

Third Sector Trends in England and Wales 2025

Income sources, assets and financial wellbeing



**Community
Foundation
North East**

January 2026

About the author

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The contents of the report express the views of the author and do not necessarily reflect the views or policies of the commissioning partners.

Third Sector Trends Study

Data in this report are drawn from the Third Sector Trends study which was conceived and originally commissioned by Northern Rock Foundation with research conducted by the universities of Southampton, Teesside and Durham. The Community Foundation North East was a co-founder of the research and is now responsible for its legacy.

The Community Foundation and St Chad's College have worked with partners: Lloyds Bank Foundation England and Wales, Wales Council for Voluntary Action (WCVA) and Millfield House Foundation to undertake the Third Sector Trends study survey in 2025-26

More information about Third Sector Trends can be found here:

[Third Sector Trends in England and Wales - St Chad's College Durham](https://www.stchads.ac.uk/research/third-sector-trends-in-england-and-wales/publications-from-third-sector-trends/)

All publications from the Third Sector Trends study are available free to download at this address:

<https://www.stchads.ac.uk/research/third-sector-trends-in-england-and-wales/publications-from-third-sector-trends/>

Current and previous reports are also lodged on the Community Foundation North East website:

<https://www.communityfoundation.org.uk/knowledge-and-leadership/third-sector-trends-research/>



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Key findings

This is the third report from the Third Sector Trends study of England and Wales in 2025. The study was undertaken between June and September and produced a representative sample of 8,680 respondents.

Sector income

Third Sector Trends is a study of the voluntary sector in local context. As such, it includes all types of registered organisations with income below £25m but excludes major charities with income above £25m as they tend to work on a wider national or international level and their inclusion would skew local level findings.

There are about 205,000 registered organisations in England and Wales, but they are not evenly spread across English regions and Wales. The number of third sector organisations (TSOs) per thousand resident population varies from just 2.6 per thousand in North East England to 4.2 per thousand in South West England.

Income is not evenly distributed. Micro organisations form 36% of the third sector, but they receive less than 1% of sector income. By contrast, the largest organisations command 74% of sector income, but only constitute 5% of organisations.

How income sources are valued

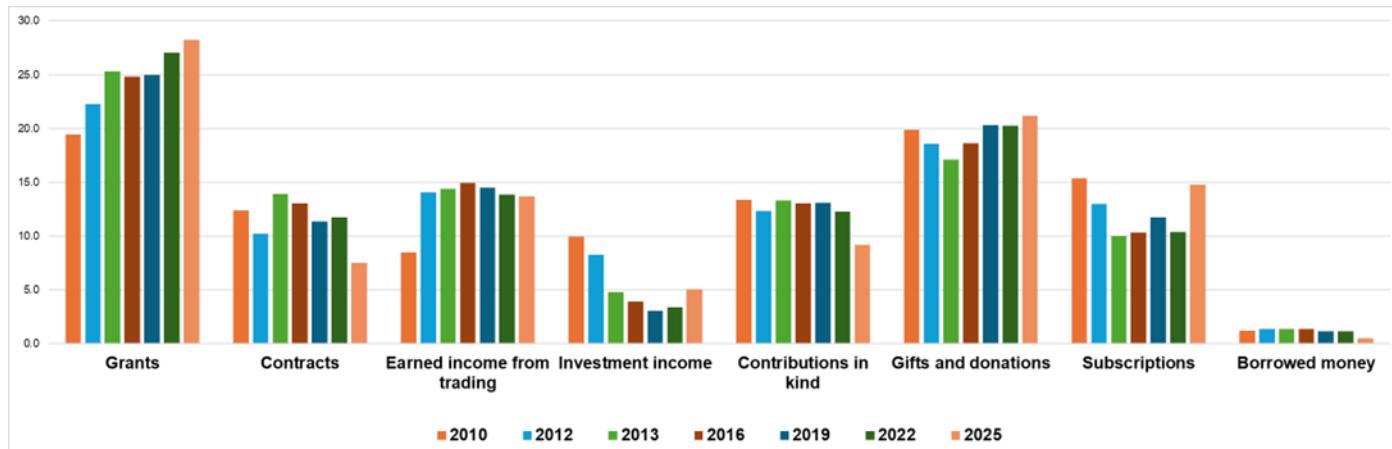
Third Sector Trends explores how income sources are valued by TSOs (Figure 1). Time-series analysis shows how perceptions of the value of income sources have changed in relative terms since 2010.

Perceptions of the value of grant funding have changed since 2010, reflecting a shift away from narratives about 'grant dependency' in policy circles. Income from subscriptions and investments have bounced back in recent years.

The perceived value of self-generated earned income and contributions in kind have changed little in recent years; however, importance attached to income from the delivery of contracts has fallen heavily since 2022.

While there is a marketplace for loaning money to voluntary organisations for social investment purposes, few regard such income as an important element in their financial portfolio and, the signs are that this has decreased further in 2025.

Figure 1 **Comparative importance of income and in-kind support 2010-2025** (percentages for each income source add up to 100% for each year to illustrate perceptions of value in relative terms)



Grants

Due to the Coronavirus pandemic which occurred in intervening years, relationships with grant funders have changed since 2019. Percentages refer to TSOs which 'agree' or 'strongly' agree with each statement.

- In 2019 only 46% of TSOs stated that they received unrestricted or 'core funding' which rose to 60% in 2022. Grant makers have eased back on unrestricted funding since then to 56% in 2025.
- In 2022, fewer TSOs reported that grant makers had taken the time to get to know them during the pandemic (48%) than in 2019 (57%). This has now bounced back to 57% in 2025.
- In 2019, grant makers' demands that TSOs be 'innovative' in their work were at their height (74%), this fell dramatically to 50% during the pandemic but has since risen again to 62%.
- In 2019 and 2022, the percentage of organisations stating that grant makers made a long-term investment in their work remained about the same (31-32%). That has changed - 40% of TSOs now report that grant-makers are making a long-term investment in their work
- Support from grant makers to develop organisational skills dipped from 34% in 2019 to 27% of TSOs during the pandemic. Investment in skills has since bounced back to 35% in 2025.

Contracts

Political enthusiasm to involve voluntary organisations in the delivery of public services under contract remains strong and government has produced new guidelines to smooth procurement processes and set targets for the engagement of voluntary organisations (and small and medium-sized businesses) in this field.

Despite this and previous government efforts to incentivise and help prepare voluntary organisations to engage in the delivery of public services under contract, interest continues to decline steeply.

Amongst the biggest voluntary organisations, 64% remained involved between 2016 and 2019. That commitment collapsed during the Covid-19 pandemic to 54% and has fallen since to 50% in 2025. A decade ago, 23% of voluntary organisations were 'ambivalent' about getting involved in public service contracts due to *lack of information, the need for support or perception of barriers to engagement*; only 14% feel that way now – indicating a hardening of opposition to contract working.

In 2022, the main reason why voluntary organisations were withdrawing from this field of work is that contract values were too low to meet the cost of delivery (especially in a context of rising costs and difficulties in retaining and recruiting staff). These problems have been exacerbated in 2025 with hikes in the National Minimum Wage and employers' National Insurance contributions.

Earned income

Earning income from trading is an important element of finance for many TSOs. Income can be earned from contracts or through self-generated trading of goods, charging for services or renting space.

- About 60% of organisations in the third sector earn a proportion of their income by delivering contracts or self-generated trading of goods or services.
- The proportion of TSOs which earned more than 80% of their income from trading fell to 14% during the pandemic but has since risen to 17% in 2025.
- The overall percentage of trading organisations has decreased from 68% in 2013 to 60% in 2025.

The appeal of and reliance upon trading is weakening. Only 55% of TSOs set up since 2020 are engaged in trading compared with 66% of those set up between 1945-1979. Only 9% of the newest organisations are highly reliant on trading (that is, earning more than 80% of their income); that percentage rises to 25% of those TSOs set up between 1900-1945.

Policy makers continue to express enthusiasm for 'social enterprise' to bolster local economies, especially in poorer areas. But that is a lot to ask – especially in areas where trading conditions are tough and the private sector has already withdrawn. This helps to explain why almost all trading organisations rely heavily upon a wide variety of additional income sources – especially grants and gifts together with in-kind support.

