup> was analysed to make reliable estimates of:

- The number of SSOs in English regions.
- The distribution of SSOs by size (using TSTS income categories).
- The distribution of SSOs by area type (using the English Indices of Deprivation).

Using robust estimates of regional Social sector profiles, TSTS data can be scaled-up using multipliers that take account of discrete regional characteristics.

Multipliers were applied to Charity Commission register data for each region to produce estimates of the number of SSOs (by size and location by EID) which were receiving each of the four sources of business support. In the absence of reliable data on business support in national registers, it was necessary to make estimates of financial and proxy-financial values drawing upon qualitative data from the Third Sector Trends study and other recent related projects.

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<sup>69</sup> In Wales, a different methodology is used to define areas of relative deprivation or affluence – so comparable estimates cannot be produced reliably. See: <https://gov.wales/welsh-index-multiple-deprivation-full-index-update-ranks-2019>.

<sup>70</sup> As noted in more detail below, financial values are subject to a good deal of 'informed guess work' due to the lack of hard data at the organisational level at the present time.

<sup>71</sup> Chapman, T. (2020) *Structure and dynamics of the Third Sector in England and Wales technical paper on working definitions and baseline data analysis*, Durham: Policy&Practice, St Chad's College, Durham University. The report is available here: [https://www.researchgate.net/publication/348818069\\_Structure\\_and\\_dynamics\\_of\\_the\\_Third\\_Sector\\_in\\_England\\_and\\_Wales\\_technical\\_paper\\_on\\_working\\_definitions\\_and\\_baseline\\_data\\_analysis](https://www.researchgate.net/publication/348818069_Structure_and_dynamics_of_the_Third_Sector_in_England_and_Wales_technical_paper_on_working_definitions_and_baseline_data_analysis).

The estimates were produced as follows for those SSOs which receive substantive support from business:

- **Average financial value of business support:** upper and lower estimates were made of the financial value of business support to SSOs which feel that business support is of 'great importance' to them. The lower value is 10% and the upper value is 15% of total annual income for organisations with overall income below £1million, and 7.5% – 12.5% for organisations with income above £1million.<sup>72</sup>
- **Average value of in-kind support:** from qualitative evidence, it is clear that in-kind support takes many forms and values are not only likely to vary greatly from SSO to SSO, but will fluctuate substantially over time due to the ephemeral nature of many types of support. Upper and lower estimates were generated by organisational size.
- **Average value of pro bono expert support:** upper and lower estimates were made on the likely number of 'days' support given to SSOs at £500 per day for expert advice, professional and technical support. The number of days varies by organisation size, ranging from 3-4.5 days for micro SSOs to 50-75 days for the biggest organisations.
- **Average value of ESV support:** ESV proxy-values are calculated by hours worked. The lower estimate is the National Minimum Wage while the higher estimate is 80% of average regional wages.<sup>73</sup> Estimates on the number of days support received range from 10-15 for micro-organisations up to 200 days for the biggest SSOs.

Generalised financial estimates of the value of in-kind support for SSOs were made using evidence drawn from qualitative data from about 100 organisations of different sizes, structures, purpose and practices. While these estimates reflect current research understanding, it is accepted that they could be too high or too low which would have an impact on cumulative totals. Again, however, it is reiterated that the principal purpose of the exercise is to understand patterns of distribution rather than volumes of financial value. In the analysis which follows, mid-point estimates are used as defined in Table 3.1.

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<sup>72</sup> By drawing upon qualitative evidence, it is clear that some SSOs which rely heavily on private businesses receive much more than 15% of their overall income, but they appear to be a small minority. Financial support estimates are higher for organisations with income below £1million because of likely under-reporting or non-reporting in annual accounts (due to exemptions) which suggests that NCVO estimates may be too low for these smaller SSOs. As noted in Chapter 1, approaches to recording financial sources in the accounts of larger organisations can be somewhat 'opaque' but such vagaries should be mitigated to a large extent by the much larger sample of SSOs examined in NCVO Almanac statistics.

<sup>73</sup> When calculating employee and volunteer numbers, the TSTS adopts a similar method to produce 'full time equivalent' employee statistics. The purpose is to avoid inflating estimates. In this section of the report, therefore, the number of SSOs which gain the equivalent of 'substantive support' is estimated.

**Table 3.1 Proxy values for business support for recipient SSOs (mid-point estimates)**

	<i>Average financial value of business support</i>	<i>Average value of in-kind support</i>	<i>Average value of pro bono support</i>	<i>Average value of ESV support</i>
Micro - under £10,000	£378	£1,875	£1,875	£112
Small £10,000 - £50,000	£2,643	£3,750	£3,750	£557
Medium £50,000 - £250,000	£14,652	£9,375	£9,375	£835
Large £250,000 - £1m	£60,827	£15,625	£15,625	£1,393
Big £1m - £25m	£453,253	£31,250	£31,250	£2,228

When compared with NCVO estimates of financial support for the sector it is apparent that estimates produced by the statistical model are broadly in line (once the largest charities with incomes above £25m are removed from the calculation). As shown in Table 3.2.

The analysis suggests that direct financial support from business is higher for SSOs with overall income below £1m (£387m compared with NCVOs estimate of £316m). This is explicable, however, as there is little data held by the Charity Commission on financial transfers from business to smaller organisations (see *Chapter 1, Section 2 for further discussion*).

**Table 3.2 Comparing financial values with NCVO financial estimates**

Third Sector Trends estimates		NCVO financial estimates	
Third Sector Trends income categories	TSTS private sector income estimate (England)	NCVO income categories	NCVO private sector income estimates
Micro, Small, Medium and Large SSOs (£0-£1,000,000)	£387,500,000	Micro, Small and Medium charities (£0-£1,000,000)	£316.900,000
Big £1m - £25m	£1,149m - £1,918m	Large (£1m-10m)	£676.100,000
		Major (£10m-100m)	£1,165,300,000
		Super Major (£100m+)	£494,300,000
The analysis in this report does not include major organisations with income above £25m.			

### 3.2 The value of business support by organisational size

Table 3.3 shows the financial or proxy-financial values of business support by size of organisations. Support for the sector as a whole from business is estimated at £2.4bn, £1.9bn of which involves actual financial value, while the remaining sums refer to proxy-values generated by the statistical model.

In-kind support is the most valuable form of non-financial support, estimated at £271m followed by pro bono support (£186m) and support from employee supported volunteers (£17m).

Table 3.3 Proxy values for business support for recipient SSOs (England, mid-point estimates)					
	Financial value of business support	Value of in-kind support	Value of pro bono support	Value of ESV support	Total value of support
Micro - under £10,000	£4,360,706	£24,543,542	£11,180,043	£780,272	£40,864,563
Small £10,000 - £50,000	£26,993,299	£32,291,346	£17,985,865	£2,840,638	£80,111,147
Medium £50,000 - £250,000	£135,036,427	£77,866,010	£48,035,967	£4,783,054	£265,721,458
Large £250,000 - £1m	£221,082,083	£55,078,320	£38,911,112	£4,041,537	£319,113,052
Big £1m - £25m	£1,534,239,283	£81,059,463	£69,775,046	£4,685,838	£1,689,759,630
<b>Total financial/ proxy financial value</b>	<b>£1,921,711,798</b>	<b>£270,838,682</b>	<b>£185,888,033</b>	<b>£17,131,339</b>	<b>£2,395,567,851</b>

When these data are expressed graphically, it is clear that the distribution of support varies significantly depending on the size of SSOs. As shown in Figure 3.1, micro-organisations attract little direct financial support from business (£4m) or 11% of all business support.

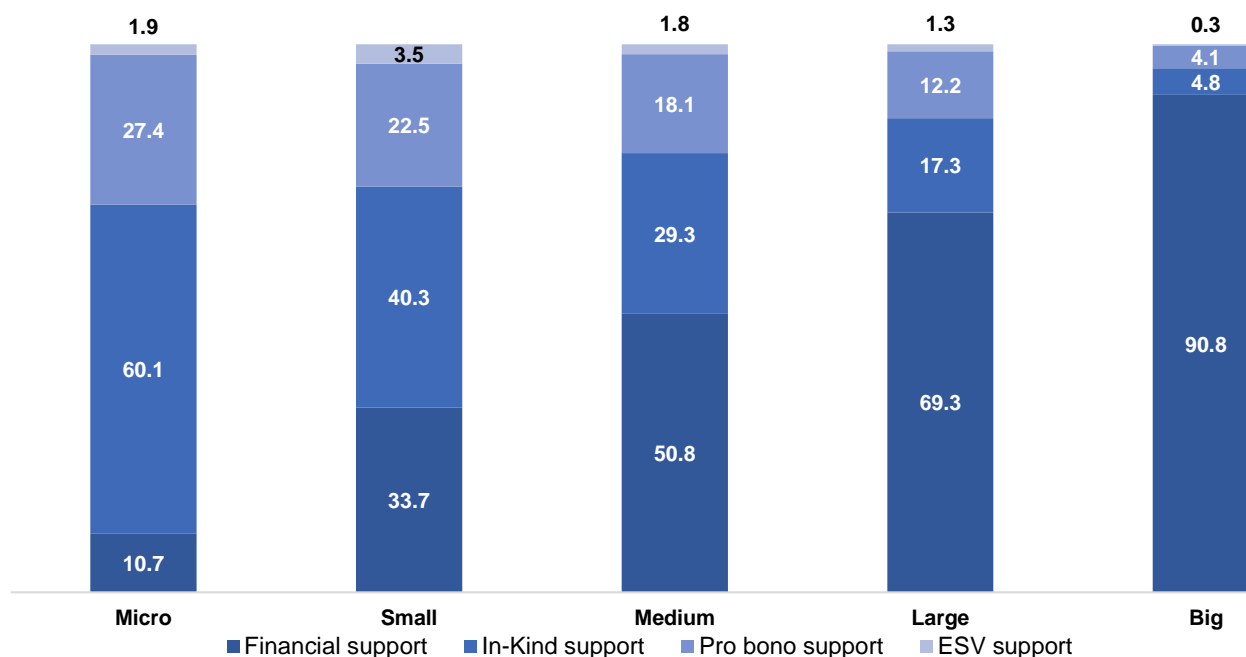
But in all likelihood, money is probably of less importance to them than other forms of help such as in-kind support (60%) and pro bono support (27%). Although ESV support appears to be of negligible value for micro-organisations (constituting just 2% of all business support) at an individual level, benefit can be considerable.

At the other end of the spectrum, support for the biggest SSOs is primarily financial (91% of all business support). In-kind and pro-bono support constitute only a small part of the overall business support package (9%) but the accumulated value is considerable (at around £150m). The proxy financial value of ESV support to the biggest organisations less than £5m.



Figure 3.1 **Percentage distribution of financial and proxy-financial value of business support by size of organisations**

(Charity Commission Register 2020/Third Sector Trends 2019, England)



### 3.3 Regional variations in business support

Comparative analysis by region is achieved by taking account of local social and economic circumstances (using the English Indices of Deprivation 2019 data) and the structure of the local social sector by size of SSOs (using Charity Commission Register data from 2020).

The total value of business support for the local social sector in England<sup>74</sup>, using mid-point estimates, stands at £2.4bn. Regional differences are pronounced. London received approximately £800m of support compared with just £75m in North East England. Levels of pro bono support in London are shown to be high, seven times the amount gained in North East England and more than twice that of East of England.

<sup>74</sup> As noted in Chapter 1, this report is concerned with the social sector at local level, consequently, SSOs with income above £25 million are not included in the analysis as this would skew results (see discussion of Table 1.3).

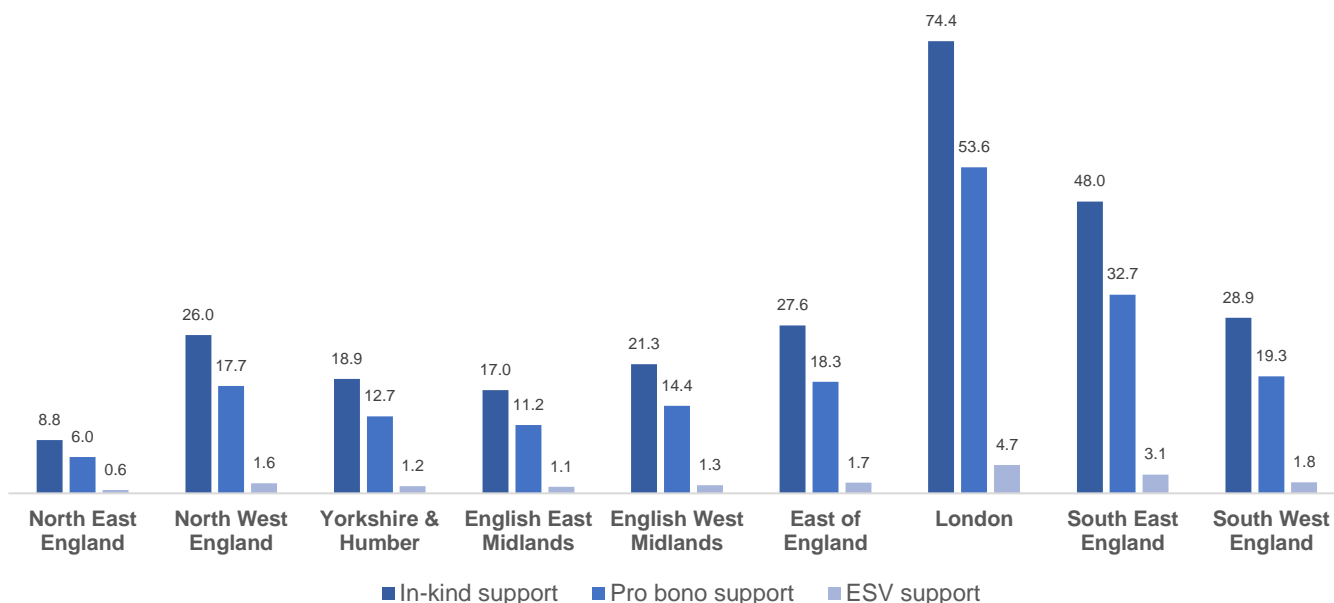
Table 3.4 Estimated income and proxy value of support by region (£millions)					
	Financial value (mid-point estimate)	In-kind value (mid-point estimate)	Pro bono value (mid-point estimate)	ESV value (mid-point estimate)	Total value (mid-point estimate)
North East England	59,678,309	8,770,115	5,997,492	557,086	75,003,002
North West England	172,303,260	26,043,426	17,676,491	1,647,676	217,670,853
Yorkshire and Humber	116,909,680	18,851,502	12,667,043	1,196,539	149,624,764
East Midlands	100,477,213	16,973,263	11,229,346	1,064,556	129,744,378
West Midlands	139,885,033	21,256,013	14,384,592	1,345,716	176,871,354
East of England	164,152,582	27,610,220	18,333,447	1,743,031	211,839,280
London	666,785,447	74,431,046	53,644,137	4,678,743	799,539,373
South East England	326,153,207	48,026,078	32,696,304	3,063,591	409,939,180
South West England	175,367,067	28,877,020	19,259,179	1,834,401	225,337,667
England	<b>1,921,711,798</b>	<b>270,838,682</b>	<b>185,888,033</b>	<b>17,131,339</b>	<b>2,395,569,851</b>

As shown in Table 3.5, for England as a whole, cash from business constitutes 80% of the total value of business contributions. In-kind support accounts for 11% - probono and ESV account for 8% and 1% respectively.

Table 3.5 Percentage distribution of total support by region				
<i>(Row percentages)</i>	Financial value	In-kind value	Pro bono value	ESV value
North East England	79.6	11.7	8.0	0.7
North West England	79.2	12.0	8.1	0.8
Yorkshire and Humber	78.1	12.6	8.5	0.8
East Midlands	77.4	13.1	8.7	0.8
West Midlands	79.1	12.0	8.1	0.8
East of England	77.5	13.0	8.7	0.8
London	83.4	9.3	6.7	0.6
South East England	79.6	11.7	8.0	0.7
South West England	77.8	12.8	8.5	0.8
England	80.2	11.3	7.8	0.7

Figure 3.2 provides a graphical image of how non-financial support is distributed by region. It is clear that London absorbs the lion's share of support compared with small regions such as North East England.