Property assets and financial reserves

Third Sector Trends makes estimates on the number of organisations which own, rent or have free use of space in England and Wales.

- The most common form of property tenure in 2025 is renting (39%). Renting is much more common amongst the biggest organisations (62%) compared with 31% of the smallest. Renting is much more common amongst TSOs based in the poorest areas (57%) when compared with the richest (34%).
- Over a quarter of voluntary organisations own property (27%). Ownership is comparatively rare in the smallest TSOs (19%) but rises to 56% of the biggest. Only 10% of new TSOs own properties compared with 58% of the oldest.
- The percentage of organisations which have taken control over properties through community asset transfers has grown slightly from 4.8% to 4.9% of TSOs. Interest in asset transfer has increased slightly from 5% in 2022 to 6% in 2025. Twice as many TSOs in the poorest areas have engaged in asset transfer (8%) than in the richest areas (4%).

Financial reserves

Third sector finances have held up well in 2025, though experiences vary depending upon the size and location of voluntary organisations.

- Most TSOs hold reserves (82%). Fewer micro TSOs have reserves (71%) compared with 97% of the biggest organisations.
- Around 45% of TSOs have not drawn on their reserves in the last year, irrespective of size, that percentage is unchanged from 2022 but much higher than in 2019 (37%).
- About 16% of organisations have invested reserves in new activities (rising from 11% of the smallest TSOs to 35% of the biggest).
- Over a quarter of TSOs (27%) have used reserves for essential purposes such as rent or wages; rising from 21% of the smallest to 33% of the largest TSOs.

Half of voluntary organisations in the most affluent areas did not need to draw upon reserves compared with 38% in the least-affluent areas. In the poorest areas, 33% of TSOs have drawn upon reserves for essential costs compared with 23% of voluntary organisations based in the most affluent areas.

Financial wellbeing

The financial wellbeing of a majority of TSOs is quite secure. While small studies continually raise alarm about a sector-wide 'financial crisis', only some elements of the sector are more vulnerable.

Struggling TSOs are defined as those which have no reserves or are using reserves for emergency purposes (such as rent, bills and wages) and record significantly falling income over the last two years. *Thriving* TSOs are defined as those which recorded significantly rising income over the last two years and are either not using reserves or are investing them in new developments.

- Bigger TSOs are more likely to be thriving financially (16%) compared with just 4% of micro organisations. Amongst voluntary organisations which are struggling financially (7-11%) there is no clear pattern by size of organisations – although percentages peak for medium sized TSOs (11%).
- Newly established TSOs are the most likely to be thriving (14%) and the percentage falls gradually by age to 7% of the oldest organisations. TSOs established between 1990 and 2010 are most likely to be struggling (11%) while the oldest organisations are more secure financially (6-7%).
- Financially struggling TSOs are most likely to be located in the poorest areas (14%), while many fewer are struggling in the richest areas (6%). Of those TSOs which are thriving financially, there is no clear pattern (8-11%).

Financial outlook

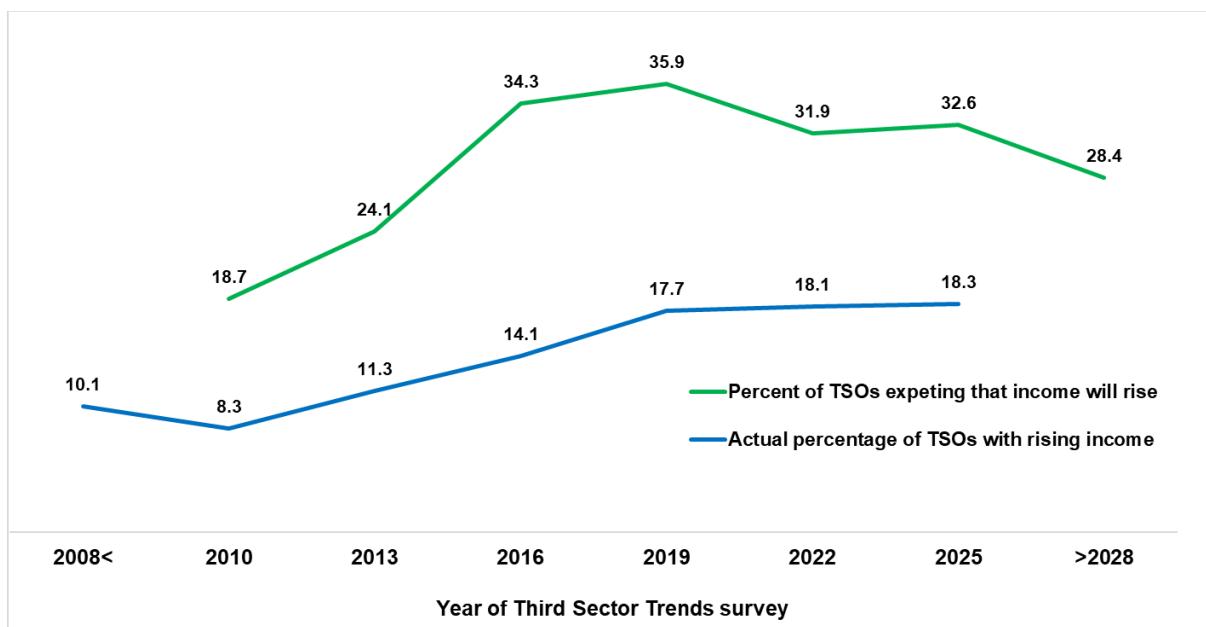
Third Sector Trends' triennial surveys ask respondents to make an assessment of their likely financial prospects over the next two years. Figure 3 shows the percentage of TSOs which expected income to rise over the next two years (green line) while the blue line shows the percentage of TSOs which achieved this ambition.

In the early years of the study, optimism was relatively low due to anxieties about the consequences of government austerity policies following the global economic crash of 2008 (only 19% of TSOs felt optimistic about rising income in 2010). Optimism steadily rose to 36% by 2019, but fell back to 32% as the effects of the pandemic receded in 2022 and have now fallen again to 28% in 2025.

While reality always falls well short of expectations, the percentage of TSOs with rising income has grown from a low point of 8% in 2010-11 to 18% in 2022 and 2025.

Figure 3 Tracking expectations and reality in TSOs' income levels 2008-2028

(Third Sector Trends surveys, 2010 n=1,027, 2013 n=2,288, 2015 n=3,525, 2019 n=4,011, 2022 n=6,070, 2025 n=8,680)



Section 1

Introduction

1.1 Context and purpose

Finance dominates debates about the third sector to such an extent that it sometimes seems as if money is the *only* driver of sector activity. But as instability in voluntary organisations' income is the norm, not the exception, it is hardly surprising that leaders of third sector organisations (TSOs¹) feel as if they are struggling against the odds.

Laying the blame for the sectors' financial woes on external factors is the most common response. A recent editorial from The Guardian exemplifies this, when it argued that: '***Britain is now in dire need of a new golden age of voluntarism. But the current financial squeeze on charities, which the government has done too little to address, is pointing in the opposite direction.***'²

Finance *is* important, that is undeniable. But a majority of voluntary organisations manage with little money as most of their energy is provided by volunteers. In such circumstances, financial issues are secondary to those of purpose and ambition to achieve the objectives leaders of voluntary organisations prioritise. Certainly, bigger organisations need money to pay for salaries, bills and property costs – but it is people who get the work done. That is why, in this third national report from *Third Sector Trends in England and Wales 2025*, money is conceived as 'facilitative' for voluntary organisations. It is one amongst many resources used to achieve objectives.

Sometimes, with careful management, nudging and persuasion money finds its way fairly reliably to voluntary organisations along well-trodden paths such as public giving, philanthropy, members who pay subscriptions, from property rents, regularised trading activity, dividends from investments or interest on endowments. More often, getting hold of money requires real effort, determination and imagination. For example, when applying for grants, voluntary organisations have to be creative so as to meet the stipulations of funding bodies whilst permitting TSOs to sustain, somehow or other, aspects of tried-and-tested practice to which they are firmly committed and are heavily relied upon by their beneficiaries.

Raising funds can be challenging for TSOs. Especially so when they are engaged in activities which are 'unpopular' or 'unfashionable' with government, trusts and foundations, philanthropists or the general public.³ One example, over the last 15

¹ The term 'third sector organisation' is used interchangeably in this report with 'voluntary organisations' for stylistic reasons. Other commonly used terms such as voluntary and community sector organisations, social enterprises, social sector organisations, civil society organisations or non-profit organisations are avoided. Only when specifically required are legal forms such as charities or community interest companies adopted.

² The Guardian (2026) *The Guardian view on hard times for Britain's charities: struggling to do more with less*. (1st January 2026) https://www.theguardian.com/commentisfree/2025/dec/31/the-guardian-view-on-hard-times-for-britains-charities-struggling-to-do-more-with-less?CMP=share_btn_url

³ See, Body, A. and Breeze, B. (2016) What are 'unpopular causes' and how can they achieve fundraising success? *Journal of Philanthropy and Marketing*, 21(1), 57-70.

years is youth work in less advantaged areas where government agencies and many local authorities all but abandoned lending support to this area of third sector activity. But suddenly, in response to low levels of labour market engagement of young people who are not in employment, education or training (NEETs), youth work is back on the political radar.⁴

Government has already announced an £820 million funding package to expand support for young people and it seems likely that money from philanthropy, corporate social responsibility programmes, trusts and foundations may also flow more freely.⁵ Those youth organisations and TSOs which focus upon employability will be pleased that their work has, finally, come back onto the radar. Conversely, other TSOs may quake at the prospect of support for their line of work dropping down the political agenda.

Competition exists because voluntary organisations' leaders are so ambitious and determined to achieve their objectives, so it is unlikely that there will ever be enough money to meet demand. Furthermore, new TSOs are continually being established to enter into new or existing fields of work. In the last financial year alone, the Charity Commission reported that 9,840 applications had been received to set up new organisations, up from 9,008 the previous year.⁶ And in the lifetime of this project, the number of Community Interest Companies has grown more than ten-fold from 3,572 in 2010 to 37,081 in March 2025.⁷

With these points in mind, analysis in this report proceeds from the view that there will always be 'winners' and 'losers' in funding terms within the third sector. And rather than implying, misleadingly, that the sector is in a perpetual financial crises that is driven solely by external forces – it is recognised that ambition and internal competition within the third sector helps to explain why there never seems to be enough money to go around.

Far from feeling like downtrodden denizens, as so often implied in news reports such as *The Guardian*'s editorial, most TSOs' leaders remain confident that they will garner similar or even higher levels of funding to achieve their objectives.⁸ So the purpose of this report is to look beneath the headline statistics to see how the full range of income sources are valued, how well protected organisations are by assets and reserves and explore the characteristics and locations of those voluntary organisations which are currently thriving, going along as normal or struggling.

⁴ NEETs refers to young people who are not in education, employment or training. In the lifetime of the last Labour government from 1997 to 2010, this was an issue that attracted immense levels of policy attention and public funding. Under subsequent governments, apart from largely ineffective initiatives such as the 'National Citizenship Service', youth policy fell down the political agenda. Currently, it is estimated that 946,000 people aged 16-24 are NEET. Furthermore, it is evident that only 39% of these young people were unemployed and actively seeking work; 61% were economically inactive and not seeking work. See: House of Commons Library (2025) *NEET: Young people not in education, employment or training*, (20th November) <https://commonslibrary.parliament.uk/research-briefings/sn06705/>

⁵ Many trusts and foundations have remained firmly in this domain irrespective of the discordant direction government policy. Much of that investment has not, though, been about NEETS but the strengthening of support to young people to build confidence, widen experience and to make successful life transitions. Often that support is targeted upon less advantaged constituencies of young people – but more generally, it is focused on more affluent communities which are already rich in social capital. See, for example, Chapman, T., Rich, S., Gray, T. and Green, S. (2019), *Understanding barriers to young people's aspirations and ambition in County Durham*, Durham: Institute for Local Governance: <https://www.stchads.ac.uk/wp-content/uploads/2019/03/Understanding-barriers-to-young-peoples-aspirations-and-ambition-in-County-Durham-full-report-March-2019.pdf>

⁶ In 2024-25, 5,007 new charities were registered by the regulator while 4,546 were removed in England and Wales. See Zhang, C. (2025) 'Charity applications rise to record high of nearly 10,000 a year', *Civil Society Media* (10th April): <https://www.civilsociety.co.uk/news/charity-applications-rise-to-record-high-of-nearly-10-000-a-year.html>

⁷ Regulator of Community Interest Companies Annual Report 2025-2025: statistics refer to UK (not England and Wales), <https://assets.publishing.service.gov.uk/media/68809f4f28f29c99778a7504/cic-25-01-community-interest-companies-annual-report-2024-2025.pdf>

⁸ *Third Sector Trends in England and Wales 2025: people, work, ambition and impact*, Section 4.1, available here: <https://www.stchads.ac.uk/wp-content/uploads/2025/12/Third-Sector-Trends-in-England-and-Wales-people-work-ambition-and-impact-December-2025.pdf>

1.2 Analytical scope and structure of the report

This is the third in a series of reports from Third Sector Trends in England and Wales in 2025. The purpose of this report is to draw upon previous findings on sector interactions and people energy, to help build a big-picture perspective on the financial wellbeing of the voluntary sector. This will be achieved through comparative study by organisational and area characteristics, together with time series analysis running back to 2010.

Making financially accurate observations on the position of third sector, drawing upon charity accounts, is fraught with difficulty and has never been the objective of this study. The Charity Commission and NCVOs *UK Civil Society Almanac* are better positioned to interrogate the fine detail drawn from voluntary organisations from across the UK.

As this study does not attempt to nail down the fine detail on organisational finances, survey participants are asked relatively simple questions about their current financial position as defined below:

- **Perceptions of reliance on a range of income sources:** Third Sector Trends asks respondents to state how their organisation 'values' types of income (such as grants, contracts, earned income, gifts, subscriptions and borrowed money).⁹ This provides useful indications on how the range of income sources are valued, relative to each other over time.
- **Significant levels of change in organisational income:** respondents are asked if, over the last two years, their voluntary organisations' income has '*risen significantly*', '*remained about the same*' or '*fallen significantly*'. It is left to trust that most participants in the study understand what 'significant' change represents – that is – something which is '*out of the ordinary*'.¹⁰
- **Organisational financial wellbeing:** participants are asked about financial reserves but no attempt is made to ask their financial value. Instead, the focus is on whether they exist, whether they have been left intact, or if used for emergency purposes (such as paying rent, bills or wages) or for investment in organisational capability and developments.¹¹
- **Organisational assets:** the study is interested in whether and under what circumstances property ownership can underpin organisations' financial wellbeing.

These four questions will be used in combination to identify patterns of continuity and change in sector finances at each stage of the triennial study. The analysis is divided into four substantive sections which will present findings on the following topics:

- **Section 2** – provides detail on sector income and expenditure. It then details how organisations value a wide-range of financial and non-financial resources.
- **Section 3** – looks at relationships with grant funders, engagement with public sector service delivery contracts and reliance upon earned income. This will be followed by an appraisal of future funding expectations.
- **Section 4** – explores the extent to which property assets and financial reserves are held by organisations. The distribution of assets and reserves is then examined by organisational and area characteristics.

⁹ It would be tremendously interesting if precise data on the financial sums involved could be collected, but most respondents would not have easy access to that level of information and a majority would leave the survey at that point because too much detail was being asked of them.

¹⁰ Using a refined set of responses would likely fail because it would not be possible to know if we were comparing like with like.

¹¹ In a one-off, small-scale study, this question would be of little value. But in Third Sector Trends, it is possible through comparative analysis and time-series analysis to determine fault lines in sector wellbeing.

- **Section 5** – considers patterns of financial wellbeing by focusing on organisational and area variations and then looks at the financial outlook over the next two years from organisational leaders' point of view.