**Figure 3.2 Estimated value of non-financial support by region**  
(Charity Commission Register 2020, Third Sector Trends 2019)

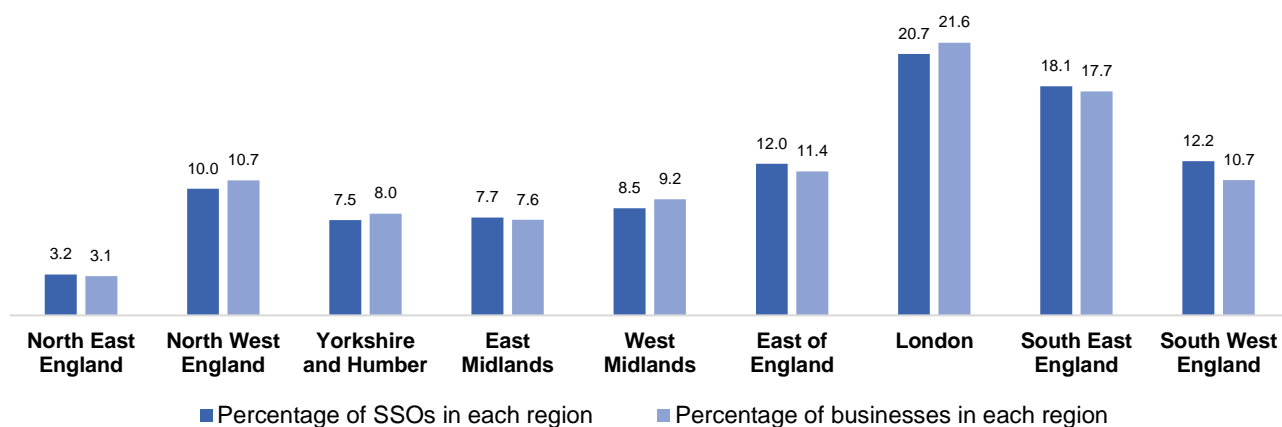


Differences in levels of support shown in Figure 3.2 are not necessarily due to variations in the composition of the local social sector in England regions. As Table 3.6 demonstrates, the proportions of SSOs and private businesses by resident population vary significantly by region.

In London, for example, there are 123 businesses and 4.3 SSOs per 1,000 population compared with 61 businesses and 2 SSOs per 1,000 population in North East England. In another respect, regions are strikingly similar. In London, for every SSO there are 29 businesses, compared with 27 in North East England. The key finding is that the ratio of businesses to SSOs in each region is strikingly similar (see Figure 3.3).

**Figure 3.3 Percentage distribution of businesses and SSOs across English regions**

(Charity Commission Register 2020, Department for Business, Energy and Industrial Strategy business population statistics, 2020)



**Table 3.6 Number of private sector businesses and social sector organisations by region**

	Number of SSOs <sup>75</sup>	Number of businesses <sup>76</sup>	Regional population <sup>77</sup>	Businesses per 1,000 population	SSOs per 1,000 population	Number of businesses per SSO
English West Midlands	16,126	483,020	5,930,000	81.45	2.72	30.0
Yorkshire and Humber	14,327	422,435	5,500,000	76.81	2.60	29.5
North West England	19,021	561,675	7,340,000	76.52	2.59	29.5
London	39,314	1,133,765	9,180,000	123.50	4.28	28.8
England	189,948	5,253,435	56,280,000	93.34	3.38	27.7
South East England	34,443	931,675	8,960,000	103.98	3.84	27.0
English East Midlands	14,715	396,900	4,840,000	82.00	3.04	27.0
North East England	6,118	163,170	2,670,000	61.11	2.29	26.7
East of England	22,773	598,250	6,240,000	95.87	3.65	26.3
South West England	23,178	562,545	5,620,000	100.10	4.12	24.3

Table 3.7 shows the estimated value of business contributions by organisational size and Table 3.8 presents the percentage distribution in each region. Percentage variations by organisational size are not pronounced in comparative terms – with the exception of London where there is a disproportionately large number of bigger organisations.

<sup>75</sup> See Chapman, T. (2020) *ibid*.

<sup>76</sup> BEIS Business Population Estimates 2020 <https://www.gov.uk/government/statistics/business-population-estimates-2020>.

<sup>77</sup> ONS Population Estimates 2020: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates>

Table 3.7 Total financial and proxy-financial value of business support by size of SSOs in each region										
<i>Mid-point estimates (£millions)</i>	North East England	North West England	Yorkshire & Humber	English East Midlands	English West Midlands	East of England	London	South East England	South West England	England <sup>78</sup>
Micro - under £10,000	1.3	4.2	3.1	3.7	3.6	5.3	7.7	6.8	5.1	40.9
Small £10,000 - £50,000	2.5	7.9	6.1	6.1	6.9	9.9	13.3	16.6	10.7	80.1
Medium £50,000 - £250,000	8.6	27.2	20.3	17.5	21.4	30.3	58.9	50.3	31.1	265.7
Large £250,000 - £1m	11.6	30.8	22.5	17.9	24.6	28.7	101.3	51.2	30.4	319.1
Big £1m - £25m	51.0	147.6	97.6	84.5	120.3	137.6	618.2	285.0	147.9	1,689.8
Total value of support	75.0	217.7	149.6	129.7	176.9	211.8	799.5	409.9	225.3	2,395.6

Table 3.8 Total percentage financial and proxy-financial value of business support by size of SSOs in each region										
	North East England	North West England	Yorkshire & Humber	English East Midlands	English West Midlands	East of England	London	South East England	South West England	England
Micro - under £10,000	1.8	1.9	2.1	2.9	2.0	2.5	1.0	1.7	2.3	1.7
Small £10,000 - £50,000	3.3	3.6	4.1	4.7	3.9	4.7	1.7	4.1	4.8	3.3
Medium £50,000 - £250,000	11.5	12.5	13.6	13.5	12.1	14.3	7.4	12.3	13.8	11.1
Large £250,000 - £1m	15.4	14.2	15.0	13.8	13.9	13.6	12.7	12.5	13.5	13.3
Big £1m - £25m	68.0	67.8	65.3	65.1	68.0	65.0	77.3	69.5	65.6	70.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>78</sup> The sum of support for each region varies slightly from Table 3.3 due to rounding error produced when separating SSOs by size.

It is also possible to estimate *pro rata* levels of support given by businesses in each region. Table 3.9 shows that levels of *pro rata* business generosity are the highest in London (£705) which may reflect substantive variations in business wealth between the capital and regions.

Regionally, *pro rata* business generosity is comparably higher in North East England (£460) and South West England (£456) than in Yorkshire and Humber (£354), East Midlands (£327) and East of England (£354).

The *receipt of business support* by SSOs is at its highest level in London (£20,337) followed by North East England (£12,259). SSOs in South West England, Yorkshire and Humber and the English East Midlands appear to be the least well supported.

<b>Table 3.9 Pro rata contributions from businesses and receipt of support by SSOs in English regions</b> (Charity Commission Register 2020, Department for Business, Energy and Industrial Strategy business population statistics, 2020, Third Sector Trends, 2019)					
	Total financial and proxy-financial value of business support	Number of businesses in each region	Number of SSOs in each region	Pro rata contribution per business in each region	Pro rata receipt of financial or proxy-financial value by SSOs in each region
London	799,539,373	1,133,765	39,314	£705	£20,337
<b>England</b>	<b>2,395,569,851</b>	<b>5,253,435</b>	<b>189,948</b>	<b>£456</b>	<b>£12,612</b>
North East England	75,003,002	163,170	6,118	£460	£12,259
South East England	409,939,180	931,675	34,443	£440	£11,902
North West England	217,670,853	561,675	19,021	£388	£11,444
English West Midlands	176,871,354	483,020	16,126	£366	£10,968
Yorkshire and Humber	149,624,764	422,435	14,327	£354	£10,444
South West England	225,337,667	562,545	23,178	£401	£9,722
East of England	211,839,280	598,250	22,773	£354	£9,302
English East Midlands	129,744,378	396,900	14,715	£327	£8,817

When the financial value of business support given to SSOs is presented as a percentage of business turnover, as shown in Table 3.10, it is clear that business generosity is strongest in North East England and South West England.



**Table 3.10 Contribution of financial and proxy-financial value to the social sector by business turnover** (Charity Commission Register 2020, Department for Business, Energy and Industrial Strategy business population statistics, 2020, Third Sector Trends, 2019)

	Turnover of all private sector businesses (£millions)	Financial and proxy-value contribution to social sector (£millions)	Percentage of private sector turnover allocated to social sector
South West England	232,298	225.3	0.097
North East England	85,493	75.0	0.088
London	1,250,495	799.5	0.064
North West England	356,531	217.7	0.061
<b>England</b>	<b>3,953,350</b>	<b>2,395.6</b>	<b>0.061</b>
Yorkshire and Humber	263,580	149.6	0.057
South East England	758,277	409.9	0.054
English East Midlands	246,905	129.7	0.053
English West Midlands	348,398	176.9	0.051
East of England	411,373	211.8	0.051

Table 3.11 shows the financial contribution by business per member of the population in each region (in rank order). In London, the *per capita* contribution is highest (£87), but this may be exaggerated as many of the larger organisations based in London work over a much wider area. Across the regions, the *per capita* value of business support is highest in South East England (£46) and lowest in the English East Midlands (£27).

**Table 3.11 Pro rata distribution of business support by size of regional population**

	Regional population	Total financial and proxy-financial value of business support	<i>Per capita</i> value of business support
London	9,180,000	799,539,373	£87.1
South East England	8,960,000	409,939,180	£45.8
<b>England average</b>	<b>56,280,000</b>	<b>2,395,569,851</b>	<b>£42.6</b>
South West England	5,620,000	225,337,667	£40.1
East of England	6,240,000	211,839,280	£33.9
English West Midlands	5,930,000	176,871,354	£29.8
North West England	7,340,000	217,670,853	£29.7
North East England	2,670,000	75,003,002	£28.1
Yorkshire and Humber	5,500,000	149,624,764	£27.2
English East Midlands	4,840,000	129,744,378	£26.8

## 3.5 Summary

This section has drawn on Third Sector Trends, Charity Commission and BEIS data to explore the financial and proxy-financial value of business contributions to the social sector at the organisational and regional levels.

The analysis is exploratory because there are currently some significant gaps in the quality and range of data produced by national bodies (such as Companies House and the Charity Commission) on financial and non-financial interactions between business and social sector organisations.

The analysis has explored the value of financial transfers, and has estimated proxy values of in-kind, pro bono and employee supported volunteering. Financial transfers are the most valuable element for SSOs in general terms (about 83% of total value). But this headline finding can be misleading because smaller SSOs rely much more heavily upon business for non-financial support while bigger organisations tend to absorb the bulk of financial support.

## Chapter 4

### Relationships with business

Little is known about relationships between the private sector and the social sector. Apart from some research on the social sector's involvement in the corporate social responsibility (CSR) programmes of big businesses, previous research on sector-inter-relationships has tended to focus much more heavily on interactions with government, departments of state and with local public-sector bodies.

This section will look at this issue from the perspective of the social sector by exploring perceptions about the quality of relationships with business. To achieve this, Third Sector Trends survey data will be analysed to explore sector-wide perceptions and variations that emerge when looking at different types of SSOs.

#### 4.1 Relationships with business: key variables

Analysis will focus on a set of seven variables which explore social sector perceptions on the quality and value of inter-relationships with business. Respondents were asked the extent to which they agreed with a set of positive or negative statements.

Table 4.1 presents headline data which shows, firstly, that in relation to most statements, a majority of SSOs state that they are not in a position to comment as they have no such relationship with business. Secondly, it is apparent that relatively few SSOs in the sample as a whole appear to have positive relationships with business.

To make better sense of these data, analysis needs to focus primarily on variations amongst SSOs which *are* in a position to comment on the quality of their direct relationships with business.

**Table 4.1 Perceptions of the quality of relationships with business (TSTS 2019, England and Wales)**

<i>Percentages in parentheses refer to SSOs which are in a position to comment.</i>	<b>Strongly agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>Not in a position to comment</b>	<b>n=</b>
There are too few opportunities for us to meet businesses	15.6 (25.3)	29.8 (48.3)	13.4 (21.6)	3.0 (4.8)	38.2 (100.0)	3,971
Businesses help us to raise our profile	4.1 (7.6)	23.5 (43.9)	16.7 (31.1)	9.3 (17.4)	46.3 (100.0)	3,938
Businesses always want us to work to their agendas	3.2 (7.5)	15.1 (35.8)	20.5 (48.5)	3.5 (8.3)	57.8 (100.0)	3,935
Businesses make a big effort understand what we do	2.0 (4.0)	16.1 (32.5)	21.5 (43.3)	10.0 (20.1)	50.4 (100.0)	3,931
Businesses want us to achieve things which are too ambitious	1.5 (3.9)	7.8 (20.0)	24.5 (63.1)	5.0 (12.9)	61.2 (100.0)	3,922
Businesses trust us to be well organised and professional	8.0 (16.8)	31.9 (67.0)	5.8 (12.2)	1.9 (4.1)	52.4 (100.0)	3,921
Support from businesses tends to be very short term	10.1 (19.3)	28.9 (55.4)	10.9 (20.9)	2.3 (4.4)	47.9 (100.0)	3,950

The factors explored in each statement are explained below and are accompanied with headline data reported in Table 4.2 which are disaggregated by size of organisations.

The analysis refers only to those SSOs which have relationships with business and can make a judgement about the quality of their relationships.

- ***There are too few opportunities for us to meet businesses:*** to ascertain the types, purpose and locations of organisations which appear to have the 'closest' or most 'distant' relationships with businesses. Almost three quarters of SSOs feel that there are too few opportunities to meet businesses: rising from 54% of the biggest to 81% of the smallest SSOs.
- ***Businesses help us to raise our profile:*** to explore the extent to which different types of SSOs were most likely to feel that their relationships benefitted them in reputational terms. Half of SSOs felt that business helped them raise their profile, rising from 48% of the smallest SSOs to 69% of the biggest organisations.
- ***Businesses always want us to work to their agendas:*** to find out if SSOs felt that businesses were entering into relationships with them to achieve pre-defined outcomes rather than co-produce objectives or adopt those of SSOs. A minority of SSOs felt that business wanted them to work to their agendas (43%) – this view was fairly uniformly held irrespective of the size of organisations.
- ***Businesses make a big effort to understand what we do:*** this question sought to find out whether SSOs feel that businesses adopted an empathetic approach to the work of their organisation. Just over a third of micro to larger SSOs shared the view that business made an effort to understand what they do (37%). 47% of the biggest organisations felt that this was the case.

- **Businesses want us to achieve things which are too ambitious:** to work out which kinds of organisations felt that businesses tended to be too 'pushy' with SSOs to work beyond their limits. It seems that businesses tend not to put too much pressure on SSOs to be too ambitious – only a quarter of SSOs felt that this was the case – perhaps surprisingly given their greater involvement in CSR work, the biggest SSOs were the least likely to take this view (18%).
- **Business trust us to be well organised and professional:** to examine SSOs perceptions of 'self-worth' in response to their interactions with businesses. The vast majority of SSOs feel confident that businesses trust them to be professional in their work (84%), this view is quite uniformly held irrespective of the size of organisations (ranging from 83-87%).
- **Support from business tends to be very short term:** the aim of this question was to ascertain whether SSOs felt that business relationships were 'firmly established' or 'ephemeral'. About three quarters of micro to larger SSOs felt that support from business was short term compared with 63% of the biggest organisations which, it seems, are more likely to benefit from longer-term support.

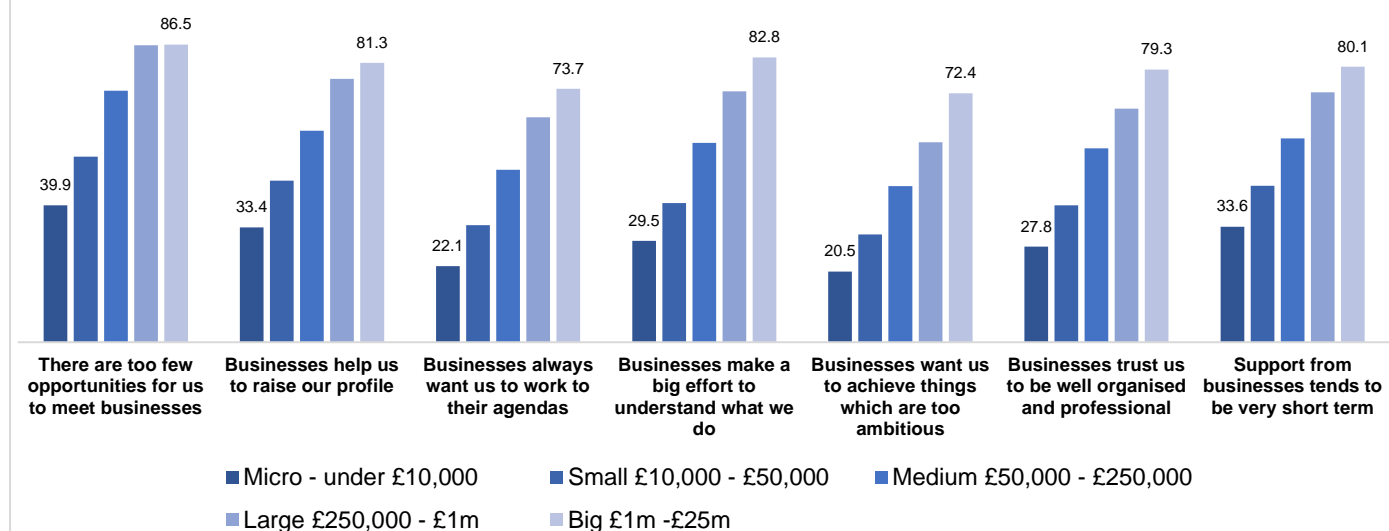
Table 4.2 Perceptions of the quality of relationships with business (TSTS 2019, England and Wales, refers only to SSOs which are in a position to comment on each statement)							
Percent of SSOs that agree or strongly agree with each statement	There are too few opportunities for us to meet businesses	Businesses help us to raise our profile	Businesses always want us to work to their agendas	Businesses make a big effort to understand what we do	Businesses want us to achieve things which are too ambitious	Businesses trust us to be well organised and professional	Support from businesses tends to be very short term
Micro - under £10,000	80.5	48.1	38.4	36.2	27.4	82.8	76.1
Small £10,000 - £50,000	78.1	49.6	41.9	34.1	24.6	82.9	77.8
Medium £50,000 - £250,000	76.0	49.0	46.7	35.4	27.2	82.1	76.4
Large £250,000 - £1m	69.2	49.1	44.1	33.0	20.5	84.8	74.6
Big £1m - £25m	53.7	68.7	41.9	47.4	18.2	87.2	63.4
<b>All SSOs</b>	<b>73.5</b>	<b>51.5</b>	<b>43.2</b>	<b>36.5</b>	<b>24.0</b>	<b>83.7</b>	<b>74.7</b>
N= (all responses)	3,924	3,892	3,889	3,886	3,877	3,876	3,904

Figure 4.1 shows the percentage of SSOs, by size, which were in a position to respond. These data are revealing as they demonstrate that a majority of smaller SSOs feel that they have under-developed relationships with businesses.