These sections on statistical findings will be followed by a brief summary of key findings together with a discussion of their implications before outlining next steps in the analysis of Third Sector Trends data in the coming months.

1.3 Research methods and survey sample

Third Sector Trends was initiated in 2008 by *Northern Rock Foundation* in North East England and Cumbria as a longitudinal study to explore the structure and dynamics of the sector in the context of change. Surveys began in North East England and Cumbria in 2010.¹² The field of study has widened to include Yorkshire & Humber in 2013, the remainder of North West England in 2016 and across England and Wales from 2019. There have been six iterations of the triennial survey.

In 2025, the survey was administered using *Online Surveys*¹³ between June and September. A total of 8,680 valid responses were received. Responses were obtained using direct email invitations from listings collated from the Charity Commission register (there were 7,163 returns representing a 5.4% response rate from a sample frame of 133,161 charities). These data were supplemented by 1,517 responses to appeals to participate by local infrastructure organisations and community foundations across England and Wales.¹⁴

The national sample is fully representative of sector organisations by size (as defined by income levels) and is distributed appropriately across areas of relative deprivation and affluence when compared with Third Sector Trends Combined Register data. The survey dataset has good coverage in Wales and all English regions each with no fewer than 600 responses and apart from London, an average 5.6% response rate measured against the Charity Commission Register sample frame. A much lower response rate in London, as in 2022, stood at 2.8% but due to high organisational density, a reasonably credible sample of 713 was obtained.

The wide-ranging questionnaire asks respondents about beneficiaries served and what voluntary organisations feel that they have achieved. The survey also examines TSOs' energy by focusing questions on its people resources, property assets and financial situation. Leadership is a core element of the study too; asking participants how voluntary organisations invest in their own wellbeing so that they can serve their beneficiaries more effectively. And finally, it asks about inter-organisational relationships which is the topic of this report.

The current series of Third Sector Trends reports relies almost exclusively upon quantitative data drawn from this and previous rounds of the survey. But the study does invite survey participants to tell us anything else they'd like us to know. Well over 2,000 respondents took that opportunity in 2025. Occasionally, quotations from these open-text statements are used to 'illustrate' points of interpretation but must not be confused with qualitative evidence.

Interpretative observations originate from quantitative analysis and previous in-depth qualitative studies. The most substantive study ran from 2008-22 with 50 voluntary organisations from the North East of England and Cumbria.¹⁵

¹² A separate report is available which details the research methodology employed in the Third Sector Trends surveys. This can be accessed here: [Technical paper on research methodologies, October 2022](#).

¹³ Online Surveys is a powerful platform specifically designed for use by academics by JISC. Details on the platform's specifications can be found here: <https://www.onlinesurveys.ac.uk/>

¹⁴ This is a fully representative national sample, as evidenced by comparison with combined register data (including the registers of the Charity Commission, Community Interest Companies, Register of Mutuals/Societies Register and Community Amateur Sport Clubs Register). A separate report which details research methodology, sample structure and characteristics is available here: [Archive of publications from Third Sector Trends - St Chad's College Durham](#).

¹⁵ The report is available here: [Archive of publications from Third Sector Trends - St Chad's College Durham](#).

Section 2

Income sources

Dependence upon a single income source can be risky. Consequently, most voluntary organisations prefer to rely upon a mix of grants, earned income, gifts and legacies, subscriptions and so on. This section presents estimates of sector income across England and Wales and then explores how income sources are valued depending upon the characteristics of voluntary organisations and the types of areas where they are based.

2.1 Income

Third Sector Trends research includes all types of registered organisations with income below £25million. As Table 2.1 shows, there are about 205,000 organisations in England and Wales and total sector income amounts to about £61billion.

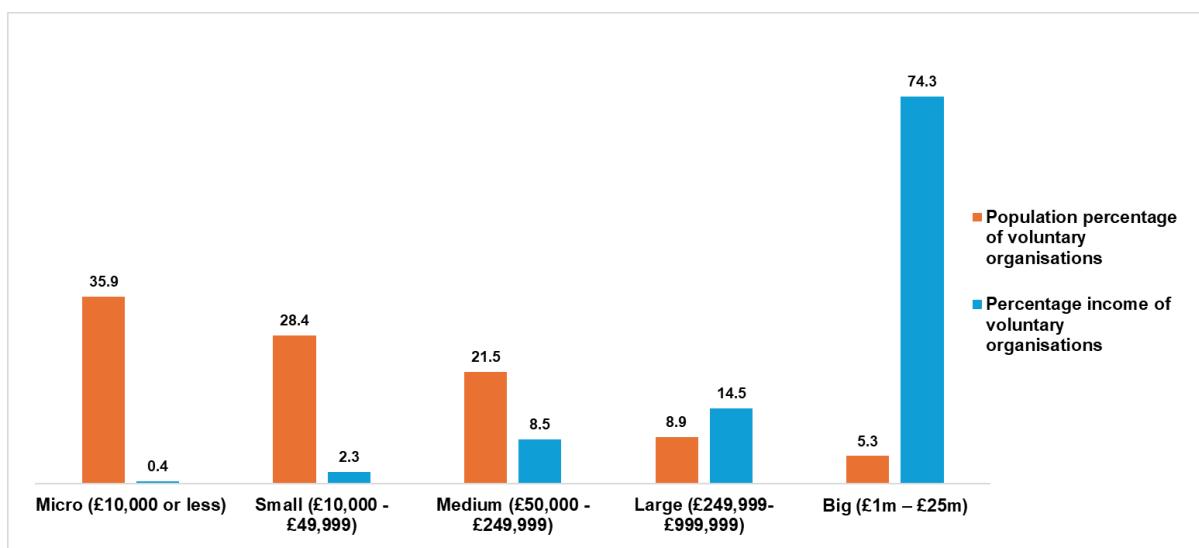
Organisational density varies by region. There are proportionately more TSOs per 1,000 population in the affluent south of England than in the Midlands and the North.

Income is not evenly distributed amongst voluntary organisations. Micro organisations, which form 36% of the third sector's population, receive less than 1% of sector income. By contrast, the largest organisations command 74% of sector income, but only constitute 5% of its population (Figure 2.1).

Table 2.1 Third sector income in England and Wales 2025

	Number of third sector organisations	Population in each region (1,000s)	Third sector organisations per 1,000 population	Estimated third sector income (£millions)
North East England	7,140	2,711	2.6	1,980
North West England	20,760	7,600	2.7	5,710
Yorkshire and Humber	15,060	5,594	2.7	3,870
East Midlands of England	14,650	4,991	3.0	2,940
West Midlands of England	17,500	6,086	2.9	4,610
East of England	22,110	6,469	3.4	4,950
London	38,860	8,945	4.4	19,990
South East England	33,980	9,483	3.6	9,550
South West England	24,430	5,811	4.2	5,400
Wales	10,530	3,164	3.2	2,260
England and Wales	205,000	60,854	3.4	61,260

Figure 2.1 Distribution of sector income by voluntary organisations' size
 (Third Sector Trends in England and Wales 2025 Combined Register data, distribution, n=205,000¹⁶)



2.2 How sources of income are valued

NCVO UK Civil Society Almanac produces an annual digest of statistics on sector income which is based on intensive analysis of charity accounts submitted to the Charity Commission. The analysis is invaluable as detail is provided on the breakdown of sources of sector income from, for example, public giving, the private sector, trusts and foundations and the state and is tracked over time.¹⁷

Third Sector Trends does not attempt to replicate data on 'actual' levels of income, instead it assesses how income sources are 'valued' in relative terms by TSOs. This is a useful source of information because it tracks how 'perceptions' of the balance of reliance on income sources vary by organisational type, across geographies and how they change over time.

Table 2.2 shows how TSOs assessed a range of income resources in 2025. It is notable that grant and gift income are the most highly valued while borrowed money is the least.