For example, a majority of SSOs (62%) were able to make a judgement about opportunities to meet businesses – but the proportion rose dramatically from just

40% of micro to 87% of big SSOs. Interestingly, very few micro SSOs (20%) felt able to form a view as to whether business wanted them to achieve objectives that were too ambitious compared with 72% of the biggest organisations.

**Figure 4.1 Percentage of SSOs able to form a view on quality of relationships with business** (TSTS 2019, England and Wales, n=3,876-3,924)



## 4.2 Perceptions about business relationships

As shown in Table 4.3, The strength of relationships between the private sector and the social sector is shaped, to some extent, if SSOs have a 'beneficial interaction' with businesses.

The first row of the table presents the percentage of SSOs which receive substantive financial support from business, while the second row shows organisations that get little or no financial support. Comparisons between these two sets of SSOs produces interesting findings.<sup>79</sup>

- SSOs are much more likely to agree that businesses help them to raise their profile if they rely more heavily on business financially (67%) than those which do not (31%). Similar percentages are also shown in relation to in-kind support (67% and 34% respectively).
- SSOs which rely more heavily on business financially tend to think that companies try hard to understand what they do (48%) compared with just 21% of organisations that do not rely on businesses financially. (for reliance on in-kind support, the percentages are 50% and 21%).
- SSOs that rely more heavily on business for financial or in-kind support are more likely to feel that businesses trust them to be well organised and professional (~88-89%) than organisations that have little financial reliance on business (~76%) – but the margins of differences are less pronounced.
- It is relatively unusual for SSOs to feel that businesses want them to be too ambitious in the scope of their achievements (~21% if they rely more heavily

<sup>79</sup> There is a measure of cross over between those SSOs which receive substantive support from business: 26% of SSOs rely more heavily on *both* financial and in-kind support, 11% rely only on financial support and 9% rely only on in-kind support. 54% of SSOs receive no substantive in-kind or financial support from businesses.



on financial or in-kind support compared with about 29% which have a lower level of reliance).

- SSOs which have a heavier financial or in-kind reliance on business are less likely to agree that support from business tends to be too short term (~70%) compared with those which are less reliant on support (~80%).
- SSOs which are more reliant on business for financial or in-kind support are less likely to agree that business wants them to work to their agendas (~38%) than those organisations that have low financial reliance on business (~50%).
- Difficulties SSOs encounter with meeting businesses are more pronounced amongst SSOs which do not rely to any great extent on financial or in-kind support (~80%) when compared with those which are more reliant (~67%). But it is clear that relatively few SSOs find such encounters easy to orchestrate.

**Table 4.3 The link between investment by business and perceived strength of relationships**

<i>(Percentage of SSOs which agree or strongly agree with the statements)</i>	<b>Businesses help us to raise our profile</b>	<b>Businesses make a big effort understand what we do</b>	<b>Businesses trust us to be well organised and professional</b>	<b>Businesses want us to achieve things which are too ambitious</b>	<b>Support from businesses tends to be very short term</b>	<b>Businesses always want us to work to their agendas</b>	<b>There are too few opportunities for us to meet businesses</b>
Perceptions of SSOs for whom money from business is of some or great importance to them	67.4	48.2	88.5	20.9	70.6	37.9	67.3
Perceptions of SSOs for whom money from business is of little or no importance to them	30.8	20.5	76.2	29.5	80.4	51.7	80.1
<i>Those SSOs which have strong financial reliance are more likely to agree or strongly agree with statements by a factor of...</i>	<i>2.2</i>	<i>2.4</i>	<i>1.2</i>	<i>0.7</i>	<i>0.9</i>	<i>0.7</i>	<i>0.8</i>
Perceptions of SSOs for whom in-kind support from business is of some or great importance to them	66.9	49.9	89.5	20.6	68.1	37.9	67.8
Perceptions of SSOs for whom in-kind support from business is of little or no importance to them	34.3	20.7	76.3	28.3	82.0	49.7	78.8
<i>Those SSOs which have strong reliance on in-kind support are more likely to agree or strongly agree with statements by a factor of...</i>	<i>2.0</i>	<i>2.4</i>	<i>1.2</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>	<i>0.9</i>

Making sense of these findings is not straight forward. A less endearing interpretation could be that SSOs are 'fair-weather friends' – and are more willing to express the value of their relationship if they are gaining financial or in-kind benefits. A more positive interpretation is that when SSOs and businesses invest in relationships with each other, then mutual trust and confidence can grow accordingly.

In a recent, related qualitative study for Power to Change<sup>80</sup>, an attempt was made to get under the surface of sector narratives about working with business. The quotations which follow seem to interpret business relationships from different perspectives. One SSO leader expressed general frustration about relationships with business because they did not directly meet their own interests.

*'We've got the network with the VCS, with the local authority and CCG, but what we don't have is a network with businesses. We've been talking about sponsorship or investment from them. [we've tried consultants] but they say, "why don't you do something like they do in London" but they work with these big financial blocks, but we don't have those kinds of businesses here. You're comparing apples and pears so we can't do it. Or we get [a national bank] come along and offer us £5,000, but they want singing and dancing and it's too much to do. We need money to help maintain the building, but nobody [will], you know, it's not sexy, is it?'*

The offer of small gifts or grants in this case is viewed with caution because there is a perceived expectation of reciprocity – an expectation which is clearly unwelcome because of a singular focus on the SSOs own organisational self interest.

The next quotation presents a different point of view where it is recognised that relationships with business, if they were to endure, must be built on mutual benefit. As a consequence, this SSO leader worked hard to invest in understanding and respecting private sector business interests rather than simply expecting that they should be given money, no-questions-asked.

*'One-off donations of £5,000 are of no value for us unless these are the kinds of sustainable relationships we need to build. We have to treat them with proper respect, and to do that you have to take time to understand them. You can't just expect them to hand over a cheque and for that to be that, we need to demonstrate that that £5,000 has enabled us to dot-dot-dot, to deliver these activities which people have always told us that they wanted. It's making sure that we can join those dots to show them demonstrably what the value is of their contribution. The days of getting money like this from the local authority is over, and so we have to be careful about how we communicate [to private sector businesses], it's got to be crisp, it's got to be relevant – we've had to change the language.'*

From this SSO leader's position, expecting that private sector businesses should do the running, recognise the value of their work and then provide them with the money or support they needed is clearly unrealistic.

On the basis of this qualitative evidence, it would seem to make sense to argue that SSOs which have a stronger 'affinity' with business practice are likely to have more positive attitudes about their relationships with business. But as Table 4.4 shows, that is not necessarily the case.

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<sup>80</sup> See Chapman, T. and Gray, T. (2019) *op cit*, pp 26-38.

**Table 4.4 Perceptions of the quality of relationships with business by SSOs with strong business ethos and practices** (Third Sector Trends 2019, England and Wales)

<i>(Percent of SSOs which agree or strongly agree with each statement)</i>	<b>There are too few opportunities for us to meet businesses</b>	<b>Businesses help us to raise our profile</b>	<b>Businesses always want us to work to their agendas</b>	<b>Businesses make a big effort to understand what we do</b>	<b>Businesses want us to achieve things which are too ambitious</b>	<b>Businesses trust us to be well organised and professional</b>	<b>Support from businesses tends to be very short term</b>
SSOs which have a stronger business orientation in their own practices (n=879-889)	67.8	51.2	43.5	33.6	21.8	80.3	71.6
SSOs which have a lower level of business orientation in their practices (n= 2,856–2,897)	76.4	51.3	43.1	37.6	25.5	85.5	76.2

For example, irrespective of their own business ethos and practices, similar percentages of SSOs claim that that business help them to raise their profile, make an effort to understand what they do, or trust them to be professional and well organised. Similarly, SSOs are equally likely to argue that business expects them to work to their agendas – irrespective of whether they have a business practice or not.

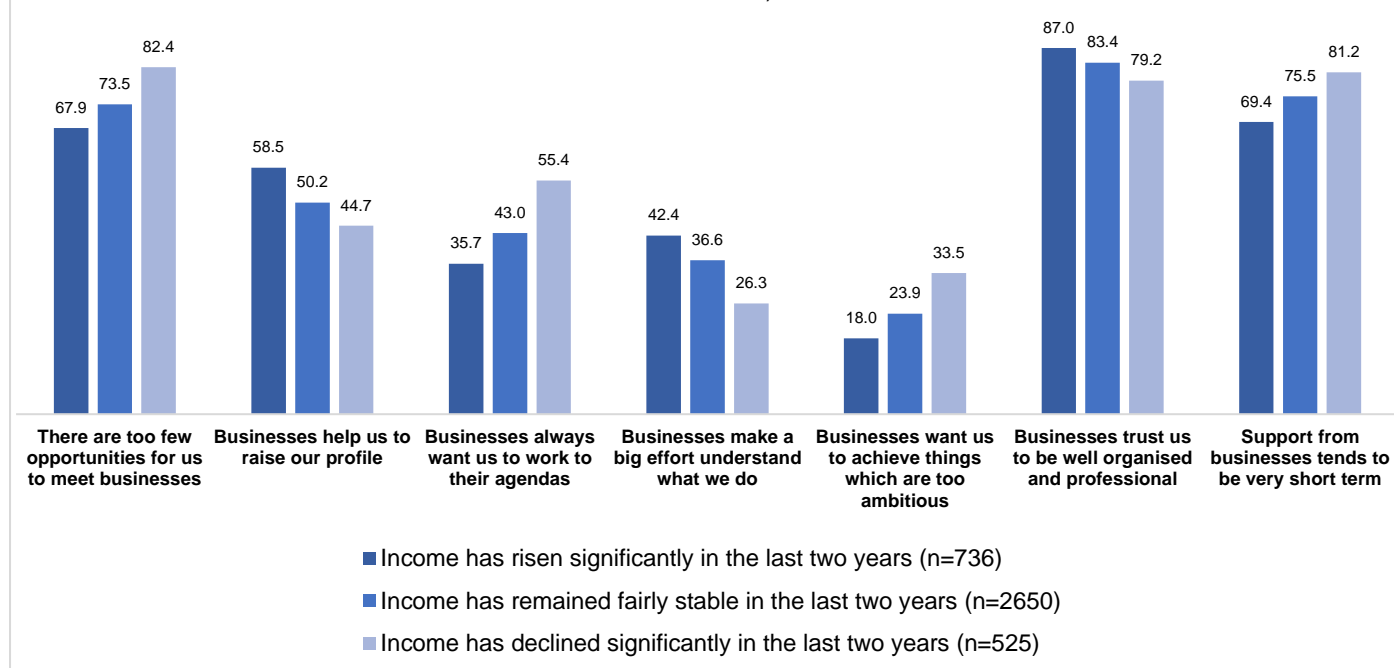
The only notable variation is in relation to the ease of meeting businesses. SSOs which do not have a strong business ethos or practices are more likely to find it difficult to find opportunities to meet businesses (76%) compared with those which do have a strong business practice ethos (68%).

Teasing out the reasons for SSOs' positive or negative perceptions of the quality of relationships with business is clearly a complicated process. As noted in Chapter 2, the 'mood' of SSOs may affect perceptions – where those which are enjoying a measure of financial wellbeing are generally more optimistic than those who are struggling.

As shown in Figure 4.2, for example, SSOs which have experienced a significant rise in income over the last two years are uniformly more positive about relationships with business than those which have seen their income decline significantly.

Certainly, it cannot be assumed that these positive attitudes *result from* good relationships with business, although they may play a part.

**Figure 4.2 Relationship between financial wellbeing and perceptions of positive relationships with business**  
(TSTS 2019, North or England, percentage of SSOs which 'agree' or 'strongly agree' with statements)



We clearly need to develop a stronger qualitative understanding of how businesses and SSOs build good relationships. Quantitative analysis can only go so far in this respect, but if carefully interpreted can help to generate questions about what factors could contribute to the generation of stronger interactions.

Given that this report is primarily concerned with the local social sector, it is therefore useful to look at the different experiences of SSOs which work only locally compared with those which work over a wider spatial area. This may help to show if the strength of relationships between business and SSOs vary, but also to raise questions about the propensity of local businesses to invest in the social sector.

Table 4.5 compares perceptions about the quality of relationships with business by the spatial range of SSOs operations. Two clear findings emerge:

- SSOs working at a more local level are more likely to agree or strongly agree state that it is harder to meet local businesses.
- SSOs which work on a wider spatial level are more likely to agree or strongly agree that businesses help them to raise their profile.

In all other respects, the views of those SSOs working at the most local level seem to be out of kilter with broader trends.

**Table 4.5 Relationships with business amongst SSOs which work at different spatial levels**  
(Third Sector Trends 2019, North of England)

(Percentage of SSOs which agree or strongly agree with the statements)	There are too few opportunities for us to meet businesses	Businesses help us to raise our profile	Businesses always want us to work to their agendas	Businesses make a big effort to understand what we do	Businesses want us to achieve things which are too ambitious	Businesses trust us to be well organised and professional	Support from businesses tends to be very short term
Work only at neighbourhood or village level (n=847)	76.0 ↑	48.0	38.0	39.1	39.1	83.0	74.5
Work within one local authority area (n=932)	74.8	50.5	45.3 ↑	31.2	31.2	80.0	77.7
Work within one English region (n=804)	70.2	53.4	44.2	36.2	36.2	85.5	73.1
Work across regions or at a national level (n=279)	68.0	65.2 ↓	43.8	47.9 ↓	47.9 ↓	86.9 ↓	69.2 ↓

Interpretation of Table 4.4 is difficult because SSOs working at a very local level are more likely to be small, while those working over a wider level are more likely to be large organisations. These relationship variables are explored below by size of SSOs. Figure 4.3(a) shows SSOs' perceptions about the ease at which they can meet businesses.

- Amongst SSOs working only at the neighbourhood or village level, small and medium sized organisations share more or less the same opinion that it is difficult to meet businesses (76-80%). Only 62% of larger SSOs find it difficult.
- Those SSOs working across one local authority share similar opinions, although larger SSOs are the least likely to find it hard to meet businesses.
- Only in the case of SSOs working beyond the boundaries of a single local authority does a clear pattern emerge, where small SSOs are much more likely to struggle to meet businesses (86%) than larger organisations (59%).

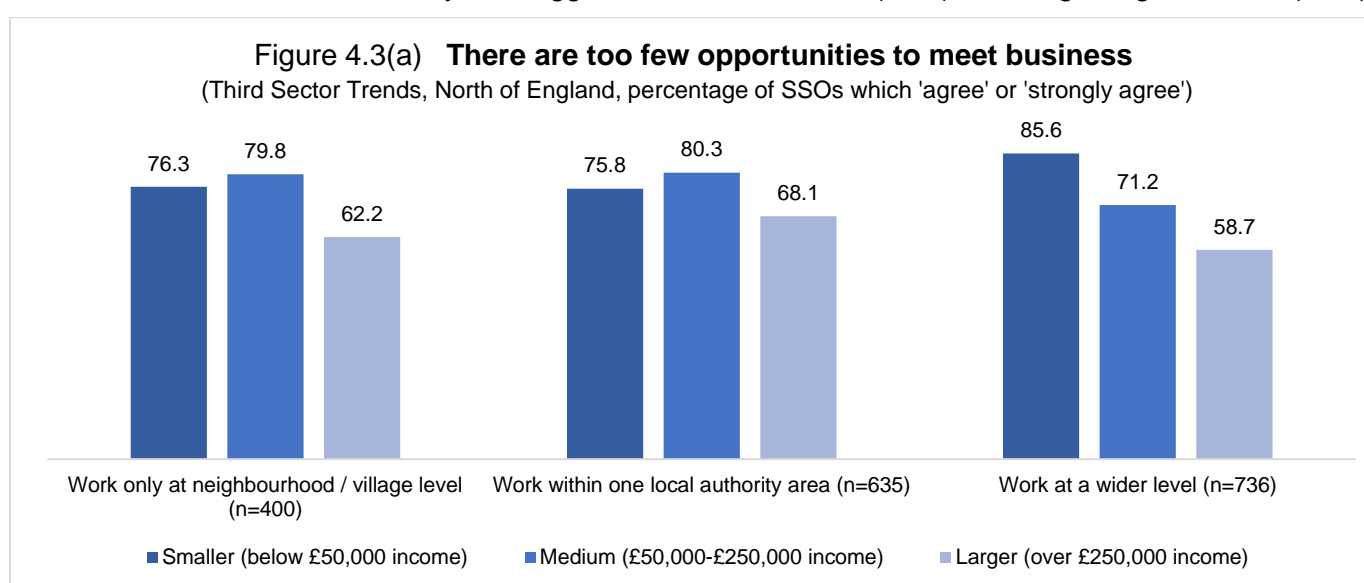
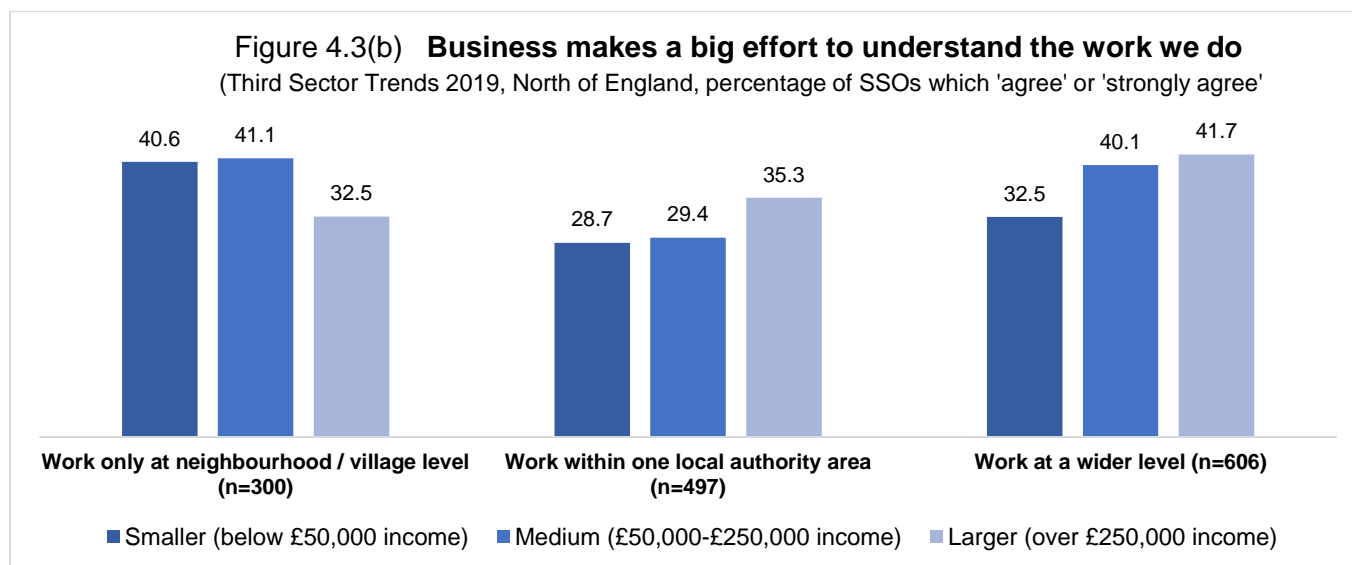


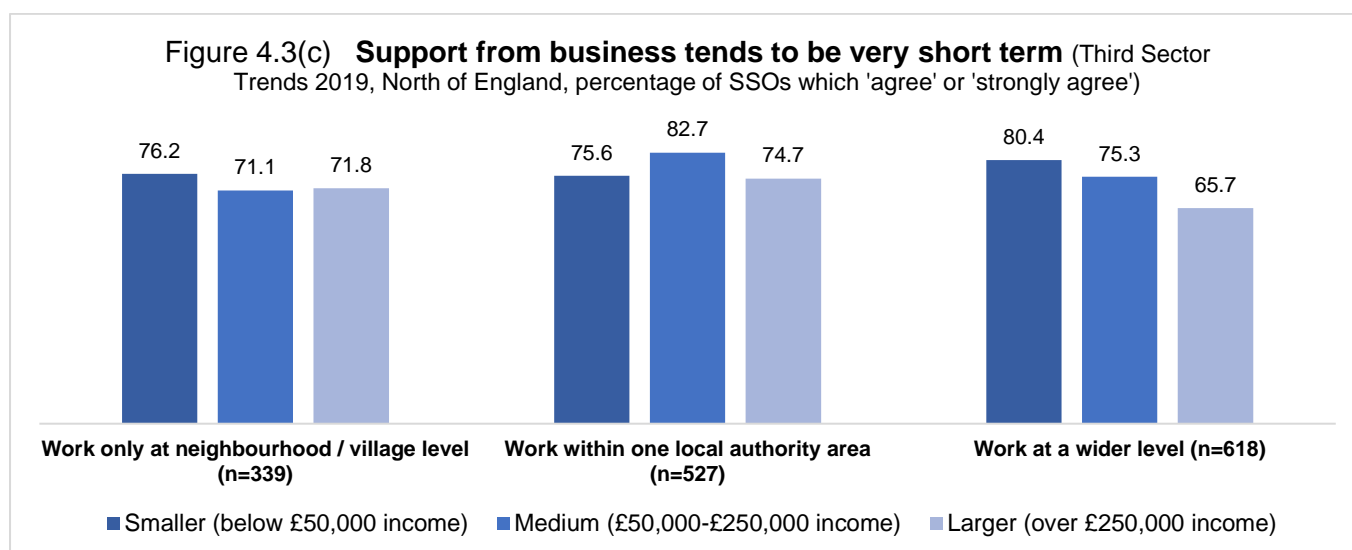
Figure 4.3(b) compares SSOs' perceptions about the extent to which private business makes an effort to understand their work. At the very local level, about 40%

of small and medium sized SSOs share the view that businesses seek to be empathetic but, perhaps surprisingly, larger organisations are less convinced (33%).

Larger SSOs are more likely to feel that businesses make an effort to understand their work if they work across a wider spatial area. But it is a mixed picture amongst small and medium sized SSOs.



Finally, Figure 4.3(c) compares attitudes about the longevity of business support. Amongst SSO working at the local level, differences are marginal when comparing by size of organisations. Only amongst SSOs working at a wider level does a clearer pattern emerge – where smaller organisations are the most likely to perceive that business support tends to be short term.



The analysis of Table 4.4 and Figures 4.3(a-c) suggests that relationships between businesses and SSOs at spatial level vary by size of organisations but in a relatively unpredictable way.

When findings are not clear cut, this does not mean that there is 'nothing going on' that is worth exploring at a qualitative level. On the contrary, local contextual factors could have a significant impact on how businesses and SSOs interact.



And while it appears that SSOs working across a wider spatial range have ‘better’ relationships with business, this may partly be due to these organisations having more capacity to build relationships.

Far too little is known about these factors, so these findings clearly call for further investigation.

## **4.3 Summary**

In broad terms, the above analysis has shown that relationships with business, where they exist, are positive. Business is not perceived to be too ‘pushy’ by SSOs – by asking them to fit in with business agendas or expecting higher levels of ambition. Similarly, SSOs generally feel trusted by businesses to work in a professional way.

On the downside, SSOs feel that support they gain is too short-term and many feel that businesses do not make sufficient effort to understand what they do. Maybe businesses feel the same – but we have no data to take a view on this at the moment.

The contacts between businesses and SSOs are limited by opportunities to meet, and maybe this explains why relatively few organisations (and especially smaller SSOs) have relationships with businesses. But equally, if such opportunities were made available, we do not know if SSOs or businesses would be keen to take them up.

This section indicates that, in general, larger SSOs are in a position to form stronger relationships with businesses. That is likely to be because they have more capacity and strategic interest to do so. But we simply do not know what kinds of businesses they are working with at present, or what those businesses feel that they get out of the relationship.

Finally, the evidence on local working relationships is more than inconclusive – it is simply puzzling. It is hard to judge whether local relationships with business are better than distant ones – and certainly we cannot make presumptions about what triggers and drives business support at an area level.

In many respects, therefore, this section has raised more questions than it has answered. This points to an urgent need to hear about relationships from the point of view of businesses rather than focusing purely on reportage from SSOs.

## Chapter 5

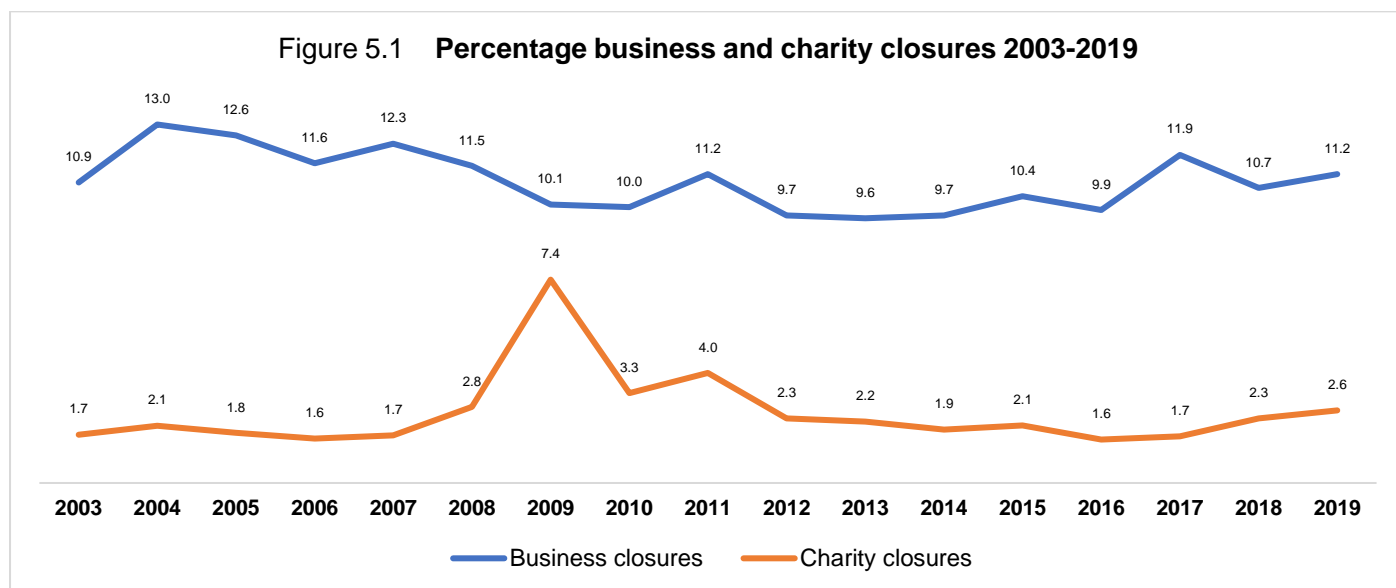
### Future prospects

#### 5.1 Sector wellbeing

Commentary on the wellbeing of the social sector is often somewhat doom-laden. Think tanks, infrastructure organisations and sector representative bodies continually produce research reports or consultation documents that prophesise the imminent demise of the sector. Third Sector Trends data has consistently shown that SSOs are more financially resilient than is generally believed.

Comparing the robustness and sustainability of private sector businesses and SSOs is not easy to do. One way of doing so is to compare annual rates of closures. But there are problems with this approach. For example, it is not known how many SSOs are effectively inactive or ‘dormant’ but remain registered. As Figure 5.1 suggests, the percentages of business closures appear to be much higher than for charities.<sup>81</sup> The spike in closures following the 2008 crash does not augur well for the impact of Covid-19.

Figure 5.1 Percentage business and charity closures 2003-2019



<sup>81</sup> Business closure data, source: ONS:

<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2019> Historical data from the National Archive was achieved with assistance from the ONS which is much appreciated.

Charity population data, source: NCVO: <https://data.ncvo.org.uk/profile/size-and-scope/#:~:text=Overview-.In%202017%2F18%20there%20were%20166%2C592%20voluntary%20organisations%20in%20the,figures%20from%20year%20to%20year.>

Charity deregistration data, source: Charity Financials: <https://www.charityfinancials.com/insights/insider/press-release-number-of-uk-charities-closing-quadrupled-after-the-last-recession-a-warning-for-covid-19.>

At an organisational level by contrast, leaders of charities, community organisations and social enterprises tend to be optimistic. Third Sector Trends has shown over the last twelve years that SSO leaders are more likely to expect that their financial and human resources will grow, rather than shrink. Even in the years following the financial crash of 2008, sector optimism was only dented, and certainly not demolished.

If the sector talks about itself collectively in the language of crisis, but individual SSOs are generally upbeat about the future, how can these different perspectives be squared? There are two key explanations.

### Expectations and reality

Firstly, and somewhat paradoxically, concerns about sector wellbeing are exacerbated by general optimism about future resources – thereby leading to a continual sense of disappointment when things do not work out as expected.

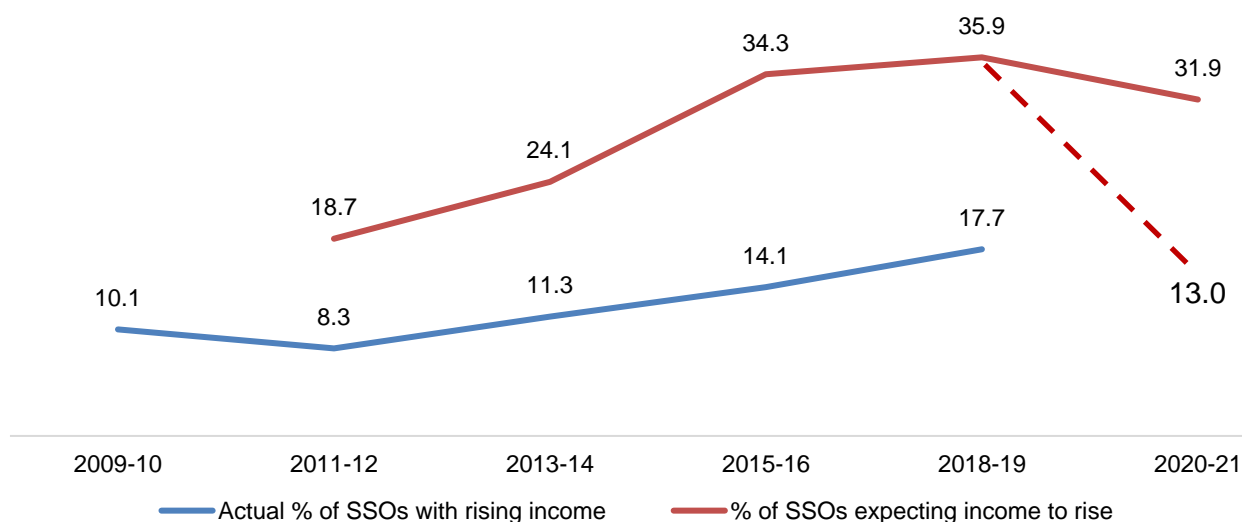
As shown in Figure 5.2,<sup>82</sup> expectations and reality are mismatched. Even following the global economic crash, 19% of SSOs expected that income would rise significantly in the next two years. But when the reality was checked in the 2012 survey, only 8% of SSOs actually had significantly rising income.

Over the years, optimism steadily rose from 19% in 2010 to a whopping 36% in 2019. In reality the percentage of SSOs with significantly rising income rose too, but to a much lower extent than expected: rising from 10% in 2009-10 to 18% by 2018-19.

After the Covid-19 pandemic had become established in the UK, a sub-sample of respondents were asked how they felt about the future. Optimism about significantly rising income over the next two years crashed from 32% in December 2019 to 13% in June 2020. But it will not be possible to tell until the next survey is undertaken in 2022 whether expectations were well founded.

Figure 5.2 **Mismatch between expectations and reality on rising income 2008-2021**

(Dashed line represents predictions from the June 2020 survey)



<sup>82</sup> First published in Chapman, T. (2020) *Third Sector Trends Covid-19 impact survey*, Newcastle: Community Foundation serving Tyne & Wear and Northumberland. [https://www.researchgate.net/publication/348818123\\_Third\\_Sector\\_Trends\\_Covid-19\\_Impact\\_Survey](https://www.researchgate.net/publication/348818123_Third_Sector_Trends_Covid-19_Impact_Survey)

## Weathering storms

Secondly, sector representative bodies and organisational leaders may perceive a positional advantage by being downbeat about financial prospects - in the hope that they might pull on the heartstrings of those organisations and individuals who give them money to do good work.