Time-series analysis shows how perceptions of the value of income sources change. As Figure 2.2 indicates, attitudes about the 'relative' importance of income sources have shifted significantly since 2010.¹⁸

The analysis indicates that perceptions of the value of grants (relative to other funding sources) has increased since 2010. This may indicate a shift towards greater reliance on grants, but could also reflect changing 'narratives' from that of 'grant dependency' in policy circles in 2010 to a more positive outlook on the value of grants in 2025.¹⁹

¹⁶ Data on organisational income are scaled up to the whole sector using Charity Commission data. Further information on how estimates are constructed can be found here: [Third Sector Trends in England and Wales 2025- Technical paper on sector structure and analytical techniques – \(December 2025\)](#).

¹⁷ NCVO UK Civil Society Almanac 2024 <https://www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2024/>. The 2025 edition of the Almanac has been postponed so it is not possible to provide an up-to-date financial assessment.

¹⁸ Data do not refer to the 'actual' sum of income, but perceptions of reliance upon a range of resources which can be compared over time. The bar graphs show relative importance of each type of income source in each year of study: hence the percentages add up to 100 each year to ensure that the data are intelligible and comparable.

¹⁹ For a discussion of rhetoric surrounding grant dependency see: Macmillan, R. (2007) 'Understanding the idea of "grant dependency" in the voluntary and community sector', *People, Place & Policy Online*, 1(1), pp. 30-38.

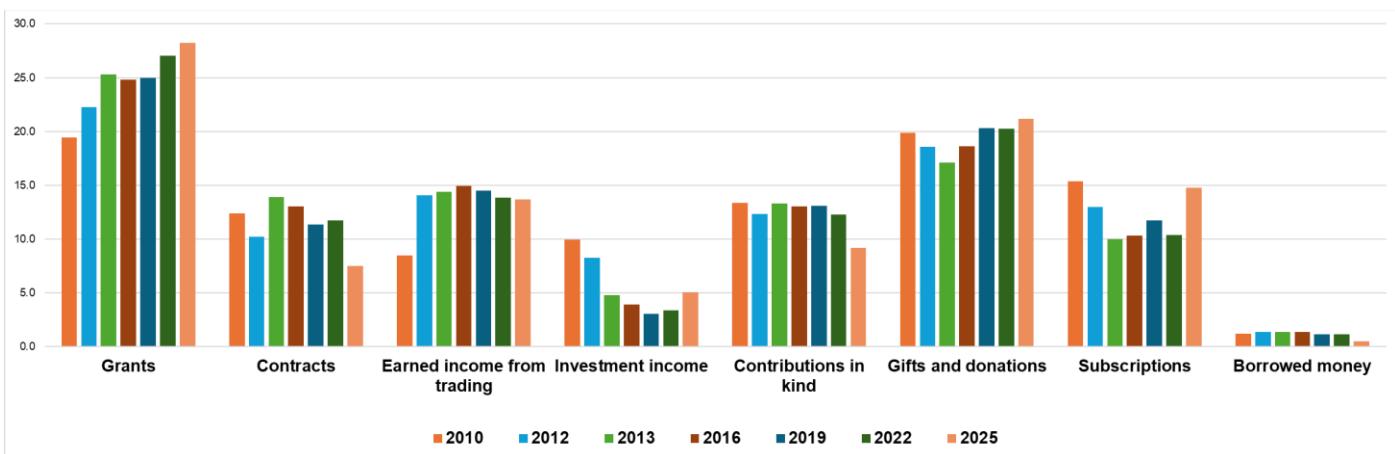
Table 2.2 How sources of financial and in-kind support are valued

(Third Sector Trends in England and Wales. 2025, n=8,576)

	Grants (e.g. from charitable foundation, local authority or NHS)	Contracts (e.g. from local authorities or NHS to deliver public services)	Earned income (e.g. retail, selling goods/services – but not contracts)	Investment income (e.g. stocks, shares, interest, dividends, etc.)	Contributions in kind (e.g. use of facilities and free professional help)	Gifts (e.g. sponsorship, donations, legacies)	Subscriptions	Borrowed money (e.g. loans from banks)
Most important	36.7	9.7	17.8	6.6	11.9	27.5	19.1	0.6
Important	20.2	9.3	16.1	6.5	19.9	25.5	11.6	1.6
Of some importance	15.4	8.2	12.1	12.2	23.0	19.5	8.8	2.3
Least important	5.4	6.4	8.2	12.9	10.0	9.0	6.0	3.7
Not important	22.3	66.3	45.8	61.8	35.2	18.5	54.4	91.9
N=	8,576	8,383	8,507	8,515	8,523	8,588	8,532	8,473

Figure 2.2 Relative importance of income and in-kind support 2010-2025

(Third Sector trends 2010/12 (North East England and Cumbria) n=1,070/1,533; 2013/14 (North East England and Cumbria, Yorkshire and Humber) n=2,143; 2016 (North of England) n=3,505; 2019 (England and Wales) n=3,064); 2022 (England and Wales n=6,070); 2025 (England and Wales) n=8,576)



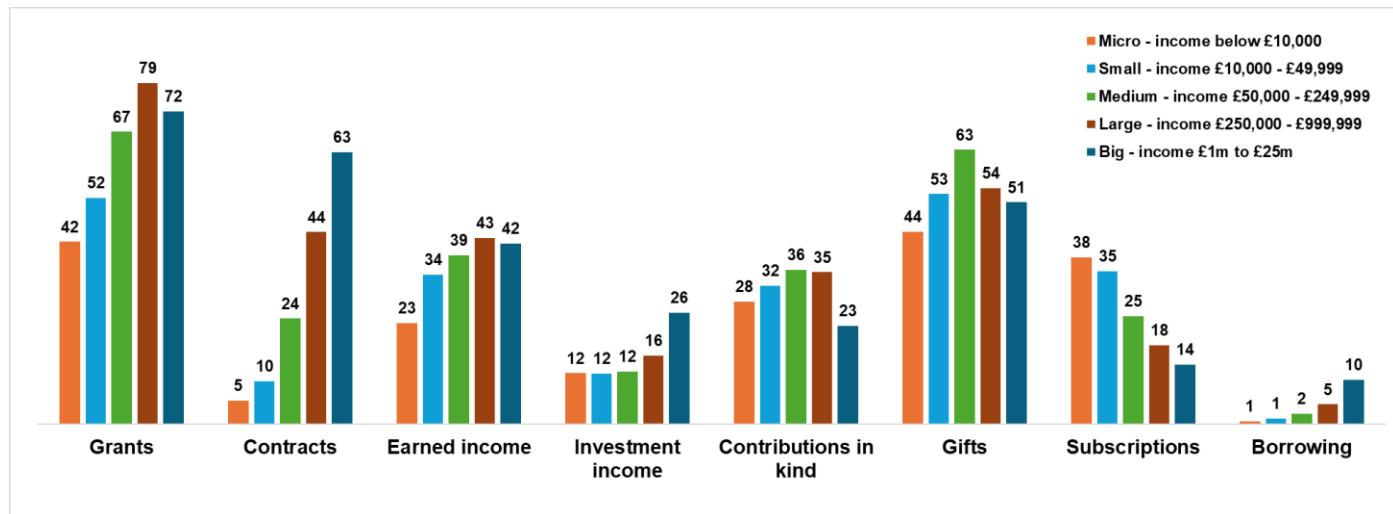
2.3 Organisational variations

Headline data conceals underlying variations. Figure 2.3 compares perceptions of the value of income sources by size of organisations.

- **Grant** funding is generally regarded as a ‘most important’ or ‘important’ source of income, but this varies by size of TSOs. Only 42% of micro organisations feel that grants are of importance to them compared with 79% of larger organisations.
- Income from **contracts** to deliver services is valued by 63% of the biggest organisations, but only by 5% of the smallest.
- The size of TSOs affects how **earned income** is valued - rising from 23% of micro TSOs to 42-43% of the biggest organisations.
- Few organisations highly value income from **investments** - ranging from 12% of small to medium-sized TSOs to 16% of larger organisations. Over a quarter of the biggest organisations highly value investments as a part of their income portfolios (26%).