Continual references to 'perfect storms' or being 'on the edge of a precipice' have become so common that it is not surprising that the sector can project a 'care worn' image.<sup>83</sup>

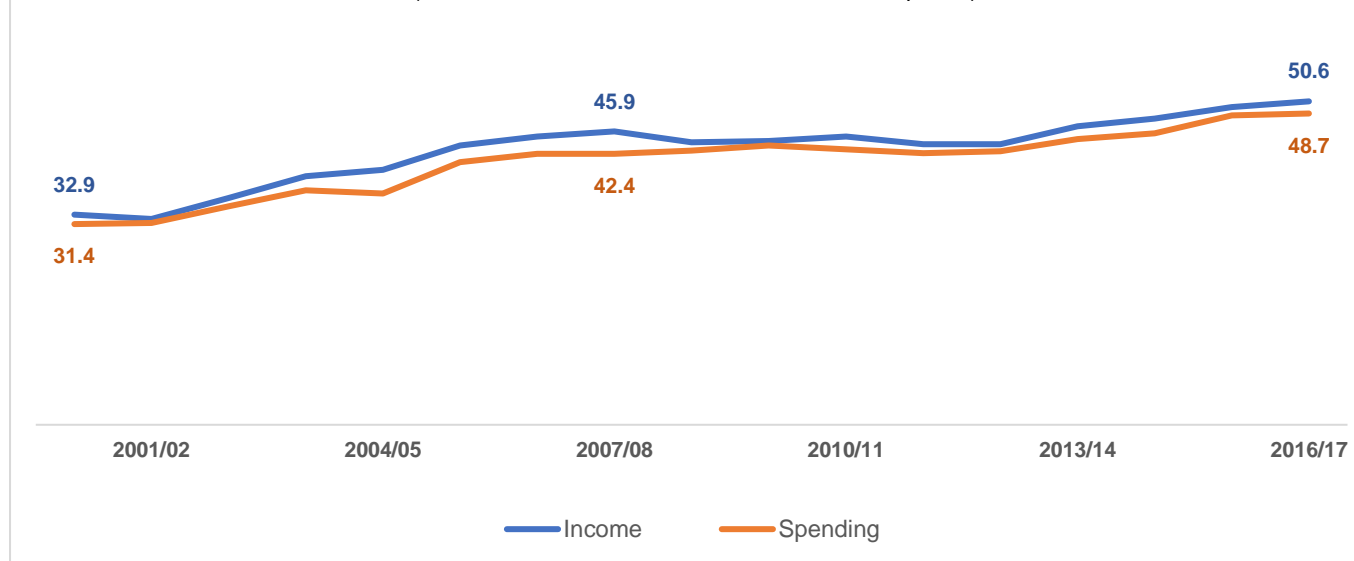
SSOs differ from private sector businesses in the way they garner and think about money to do their work. This is because SSOs draw upon income from a wide range of sources including fundraising, gifts and legacies, earned income, grants and contracts. Furthermore, income in each category is often gained from several sources. For example, larger SSOs often draw income from a number of grant-making foundations at any one time.

Ultimately, most SSOs do not share the same mindset as business. Profit is not the driving force when making financial decisions. And unlike businesses, organisations in the social sector are generally disinclined to accept the risks associated with borrowing money.<sup>84</sup>

Indeed, on no occasion in the last 20 years has the social sector spent more money than it has brought in (see Figure 5.3).<sup>85</sup> Consequently, SSOs are much less vulnerable to collapse when a bank forecloses. Instead, there are options to batten down the hatches or shift in new directions to resolve immediate crises.

Figure 5.3 **Social sector income and expenditure 2001-2017**

(Source: NCVO Almanac 2019, £bns 2016-17 prices)



<sup>83</sup> A simple Google search, for example, using "perfect storm" and "charities" for the UK in the last twelve months produced 22 pages of media stories (searched on 5<sup>th</sup> April 2021).

<sup>84</sup> Using Third Sector Trends data, it has been shown that few SSOs are interested in borrowing. Chapman, T. (2017) 'The propensity of third sector organisations to borrow money in the UK', *Policy Studies*, 38(2), 185-204.

<sup>85</sup> Third Sector Trends in North East England: a digest of findings 2020, Newcastle: Community Foundation serving Tyne & Wear and Northumberland: Figure 15.1, p. 117:

[https://www.researchgate.net/publication/348817959\\_Third\\_Sector\\_Trends\\_in\\_North\\_East\\_England\\_2020\\_a\\_digest\\_of\\_findings](https://www.researchgate.net/publication/348817959_Third_Sector_Trends_in_North_East_England_2020_a_digest_of_findings)

See also: Chapman, T. and Hunter, J. (2018) *The value of business to third sector organisations in the north*, Manchester, IPPR North; Hunter, J. (2019) *Business for a Purpose: growing the civic core of the northern powerhouse*: Manchester: IPPR North.

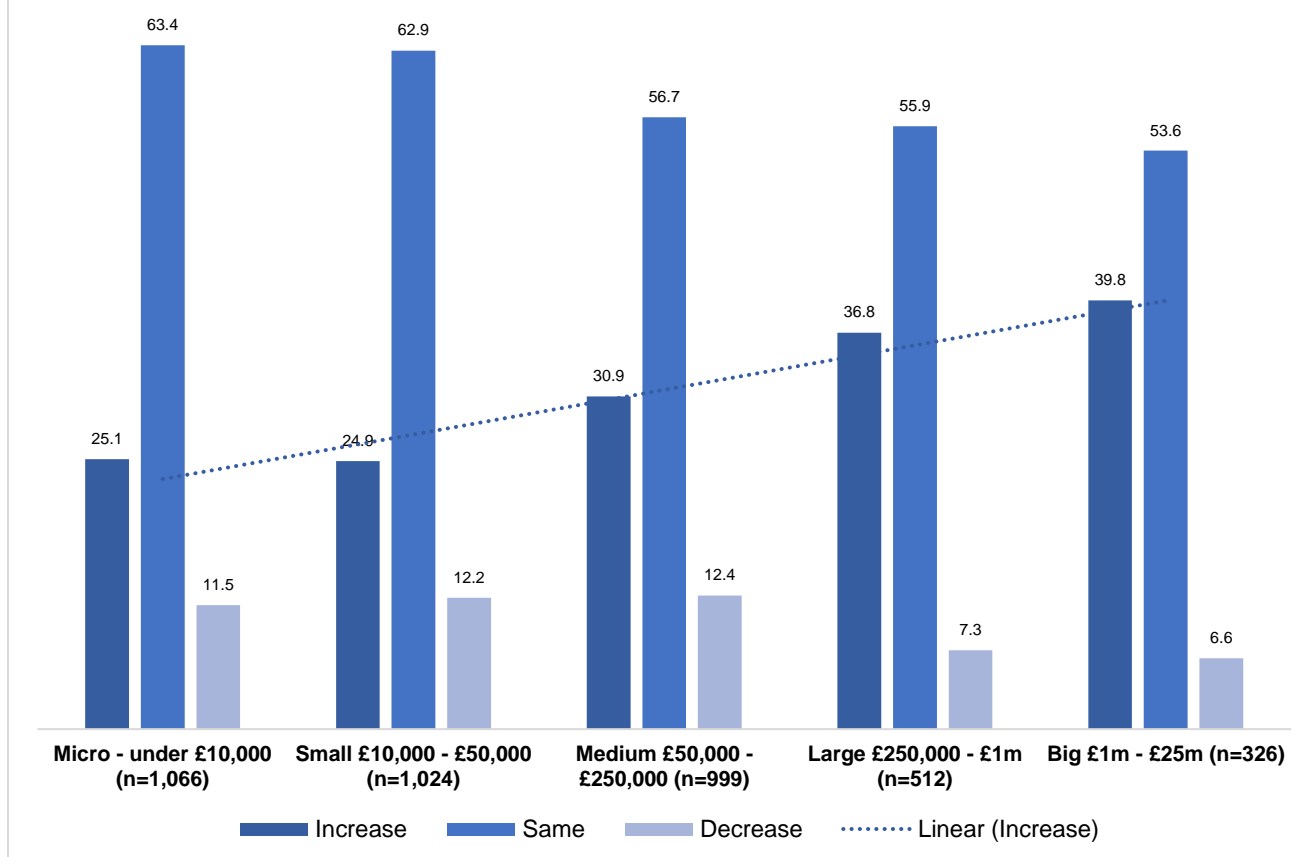
## 5.2 Expectations about working with the private sector

Setting aside broader financial questions, the analysis will now focus on expectations SSOs have about working with business. These data were collected before the Covid-19 crisis. But they show which parts of the sector, in more 'normal' circumstances, expect to build relationships with business. At the end of this chapter, newer post-Covid-19 data will show that optimism declined substantially by June 2020.

Figure 5.4 demonstrates that the biggest SSOs tended to be the most optimistic about gaining more support from business in the next two years (40%) compared with micro or small SSOs (25%).

Figure 5.4 **Percent of SSOs expecting that support from business will increase in the next two years**

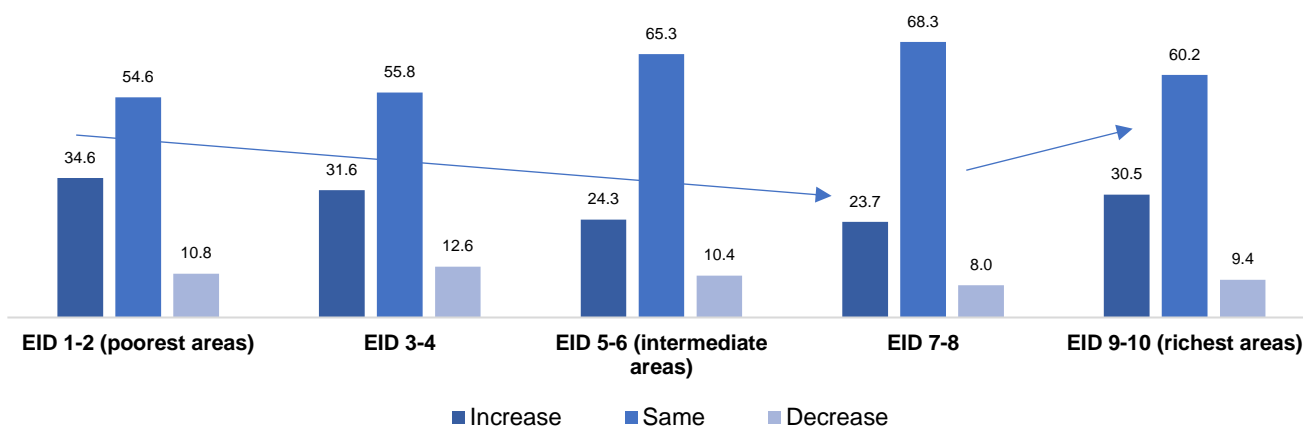
Source: Third Sector Trends 2019, England and Wales, n=3,977



The level of affluence or deprivation in the area where SSOs are located has an influence upon optimism about future support from businesses (Figure 5.5). SSOs in the poorest areas were the most optimistic (34%). Optimism steadily declines to 24% as area affluence increases - with the exception of the richest areas where there is an uplift in optimism to 31%.

**Figure 5.5 Percent of SSOs expecting that support from business will increase in the next two years by area affluence**

(Source: Third Sector Trends 2019, England and Wales, n=3,662)



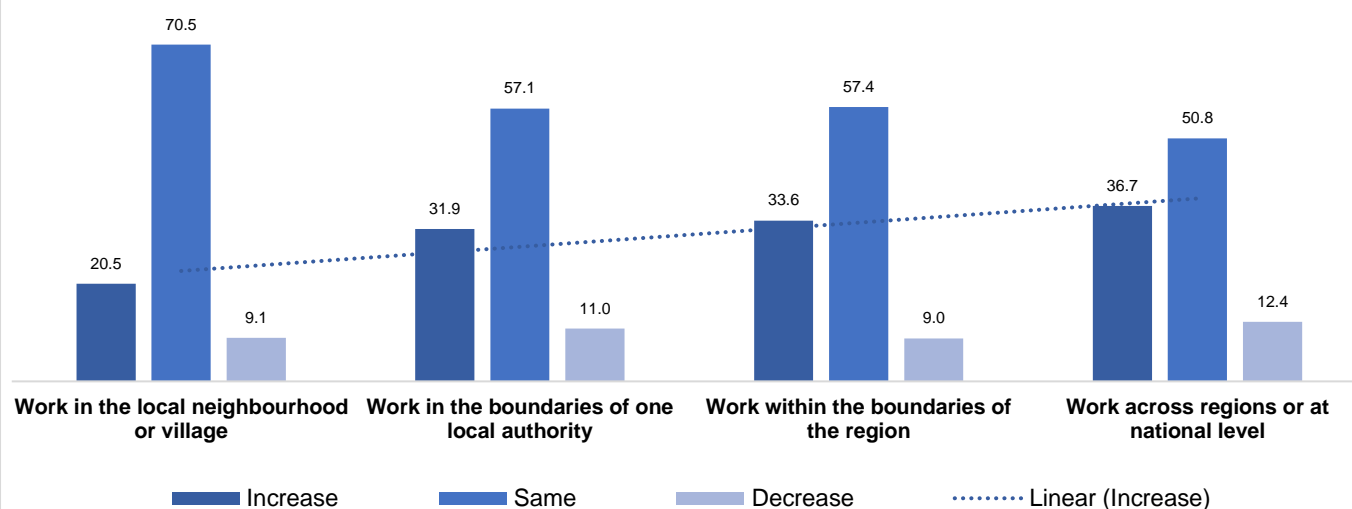
The previous chart does not take into account the spatial ‘range’ of operation of SSOs which have their main office in richer or poorer areas. Figure 5.6 indicates that spatial range of activity is a key variable in shaping sector optimism – though it should be borne in mind that those SSOs which operate at a wider spatial level tend to be larger organisations.

SSOs which work only at the neighbourhood or village level were the least optimistic about increasing support from business (21%) but they were the most likely to state that current levels of support would remain the same (71%).

Those organisations which worked at the widest spatial level were the most optimistic (36%). But this finding should not be over stated as many larger SSOs only operate at local authority or even community level.

**Figure 5.6 Percent of SSOs expecting that support from business will increase in the next two years by spatial working range**

(Source: Third Sector Trends 2019, North of England, n=2,871)

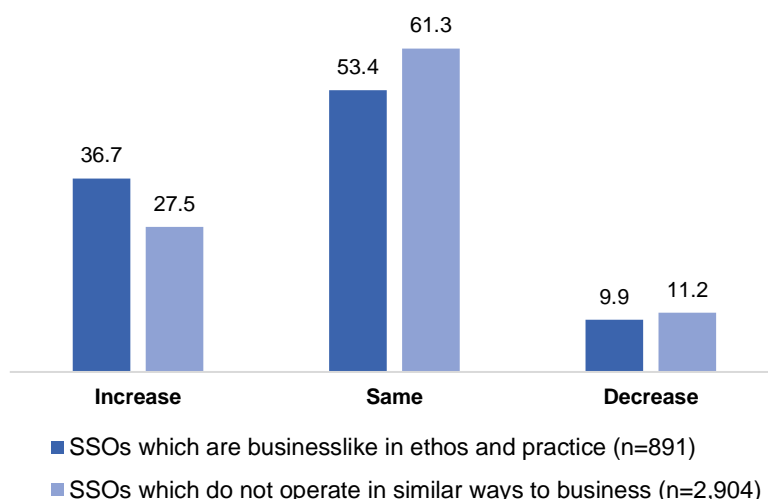




The practice ethos of SSOs makes a marginal difference to levels of SSOs' optimism about increasing support from business in the future. As shown in Figure 5.7, 37% of organisations with a business-like ethos and practices expected support to rise compared with 28% of other SSOs.

**Figure 5.7 Percent of SSOs expecting that support from business will increase in the next two years by organisational practice ethos**

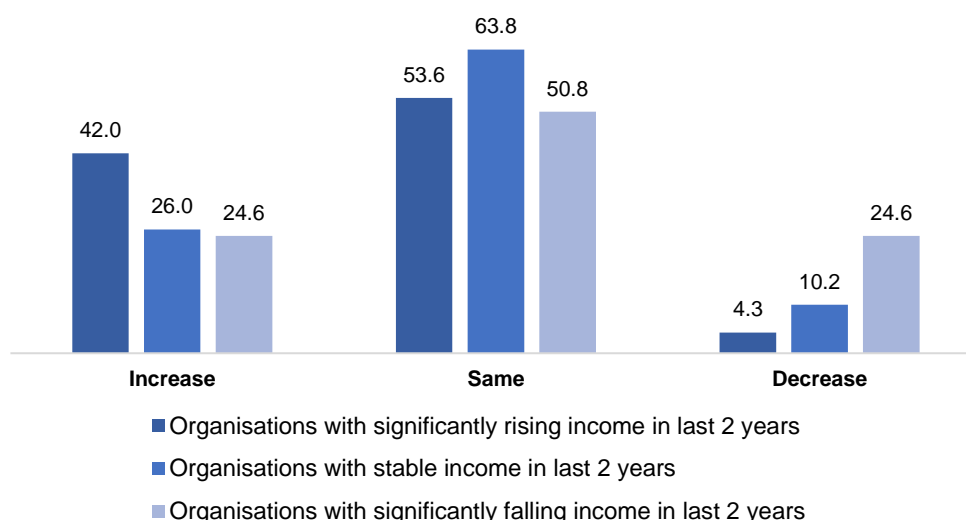
(Source: Third Sector Trends 2019, England and Wales)



The financial wellbeing of organisations can influence attitudes about future levels of support from private sector business. Figure 5.8 indicates that SSOs which have experienced significantly rising income in the last two years were much more optimistic (42%) than those which had seen their income decline (25%).

**Figure 5.8 Percent of SSOs expecting that support from business will increase in the next two years by organisational financial wellbeing**

(Source: Third Sector Trends 2019, England and Wales, n=3,919)

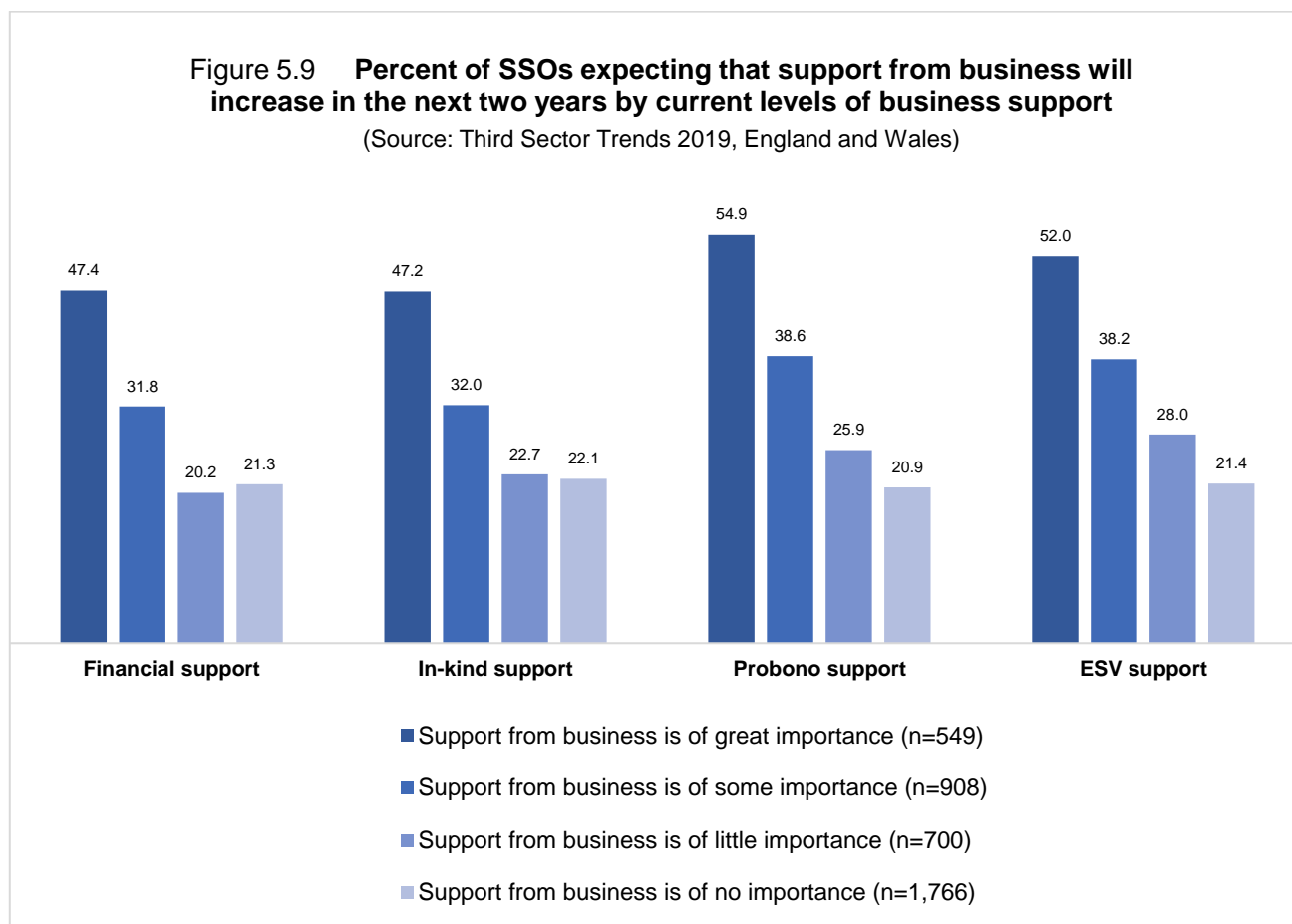


Levels of optimism are also shaped to a large extent by the strength of current relationships with business. As shown in Figure 5.9, SSOs which state that business support is of great importance to them are about two and a half times more likely to expect that support to increase in the next two years when compared with organisations that get no business support.

These differences are especially pronounced amongst SSOs which have access to pro bono or ESV support. These findings could lend support to the idea that confidence in business and social sector relationships improve with the investment of commitment. But there is no certainty that such confidence in the quality of relationships would endure if support declined or was withdrawn.

**Figure 5.9 Percent of SSOs expecting that support from business will increase in the next two years by current levels of business support**

(Source: Third Sector Trends 2019, England and Wales)



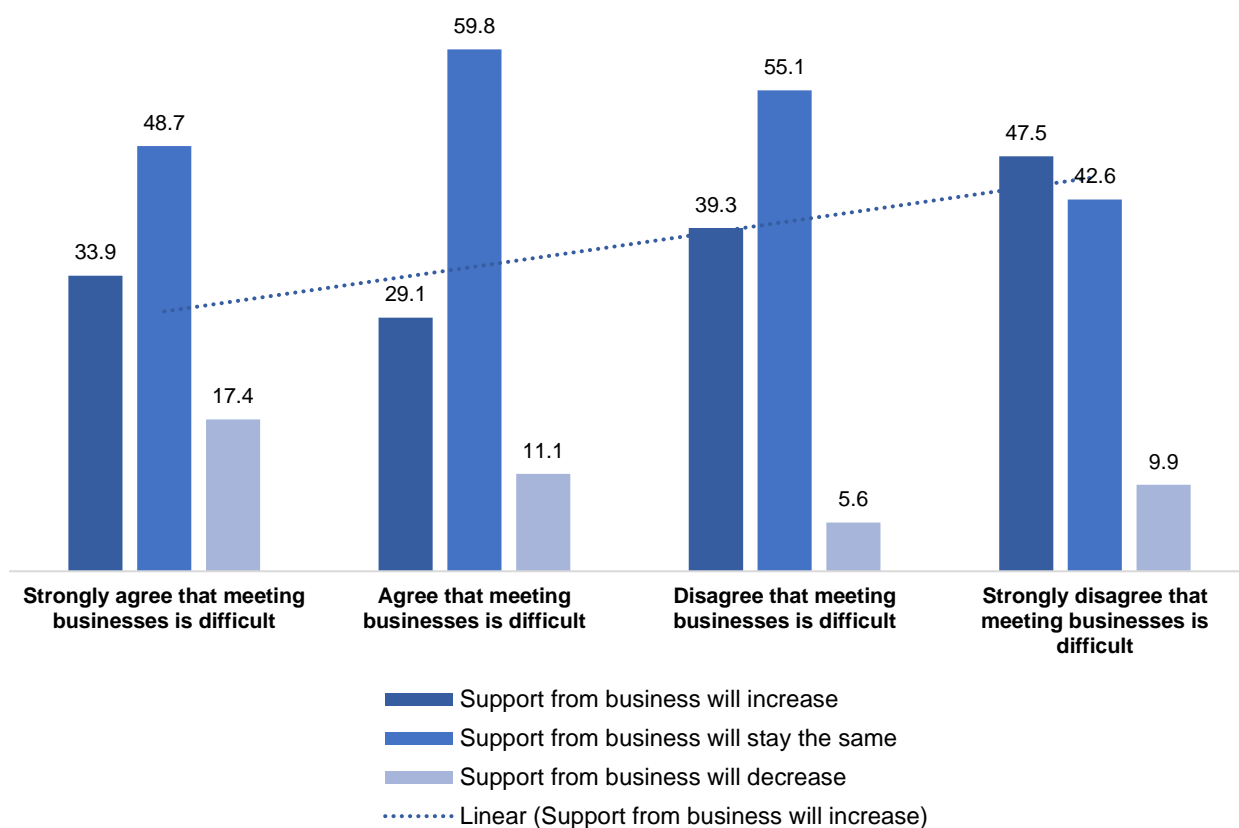
Gaining substantive support from business seems to play an important role in shaping attitudes about future relationships. This finding could be reinforced by looking at more general aspects of relationships.

Figure 5.10 shows that SSOs which find it easiest to meet businesses are a lot more optimistic (48%) than those which find it hard (29%) or very hard (34%) to meet businesses.

The findings are not entirely clear cut because 10% of SSOs which find it easy to meet with business still expect that support from them will decrease in the next two years.

Figure 5.10 **Percent of SSOs that expect business support to increase in next two years by current accessibility to businesses**

(Source: Third Sector Trends 2019, England and Wales, n=3,920)













Finding opportunities for SSOs to meet businesses is not the sole responsibility of businesses – charities, social enterprises and community organisations also need to make the running to achieve this.

As Table 5.1 indicates, those SSOs which feel that they make a strong effort to initiate collaboration, to network and influence decision making are twice as likely to be more optimistic about increasing future support from business.

That stated, the proportion of the sample which chooses to ‘keep themselves to themselves’ is relatively small in each of the categories of external activity or interest in organisational expansion.

**Table 5.1 Expectations of support from business by SSOs which are actively engaged in civil society networking, policy and partnership working (Third Sector Trends, North of England, 2019)**

	Support from business will increase	Support from business will stay the same	Support from business will decrease	N=
SSOs which welcome working in partnership	33.7 	56.7	9.6	1,863
SSOs which prefer to work independently	18.4 	66.0	15.5	483
SSOs which have ambitions to grow	32.6 	56.9	10.5	2,096
SSOs which want to remain at their current size	16.6 	71.3	12.1	289
SSOs which want to influence public policy	33.1 	56.7	10.3	2,068
SSOs which are not trying to influence public policy	15.3 	72.4	12.3	308
SSOs which actively engage in external meetings	31.7 	57.9	10.4	2,251
SSOs which tend to avoid public external meetings	13.3 	71.3	15.3	150
SSOs which initiate partnership working	34.2 	56.1	9.8	1,850
SSOs which eschew partnership working	18.5 	68.0	13.5	525

Whether these ‘movers and shakers’ will be more successful than other SSOs remains to be seen in the next round of the Third Sector Trends survey in 2022. But on past performance, the indications are that externally oriented organisations have been more likely to show stronger levels of capability in ensuring future financial wellbeing.

## 5.4 Attitude change following Covid-19

The extent to which support from business can be sustained when the private sector itself is facing enormous challenges resulting from the Covid-19 pandemic remains to be seen. However, the likelihood is that there will be a decline in private-sector support in the immediate future.

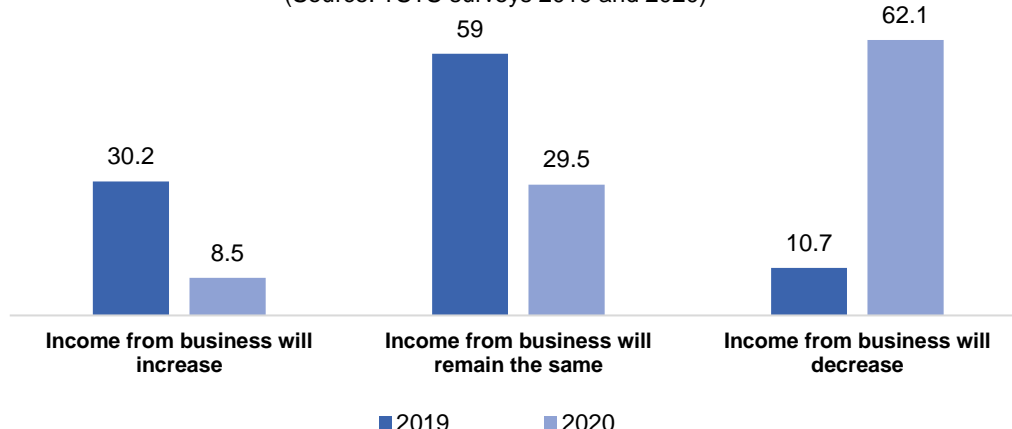
Using Third Sector Trends data it can be seen that organisational leaders’ formerly positive expectations about funding from the private sector, to a large extent, evaporated since the onset of the Covid-19 pandemic.

- In 2019, 30% of SSOs expected support from the private sector would increase, in June 2020 only 9% believed this to be the case.
- In 2019, only 11% of SSOs thought that support from the private sector would decrease, in June 2020 62% thought this would happen.

While these expectations present an alarming picture, it must be reiterated that what actually happens may not match up to these predictions. Furthermore, it should be noted that, on the basis of historical analysis presented in Figure 5.11, the chances are that earlier optimism was somewhat overstated. Not until the full study is repeated in 2022 will we know for sure what actually happens.

Figure 5.11 Pre and post Covid-19 expectations about support from private sector businesses in the next two years

(Source: TSTS surveys 2019 and 2020)



The general tenor of comments from SSO leaders in the summer of 2020 was an expectation that income from business would decline.

***“...business will find it increasingly difficult to find cash to support our operation as belts are subject to severe tightening post Covid-19 stabilisation.”***

***“If local shops and businesses reduce in quantity and turnover, we may have a big reduction in revenue as these are very important contributors. Most of this income is advertising in our carnival programme. We do have some reserves so hopefully the economy will improve in time so we can continue.”***

SSOs were also concerned about their potential to engage in their own business activities. If SSOs are unable to trade as successfully as they have been due to government restrictions on, for example, social distancing, or loss of consumer demand this will clearly impact upon cashflow. Many organisational leaders in the June 2020 study commented on this – but it is a mixed picture - with some anticipating real problems while others identify viable new opportunities:

***“Our trading income is likely to reduce as a result of the impending recession. We have four years to run on a significant grant and we have just started a reasonably sized four-year commission from our Clinical Commissioning Group, so those will provide a cushion for us through the recession. We have several significant development plans in train and I shall be encouraging our trustees to continue their commitment to those so we are in a better place to benefit once we start to come out of the recession. We also have ambitious plans to build our membership and engage to a greater extent with our community... Community spirit generated through the Covid-19 response may actually be beneficial to this endeavour.”***

***“Still possible we could just go under as we rely quite heavily on trading - but any reductions in statutory funding could also tip us over. [we’re] expecting to lose around a quarter of our sector, with small and medium organisations at highest risk.”***

Interestingly, some SSOs thought it may be possible to re-engage with public sector contractual activity which had diminished during a decade of government austerity programmes.

***“A lot of charities will need to develop their ability to become tender ready to replace trading income.”***

## 5.5 Summary

The evidence presented in this chapter shows that in 2019, the social sector was optimistic that they would further develop a positive relationship with business in the future. That optimism quickly flipped to pessimism at the onset of the Covid-19 pandemic. But it is too easy to fall back on the argument that the social sector is facing an ‘existential threat’, as commentators often claim.

Change can be rapid and arrive in unexpected ways. Many organisations are currently facing difficulties because of the Covid-19 crisis and may not be able to see their way out of trouble. Others have been activated by the crisis and are more successful than ever.

In 2008 when the economy was hit by the shock of a global banking crisis, the social sector reeled under the pressure. But predictions about its demise were proven to be false. In fact, the social sector is robust and can withstand the knocks of recurrent crises.

The resilience of the sector is shaped to a large extent by the way that organisations are structured, resourced and practice. For a majority of organisations, measures of success are not confined to a financial balance sheet. They take relatively few financial risks and as a whole – the sector lives within its means.

What the future holds is hard to predict. The private sector, so far, has had mixed experiences of the Covid-19 crisis – and government support has certainly softened the blow (as it has for those SSOs which employ staff).

It would be easy to draw negative conclusions and predict that business will drawback from the levels of support it has given to the social sector in recent years – temporarily at least - as businesses get back on their feet. But to take such a negative viewpoint would be premature. When Third Sector Trends returns in 2022 the dust will have settled sufficiently to make clear judgements on longer-term impact.