- **Contributions in kind** are valued more highly as organisations grow in size, rising from 28% of micro to 35-36% of medium-sized and larger TSOs. In-kind support is considered to be of lesser value by the biggest TSOs (23%).
- **Gifts and donations** are most highly valued by medium-sized organisations (63%). While the perceived importance of this source of income is lower in micro (44%) and the biggest organisations (51%) – gifts are regarded as a significant and valuable income source by many TSOs irrespective of size.
- Micro organisations are most likely to value **subscription** income (38%); percentages fall steadily to 14% of the biggest TSOs.
- **Borrowed money** is not considered to be an important source of income by most TSOs: 10% of the biggest organisations state that borrowed money is of importance to them while fewer than 1% of the smallest do so.

Figure 2.3 **How sources of income are valued by organisational size** (Third Sector Trends in England and Wales 2025, percent 'most important' or 'important', n=8,576)



The age of organisations has a significant bearing upon how financial or non-financial resources are valued (Figure 2.4(a) and 2.4(b)).

- Newly-established organisations attach more value to **grants** (76%). Reliance upon grants declines steeply as organisations age to just 37% of the oldest organisations. Nonetheless, grants are a mainstay of most voluntary organisations' income.
- **Contracts** to deliver services are relied upon more greatly by TSOs set up between 1980-2010 (23-26%). The newest voluntary organisations are also quite reliant on this source of income (23%). Those TSOs set up before 1945 are the least likely to rely heavily on contract income (12%).
- **Earned income** is valued fairly equally irrespective of the age of voluntary organisations but rises slowly from 30% of the newest TSOs to 40% of those established in 1900. The oldest TSOs rely to a lesser extent on earned income (30%).
- The longest-established TSOs value **investment income** more highly than all other voluntary organisations (38%), reliance rises from a low base for the most recently established TSOs (5%) to almost a fifth of those set up after 1900.
- **Contributions in kind** are of great importance to the most recent voluntary organisations (47%) but reliance declines steadily to about a quarter of those established before 1979.
- **Gifts** are a valued source of income for most TSOs, but they become progressively less important to voluntary organisations as they age (falling

from 66% of the newest to 42% of those set up in 1900. The exception is the oldest TSOs which highly value gifts (55%).

- **Subscriptions** are of relatively low importance to the newest TSOs (23%) but their value rises steeply to those established after 1900 (45%). About a third of the oldest voluntary organisations value subscriptions.
- **Borrowed money** is of negligible value to most organisations – irrespective of their age. The oldest organisations are the most likely to borrow (5%).

Figure 2.4(a) **How sources of income are valued by age of TSOs** (Third Sector Trends in England and Wales 2025, percent 'most important' or 'important', average n=8,506)

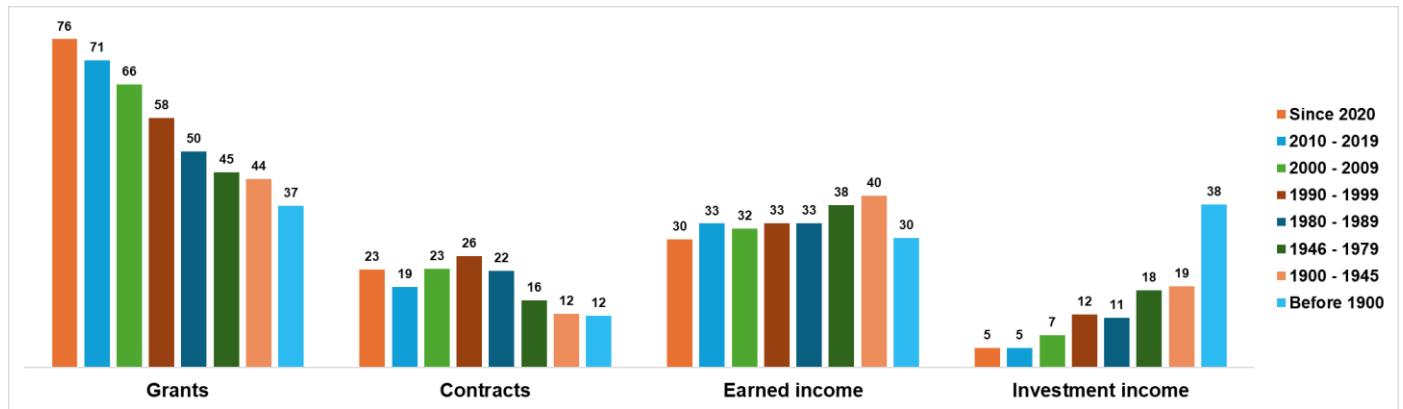
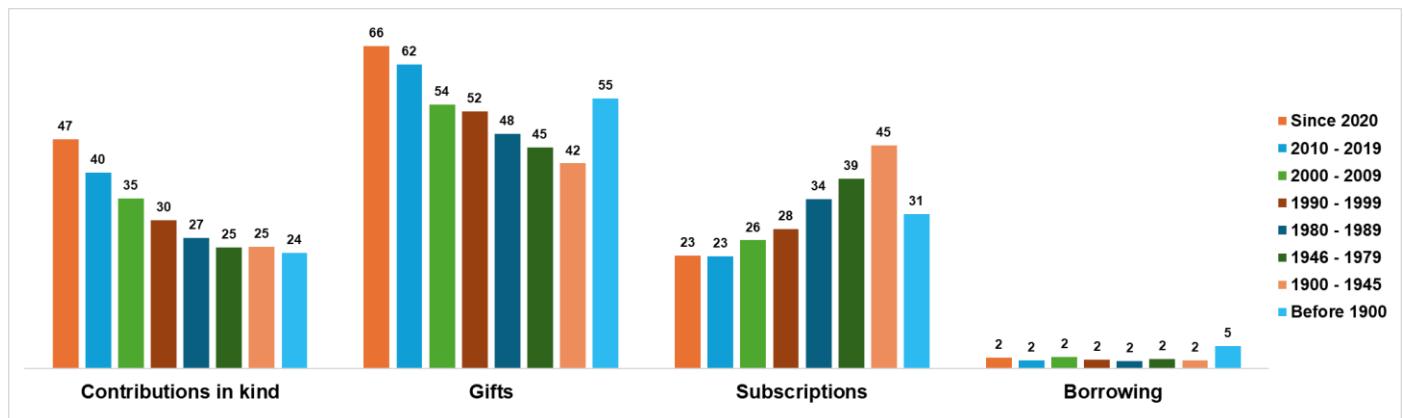


Figure 2.4(b) **How sources of income are valued by age of TSOs** (Third Sector Trends in England and Wales 2025, percent 'most important' or 'important', average n=8,506)



2.4 Area variations

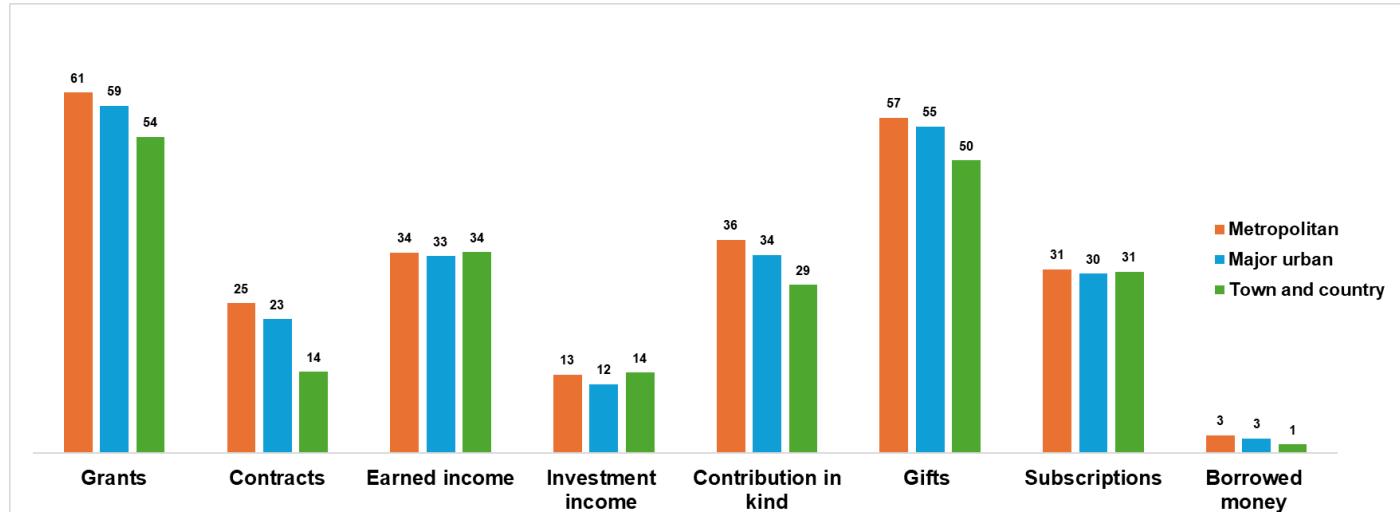
The structure, purpose, energy and impact of the third sector vary due to the characteristics of the areas within which TSOs work. In this sub-section, area variations are compared by urban form and area affluence. To help interpret national level findings, three types of urban areas have been defined.²⁰