## Chapter 6

### Summary and discussion

The social contribution of business to society is currently under the spotlight on both sides of the Atlantic. Commentators from each end of the political spectrum agree that the *actual* or *potential* benefit that the private sector can bring to society needs to be better understood.

Portas and Kramer have argued in the *Harvard Business Review* that:

***‘Companies must take the lead in bringing business and society back together. The recognition is there among sophisticated business and thought leaders, and promising elements of a new model are emerging. Yet we still lack an overall framework for guiding these efforts, and most companies remain stuck in a “social responsibility” mind-set in which societal issues are at the periphery, not the core.’***<sup>86</sup>

At the other end of the political spectrum, debates surrounding ‘community wealth building’<sup>87</sup> and the ‘foundational economy’ have taken centre stage using critiques of conventional measures of economic growth and vitality (such as gross domestic product) to argue for new indicators of social and economic wellbeing.

As Haldane has argued in an afterword to *The Foundational Economy*:

***The critique goes to a set of deep questions in economics and economic policy. How do we assess how well society is being served by the economy? The existing conventions, based around individuals’ consumption of private goods – in short, GDP. Or an alternative, based on everyone having sufficient access to social, as well as private, goods – a broader measure of wellbeing?’***<sup>88</sup>

The corporate view, exemplified by Portas and Kramer refers to the contribution of big business, while community wealth building and the foundational economy bring local social economies into the foreground – which is served by a mix of big and small businesses working locally together with the public sector and the social sector.

The evidence base is growing, but there is still only a limited level of understanding of how well the private, public and social sectors interact and how they support each other to strengthen the local social economy. In the recent *Kruger Review*, for example, its original brief from the Prime Minister emphasised the importance of exploring the role of business. However, there was precious little evidence to go on to develop understanding.<sup>89</sup>

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<sup>86</sup> Porter, M. and Kramer, M. (2011) ‘Creating shared value’, *Harvard Business Review* January/February issue. <https://hbr.org/2011/01/the-big-idea-creating-shared-value..>

<sup>87</sup> See, for example, Guinan, J. and O’Neill, M. (2020) *The case for community wealth building*, Cambridge: Polity Press.

<sup>88</sup> Haldane, A. (2018) ‘Measuring and shaping the economy: afterword’, *Foundational Economy*, Manchester: Manchester University Press.

<sup>89</sup> Kruger, D. (2020) *Levelling up our communities: proposals for a new social covenant*. <https://www.dannykruger.org.uk/new-social-covenant>

This research report has been written to help improve understanding about the relationship between the private sector and the social sector.<sup>90</sup> Progress has been made which is summarised in Section 6.1, but there is still quite a long way to go as the report will conclude in Section 6.2.

## 6.1 Summary of key findings

### *Relationships between business and the social sector*

This report shows that relationships between business and the social sector are stronger than might have been expected. Business supports SSOs in a variety of ways. Providing finance, in-kind support, pro bono expert advice and the services of employee volunteers.

Table 6.1 Percentage of SSOs supported and estimated value (Third Sector Trends 2019, England)		
	Percent of SSOs stating that support is of 'great' or 'some' importance	Estimated financial/proxy financial value of support (£ millions)
Financial support	37.1	£1,921.7
In-kind support	35.5	£270.9
Pro bono support	25.0	£185.9
Employee volunteer support	22.6	£17.1

The social responsibilities of the private sector may have been under scrutiny, but there is little evidence to show that business support for the social sector has risen in recent years - with the notable exception of in-kind support. The percentage of SSOs which value in-kind support has risen from 26% in 2014 to 36% in 2019.

Many SSOs do not have a relationship with business and, reading between the lines, the indications are that they may not feel the need to build them. At present 30% of SSOs receive no support from business – but that should not be regarded as a *problem*, necessarily, as many SSOs may not require help.

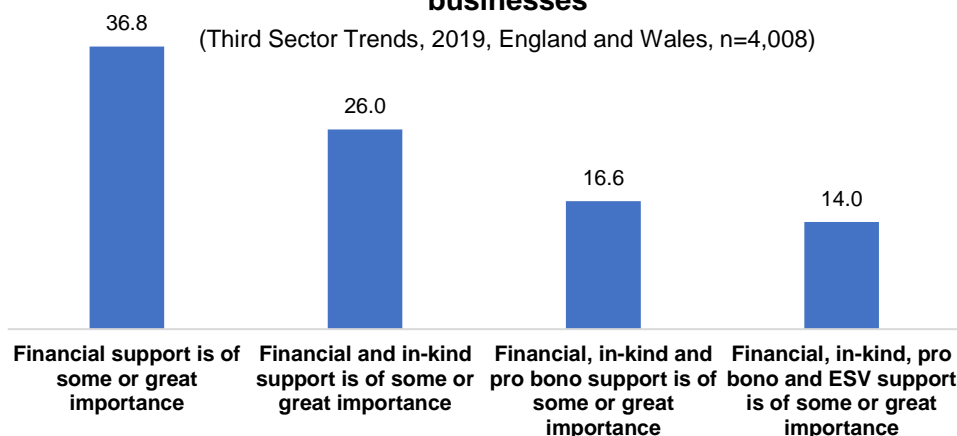
Data on relationships with the social sector from a business perspective is quite thin – but, as suggested by the Federation of Small Business, about 80% of their members had some interaction in the last three years.

The provision of business support is unlikely to be packaged neatly. Instead, those SSOs which have good relationships probably get support from many businesses. Furthermore, some SSOs receive several types of support. As shown in Figure 6.1, 14% of SSOs report that they receive a 'full house' of financial, in-kind, pro bono and employee volunteer support.

<sup>90</sup> The report is concerned with direct relationships with the social sector and has not explored indirect relationships, such as funding via charitable or corporate foundations or individual philanthropy.

Figure 6.1 **Percentage of SSOs receiving several types of support from businesses**

(Third Sector Trends, 2019, England and Wales, n=4,008)



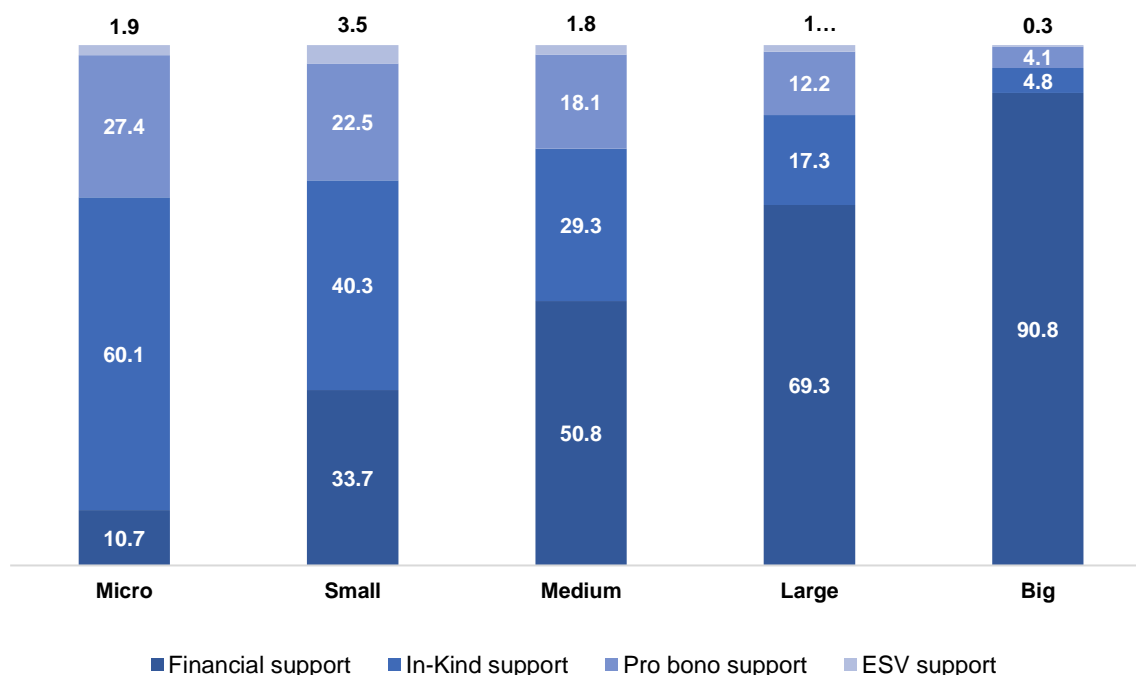
### Support for smaller and larger SSOs

Business provides several kinds of support to SSOs including finance, in-kind, pro bono and ESV support. The total financial and proxy-financial value of business support to SSOs in England has been estimated at £2.4bn in 2020.<sup>91</sup>

This support is not spread evenly amongst organisations. As shown in Figure 6.2, smaller SSOs mainly receive non-financial support while most of the support going to bigger organisations is financial.

Figure 6.2 **Percentage distribution of financial and proxy-financial value of business support by size of organisations**

(Charity Commission Register 2020/Third Sector Trends 2019, England)



<sup>91</sup> It should be noted that this analysis of the local social sector excludes major national and international charities which have income above £25m. While it is recognised that these charities may contribute to local areas, the scale of these organisations would skew analysis. See Chapter 1 for further explanation.

## Regional distribution in business support

There are substantive regional differences in the value of financial and non-financial support which is given by business (see Figure 6.3). For example, North East England receives about £60m in financial support compared with £666 million in London.<sup>92</sup> Non-financial support is also distributed unevenly across regions (see Figure 6.4).

Figure 6.3 **Financial support provided to SSOs in English regions** (£millions, Charity Commission Register 2020, Third Sector Trends 2019)

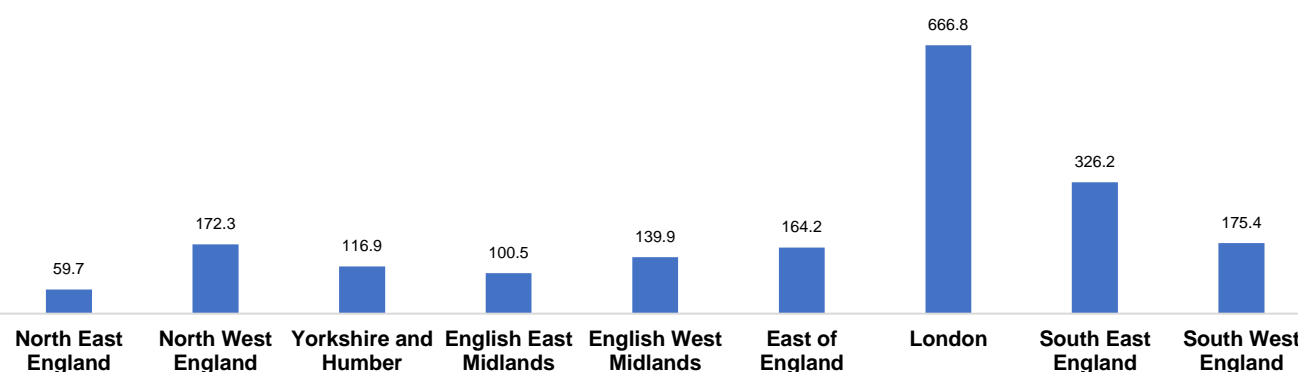
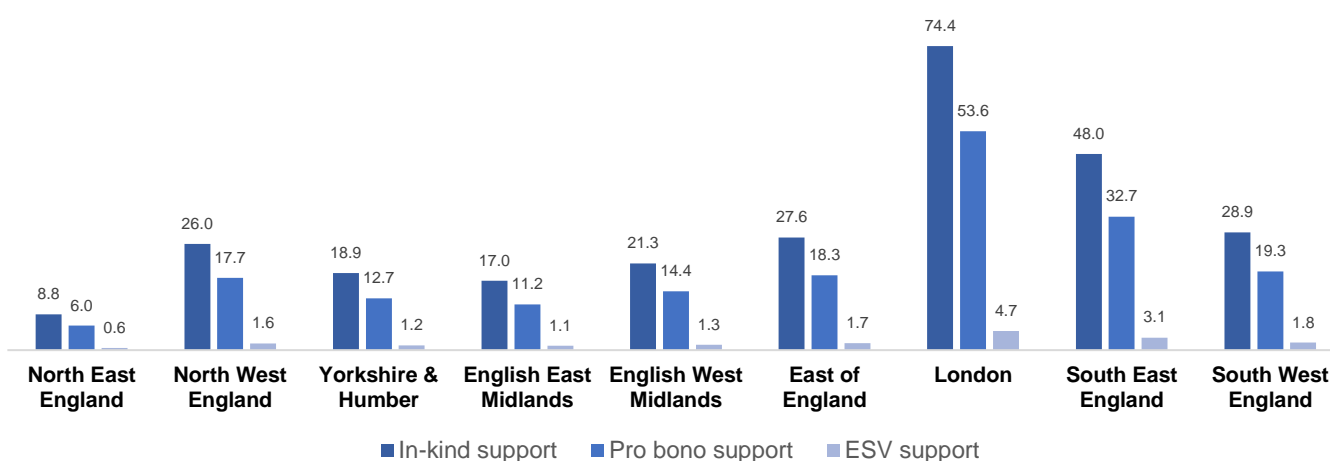


Figure 6.4 **Estimated value of non-financial support by region** (£millions, Charity Commission Register 2020, Third Sector Trends 2019)

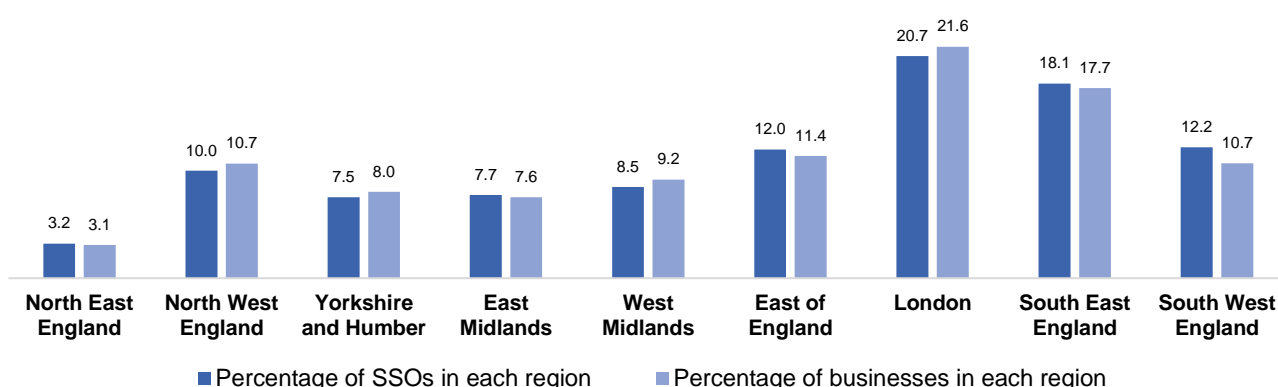


Reasons for regional variations in levels of support need to be disentangled. Variations are not due to differences in the proportion of businesses and SSOs in regions. In fact, they are strikingly similar as shown in Figure 6.5. In other respects, regions are similar. In London, for every SSO there are 29 businesses, compared with 27 in North East England as shown in Figure 6.6.

<sup>92</sup> See Tables 3.4 and 3.5, p. 46 for full details and further discussion.

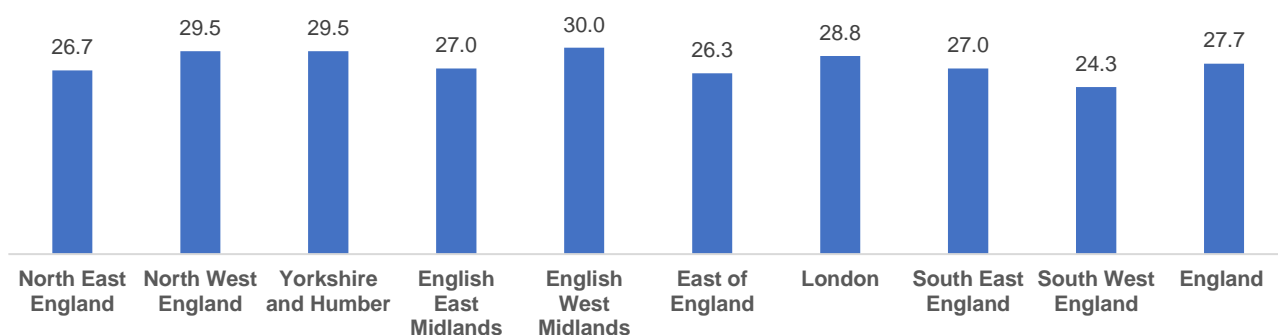
**Figure 6.5 Percentage distribution of businesses and SSOs across English regions**

(Charity Commission Register 2020, BEIS business population statistics 2020)



**Figure 6.6 Number of businesses per SSO in English regions**

(Charity Commission Register 2020, BEIS business population statistics 2020)



There are, however, substantial differences in the size of the business and SSO populations in regions. In London, for example, there are 123 businesses and 4.3 SSOs per 1,000 population compared with 61 businesses and 2 SSOs per 1,000 population in North East England.<sup>93</sup>

The overall value of support provided by businesses varies as a consequence (see Table 6.2). In North East England, the average value of the contribution of business per member of the population is £28, while in South East England it is £46. In London, the difference is more pronounced (£87) which is due, presumably, to the concentration of large businesses in the capital.