- **Metropolitan areas**: including Tyne and Wear, West Yorkshire, South Yorkshire, Greater Manchester, Merseyside, West Midlands, Bristol and London.
- **Major urban areas**: includes larger cities (such as Portsmouth, Nottingham, Swansea and Reading) and polycentric urban areas (such as Tees Valley or the Potteries conurbations).
- **Town and country areas**: includes county towns, market towns and rural areas based in less-urban unitary authorities and counties such as Northumberland, Cornwall, Dorset and Suffolk).

²⁰ A full explanation of how this variable was constructed is available in the Technical Paper on approaches to analysis, 2022 *ibid*.

As Figure 2.5 shows, urban form has an effect on perceptions about the value of income sources – this is driven to some extent by variations in the structure of the local sector (for example, in metropolitan areas there are more bigger organisations). Grants, contracts, in-kind support and borrowing seem to be more valued in metropolitan districts than in town and country areas. Earned income, investment income and subscriptions, by contrast, are equally valued irrespective of urban form.

Figure 2.5 How sources of income are valued by type of area within which TSOs are based
(Third Sector Trends in England and Wales 2025, average n=8,512)



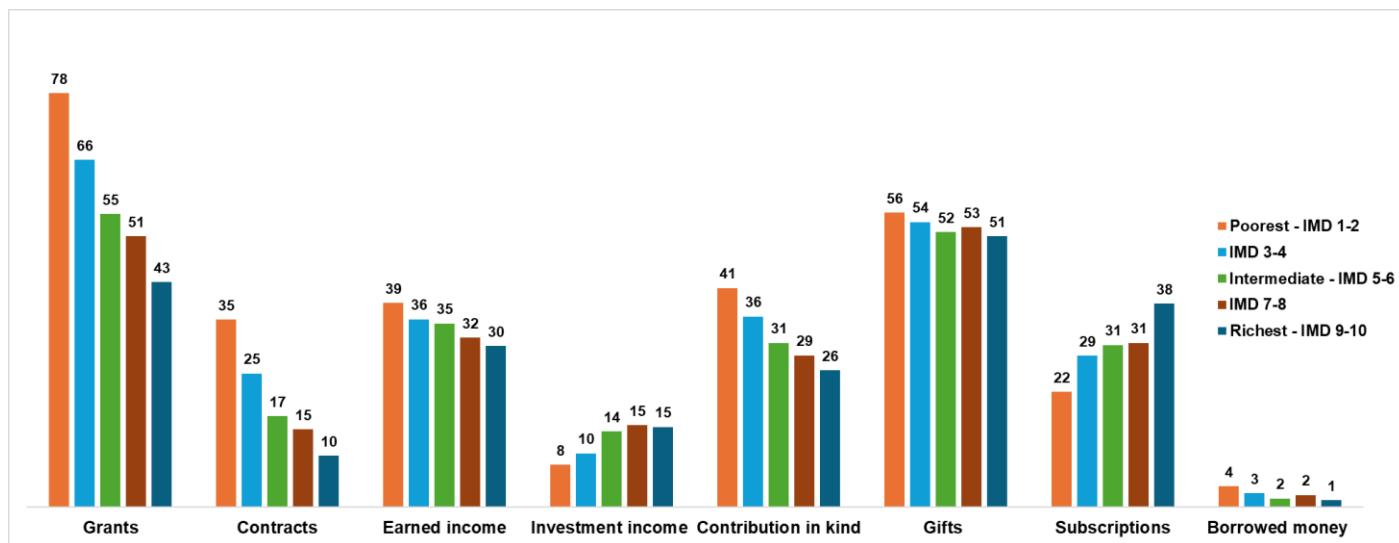
Interpreting variations by urban form is complex because there can be wide disparities in local conditions. To examine the impact of locality further, Figure 2.6 shows variations by area affluence using indices of multiple deprivation.²¹

Area affluence has a much stronger effect on how financial and non-financial resources are valued by TSOs compared with urban form. Grants, contracts and in-kind support are much more highly valued in the poorest areas (where organisations are more likely to be tackling issues of critical and/or pernicious social or personal need) than in the wealthiest areas.

To a more limited degree, earned income and borrowing tend to be more highly valued in less affluent areas. Investment income and subscriptions are much more highly valued in the most affluent areas. Gifts and donations are highly valued in all areas – but slightly more so in less affluent areas.

²¹ Area affluence and deprivation is defined using both the English Indices of Deprivation [English indices of deprivation 2019 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019) and the Wales Indices of Deprivation <https://gov.wales/welsh-index-multiple-deprivation-full-index-update-ranks-2019>. The indices are not constructed in exactly the same way, but the use of quintiles alleviates the impact of these variations.

Figure 2.6 **How sources of income are valued by affluence of area within which TSOs are based**
(Percent 'most important' or 'important', England and Wales 2022, average n=8,512)



Regional variations are shown in Figure 2.7. Detailed analysis and interpretation is not provided at this stage. Later in the process of exploring Third Sector Trends data, discrete regional and sub-regional place-based studies will be undertaken to examine variations across localities in more depth.²²

It is, nevertheless, useful to note that in some areas (notably North East England, and Wales), grants and contracts are perceived as being particularly important. In more affluent regions (including East of England, South East England, South West England and to a lesser extent, the East Midlands of England) there is stronger emphasis on investment income, gifts and subscriptions.

2.5 Summary

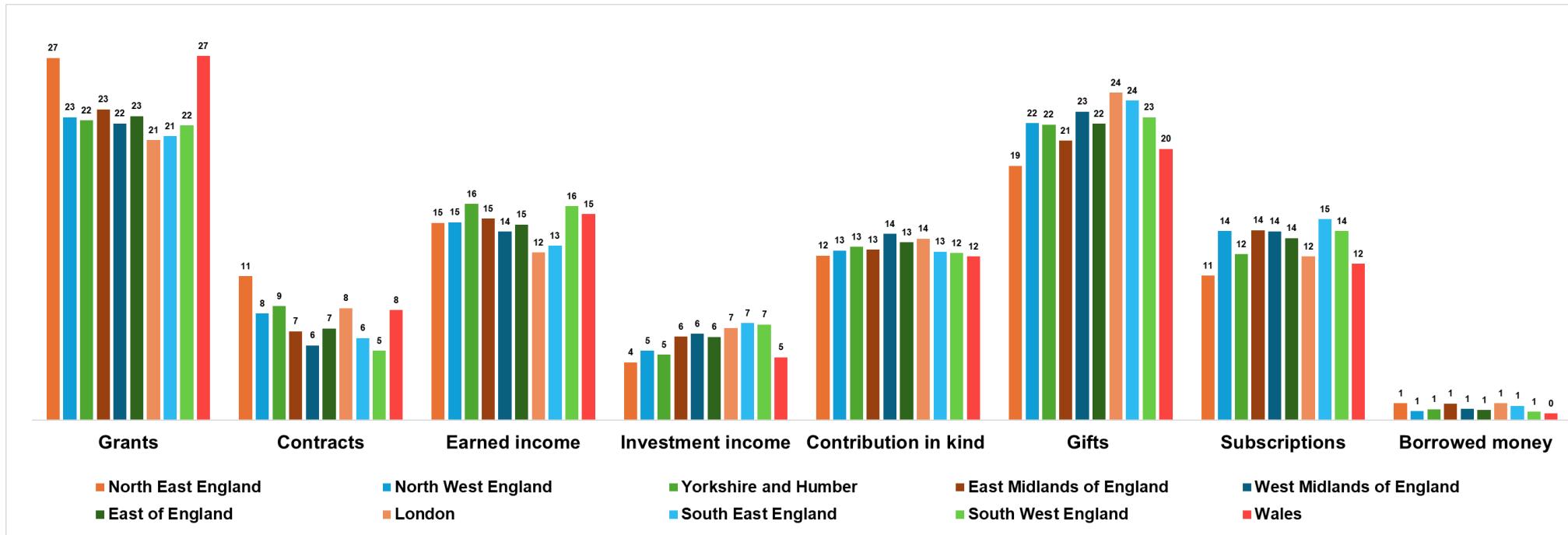
Voluntary sector organisations generally rely on a range of income sources to sustain themselves financially. Grant income is valued the most highly and the evidence strongly suggests that, in relative terms, such income has become much more important over the last 15 years. Bigger TSOs are much more dependent on grants than their smaller counterparts.