The contribution per business in each region varies. In London, the average contribution by each business is £705 – reflecting the different composition of the business population in the capital from English regions. Among the regions, variations are less pronounced but it is clear that businesses seem on average to be more generous in some regions than others: for example in North East England the average contribution is £460 compared with the £327 in the English East Midlands.<sup>94</sup>

<sup>93</sup> These data are compiled from Tables 3.9 and 3.12, pp. 49-51.

<sup>94</sup> These findings need to be treated with caution because analysis has not been undertaken on variations in the composition of the local business sector regionally, and at present it is not possible to determine variations in levels of financial or non-financial support offered by smaller or larger businesses.

Table 6.2 **Pro rata distribution of business support by size of regional population**

	Regional population	Total financial and proxy-financial value of business support	Value of business support per member of population (£s)	Pro rata contribution by businesses in each region (£s)
North East England	2,670,000	75,003,002	28.1	£460
North West England	7,340,000	217,670,853	29.7	£388
Yorkshire and Humber	5,500,000	149,624,764	27.2	£354
English East Midlands	4,840,000	129,744,378	26.8	£327
English West Midlands	5,930,000	176,871,354	29.8	£366
East of England	6,240,000	211,839,280	33.9	£354
London	9,180,000	799,539,373	87.1	£705
South East England	8,960,000	409,939,180	45.8	£440
South West England	5,620,000	225,337,667	40.1	£401
<b>England</b>	<b>56,280,000</b>	<b>2,395,569,851</b>	<b>42.6</b>	<b>£456</b>

### ***The social purpose of business support***

There is clear evidence to show that many SSOs enjoy support from businesses, but this report also demonstrates that the private and social sectors, taken as a whole, appear not to share the same social priorities.

The findings indicate that SSOs' and businesses interests are somewhat 'divergent'. At the top of the list of issues to which businesses give support is 'increase employability', but this issue appears to be low on the list of key priorities for many SSOs.

At the other end of the spectrum, businesses seem to be less likely to lend support to SSOs focusing on 'social isolation' or 'enhancing the cultural and artistic life of the community'; and yet, these issues are high priorities for many SSOs'.

At a community level, the evidence presented in this report shows that business is more likely to invest in SSOs which operate in less affluent areas. This chimes with the findings on business priorities centred on tackling poverty and employability.

But this evidence comes from SSOs, not businesses. So we need to know much more this issue from a business perspective.

### ***The quality of relationships***

This report shows that relationships with business, where they exist, are positive. Business is not perceived to be too 'pushy' by most SSOs by asking them to fit in with business agendas (57%) or expecting higher levels of ambition (76%). Similarly, most SSOs (84%) feel trusted by businesses to work in a professional way. On the downside, SSOs feel that support they get is too short-term (75%) and many feel that businesses do not make sufficient effort to understand what they do (63%).

Many SSOs state that it is hard for them to find opportunities to meet businesses (75%), which may help to explain why relatively few organisations (and especially smaller SSOs) have relationships with businesses. But it is not certain that if such opportunities were made available, that SSOs or businesses would be keen to take them up.



In general, larger SSOs are in a position to form stronger relationships with businesses. That is likely to be because they have more capacity and strategic interest to do so. But the evidence does not support the idea that SSOs with a business-like ethos are more likely to have a closer affinity with business than more traditional charities and voluntary organisations.

Findings on the quality of working relationships at a spatial level is inconclusive. It is hard to judge whether local relationships with business are better than distant ones – and certainly presumptions cannot be made about what triggers and drives business support at an area level.

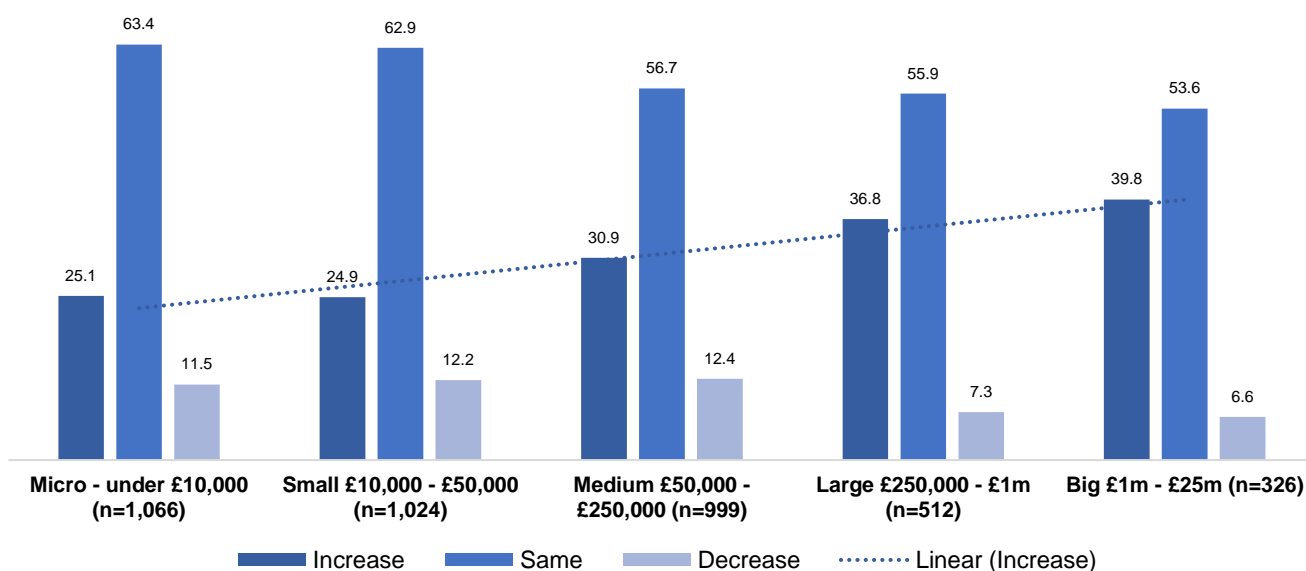
### What will happen next?

Looking to the future, it is hard to predict if support from business will increase or decline in the aftermath of the Covid-19 crisis. In ‘normal circumstances’, the social sector tends to be optimistic about developing future working relationships with business (see Figure 6.7). This optimism had collapsed by June 2020 (see Figure 6.8).

- In December 2019, 30% of SSOs expected support from the private sector would increase, by June 2020 only 9% believed this was the case.
- In December 2019, only 11% of SSOs thought that support from the private sector would decrease, by June 2020 62% thought this would happen.

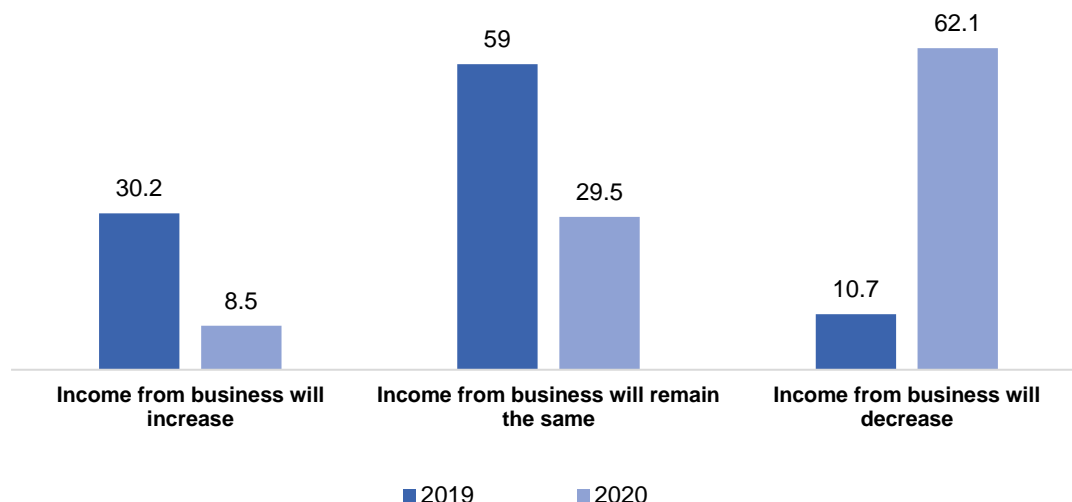
Figure 6.7 Percent of SSOs expecting that support from business will increase in the next two years

Source: Third Sector Trends 2019, n=3,977)



**Figure 6.8 Pre and post Covid-19 expectations about support from private sector businesses in the next two years**

(Source: Third Sector Trends surveys, England and Wales, 2019 and 2020)



While these changed expectations show that a pessimistic mood has descended on the social sector, it must be recognised that what *actually* happens may not match up to these predictions. And indeed, on the basis of longitudinal analysis, the chances are that levels of optimism reported in 2019 were somewhat overstated. Not until the full study is repeated in 2022 can it be known what the impact of Covid-19 will be.

## 6.2 Discussion and future research priorities

The findings from this report have helped to show the extent and value of support which businesses provide SSOs. It has revealed how support is distributed to different types of organisations and where it falls spatially.

But there are gaps in our understanding. Little is known about the types of businesses which support the social sector (apart from the corporate social responsibility programmes of big businesses). The motivations for supporting SSOs and the value gained by businesses when doing so is also poorly understood.

Not enough is known about the relationships between different kinds of businesses and SSOs. We need, therefore, to understand more about the factors and circumstances that produce good quality interactions between business and SSOs (but also take clear note of those situations which produce less valuable outcomes or perhaps even damage trust between sectors).

Otherwise, some of the findings presented in this report could easily be misinterpreted or even be mis-used. For example, using the data presented it is possible to calculate, at a theoretical level, what percentage of businesses offer different kinds of support. Access to such information could lend itself to the production of imaginative projections on the 'untapped potential' of business.

The danger associated with such projections or policy formulations to encourage businesses to meet ambitious targets is that - even if the supply of support was increased two-fold or ten-fold - there is no guarantee that the social sector could absorb and profitably use it.

For example, if five per cent of employers offered their staff the opportunity to volunteer in work time for two days a year – the volume of time generated would be enormous. But is this the kind of support that many or most SSOs can use?

Qualitative evidence suggests that ‘producing work’ for employee volunteers can produce negative experiences, rather than directing employee volunteers towards work that is desired and of social value.

In a recent qualitative study for *Power to Change*, it was possible to show that when employee volunteering works well, there can be distinct advantages for SSOs, businesses and employee volunteers. In one organisation, a strong relationship was forged with a large local company which resulted in the firm regularly allocating time to employee supported volunteers to engage in a range of activities.

These activities included, for example, the decoration of charity shops, collection of items for resale, organising fundraising campaigns and providing hampers for Christmas. Company employees were empowered to plan initiatives and could apply to do special ‘activity days’. As the CEO of the community business stated:

***‘It’s really strong now, a really healthy relationship – and while it is all “in-kind” support, there’s no cash across the table, it can be very valuable to us – such as the donation of £1,000 worth of stock.’***

But this was exceptional, for the most part there was scepticism about those companies which tried to persuade, often through intermediaries such as national charities or local infrastructure bodies, to provide placements for employee supported volunteers as part of CSR programmes. The piecemeal character of such investments lacked value, it was felt, if employee supported volunteers were not fully engaged with the activity or if the SSOs had to invest too much effort in *‘finding them something to do’*.<sup>95</sup>

As Table 6.3 shows, most SSOs want volunteers to work on a regular basis, they want them to be able to work autonomously rather than be heavily supervised, and they need them to be skilful and knowledgeable. It is not easy to meet such needs with one-off activity days for employee volunteers.

Table 6.3 <b>Extent of reliance on volunteers: percentage ‘strongly agree’ or ‘agree’</b> (2019, North of England, excludes SSOs which do not work with volunteers)					
	<b>Micro</b> (income below £10,000)	<b>Small</b> (income £10,000- £49,999)	<b>Medium</b> (income £50,000- £249,000)	<b>Large</b> (income £250,000 - £1m)	<b>Big</b> (income £1m-£25m)
We rely mainly on volunteers who commit time on a very regular basis	90.0	86.3	75.6	68.3	61.6
We rely mainly on volunteers who can work unsupervised	85.9	79.1	65.9	46.9	42.5
Many of our volunteers are our service users/ beneficiaries	76.0	67.5	65.3	63.4	56.2
N=	692	636	704	366	232

Similarly, it could be possible to ramp up the level of pro bono support substantially, but finding SSOs to offer support could be challenging. In the *Power to Change* study, only a few examples emerged of SSOs benefiting from *pro bono* support from

<sup>95</sup> See Chapman, T. and Gray, T. (2019) *Striking a balance: a study of how community businesses in Bradford, Hartlepool and Middlesbrough build working relationships with the public, private and third sector organisations*, London: Power to Change, [https://www.researchgate.net/publication/348818185\\_Striking\\_a\\_balance\\_a\\_study\\_of\\_how\\_community\\_businesses\\_in\\_Bradford\\_Hartlepool\\_and\\_Middlesbrough\\_build\\_working\\_relationships\\_with\\_the\\_public\\_private\\_and\\_third\\_sector](https://www.researchgate.net/publication/348818185_Striking_a_balance_a_study_of_how_community_businesses_in_Bradford_Hartlepool_and_Middlesbrough_build_working_relationships_with_the_public_private_and_third_sector).

professionals. It was clear that when support was given by accountants, solicitors or architects, for example, it could be helpful on a one-off basis.

Networking with professionals was not easy and indeed had become less so with the demise of local skills brokerage services in some areas. But this did not mean that unanticipated encounters did not happen, and nor did they lack value.

In one case, the chief officer of a charity had a chance meeting with a senior executive in a national company whose headquarters was based locally. This led to the placement of a group of senior staff for a week. As the charity worked with people on the margins of society facing pernicious personal issues and whose behaviours could be challenging to those who sought to support them, introducing employee supported volunteers into the environment required care and sensitivity. As the CEO remarked:

*'As you can imagine of people of that calibre, the first day they were hiding away but by the end of the week they were everywhere, right under the fabric of the organisation, talking to the service uses and getting to know everything. Their task was to invent a social enterprise in a week... but they did it.'*<sup>96</sup>

By its nature, the need for most pro bono support is ephemeral or occasional (with some exceptions such as holding trustee positions). Furthermore, if business pressures take precedence in the offer of such support, provision is not easy to manage systematically.

In-kind support, as discussed in more depth in Chapter 1, can be provided on a more continuous basis, such as providing regular access to transport services for beneficiaries, the provision of goods to charity shops and food banks, and so on. But the likelihood is that much of the activity is, again, occasional or ephemeral. Either way, in-kind support needs, itself, to be resourced – by allocating business owners' or staff time – and also the time of employees and volunteers in SSOs. Costs and benefits must be weighed up, often on a case-by-case basis.

Even demand for financial support cannot be assumed to be limitless. Many SSOs are small and operate entirely on a voluntary basis or perhaps with just one or two full or part time employees. Their need for finance is quite low – and giving them too much money can 'knock the organisation out of shape' by upsetting the fragile social dynamics that has carefully been built by volunteers.<sup>97</sup>

Larger organisations need more money to keep going – to pay for rent and utilities, staff wages and the consumables required to do their work. Most organisations are quite good at managing several pots of money at any one time – but few of these sources of income can be used as and when – their purpose is restricted. Consequently, organisations have to weigh up the opportunity costs of accepting support if strings are attached.

The provision of support by business is not, in sum, a simple process. There are likely to be discrepancies between potential supply and actual demand. The purposes for which support is given may vary substantially between sectors. And the areas of social benefit that businesses prioritise may not match closely with the interests and ambitions of SSOs.

Above all else, therefore, we need more evidence *from a business perspective* on what triggers interest in investing in civil society. Such research would need to include all kinds of businesses: large and small; national and local; from across the

<sup>96</sup> Chapman and Gray (2020) *ibid.* pp. 26-38.

<sup>97</sup> See: Chapman, T. (2019) *The social process of supporting small charities: An evaluation of the Lloyds Bank Foundation Grow pilot programme*, Durham: Policy&Practice, St Chad's College, Durham University.

<https://www.researchgate.net/publication/348818231> The social process of supporting small charities An evaluation of the Lloyds Bank Foundation Grow pilot programme.

range of business sectors; and include those which are heavily committed to civil society and those which are not.

For all its shortcomings, as discussed above, this report has broken new ground. The analysis brings to centre stage the contribution that business makes to civil society by working with local charities, social enterprises and community groups. It is important, after all, to give credit where it is due for the hidden contribution business is making. And by raising awareness, this may lead to even greater involvement of businesses in future.





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