Interestingly, the value attached to grant income appears to fall steadily by the age of organisations (as does the value of gifts and contributions in kind). This seems to be associated with a heightened level of dependence on earned income, subscription income and investment income in the oldest organisations.

The value TSOs attach to income sources varies by the kinds of areas within which they are located. In the poorest areas, grants are much more highly valued than in the richest areas, as is the case with contracts, earned income, contributions in kind and gifts. Only subscriptions and investment income are progressively more important to TSOs in wealthier areas.

²² Separate reports on North East England and Wales will be published early in 2026. In previous rounds of Third Sector Trends, substantive area reports have been commissioned for many other areas. See: <https://www.stchads.ac.uk/research/third-sector-trends-in-england-and-wales/publications-from-third-sector-trends/>

Figure 2.7 Relative value of income sources in English regions and Wales (Third Sector Trends in England and Wales 2025, average n=8,512)



Section 3

Grants, contracts and trading

3.1 Relationships with grant funders

Grant funding, as shown in the previous section, is the mainstay of income for many voluntary organisations. In 2019, Third Sector Trends introduced new questions to explore the 'quality' of relationships with grant makers. It is now possible to compare responses over three waves of the study: before, during and after the Coronavirus pandemic.

Table 3.1 opens the analysis by providing headline data on how much TSOs valued their relationships with grant makers in 2025. A crucial finding is that about half of organisations did not have a relationship with a grant funders.²³ This may surprise some readers, as an impression is often given in research, policy and media reports that most organisations are clamouring for grant support. It should, though, be noted that it is primarily micro voluntary organisations which have no relationship with grant-makers (70%).

Table 3.1 **Quality of relationships with grant-making trusts and foundations**
(Third Sector Trends in England and Wales 2025)

	They gave us unrestricted funding (e.g. 'core' funding)	They took the time to get to know us	They wanted us to be 'innovative'	They've made a long-term investment in our work	They helped develop our skills (e.g. consultants / training)
Strongly agree	18.3	10.9	14.6	11.2	6.0
Agree	37.4	45.8	47.5	28.7	29.2
Disagree	21.8	27.1	24.8	35.1	38.9
Strongly disagree	22.6	16.2	13.1	25.0	26.0
<i>Not applicable</i>	50.4	52.0	57.0	55.9	59.7
N=	8,620	8,556	8,544	8,533	8,530

Figure 3.1 deepens the analysis by presenting the percentages of TSOs which 'agreed' or 'strongly agreed' with a series of statements on relationships with grant makers from 2019-2025. Those voluntary organisations which have no relationship with grant-making trusts and foundations are excluded.

This analysis produces some remarkable findings. In 2019 only 46% of TSOs stated that they received unrestricted or 'core funding' but the percentage rose to 60% in the extraordinary circumstances surrounding the Coronavirus pandemic. While the evidence suggests that some grant-makers have tightened up on unrestricted funding, 56% of TSOs continued to receive unrestricted grants in 2025,

²³ Voluntary organisations may have received grants from other sources, such as government departments, local authorities, the NHS or private sector businesses.

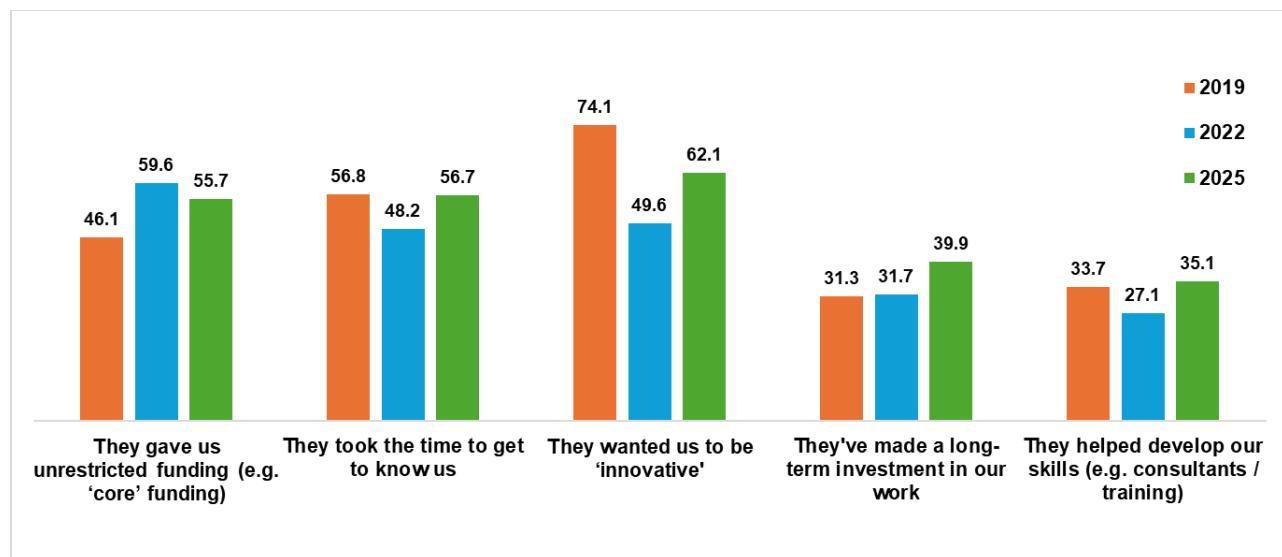
Many grant-making foundations are committed to getting to know their grantees. During the pandemic, the percentage of TSOs reporting that this was so fell to 48% from a pre-pandemic level of 57%. Following the loosening of pandemic restrictions, grant-makers have reverted to previous practice – 57% of voluntary organisations now report that grant makers take the time to get to know them.

During the pandemic, grant makers adopted a ‘lighter touch’ approach when working with voluntary organisations and pressurised them less about being ‘innovative’: indeed, the percentage dropped from 74% in 2019 to 50% in 2022. Some grant funders have since gone back to demanding that innovation is a requirement – but many have not: in 2025, 62% of TSOs state that innovation had been expected as a condition of grant funding.

For many years, voluntary sector organisations have complained about the short-term investment they receive from grant-making foundations. Before and during the pandemic, about 31% of TSOs reported that they received long-term investment. That has now risen substantially to 40%.

Many grant-makers commit to help voluntary organisations to develop their skills by appointing, for example, consultants or providing training sessions. Provision was received by a third of voluntary organisations pre-pandemic, but support fell to 27% in 2022. The evidence indicates that support has now recovered to pre-pandemic levels.

Figure 3.1 Voluntary organisations’ working relationship with grant-making trusts and foundations: 2019-2025 (Third Sector Trends in England and Wales, percentage ‘agree’ or ‘strongly agree’ 2019, n=3,958, 2022 n=5,978, 2025, n=8,556)



Levels of interaction and support from grant-making trusts and foundations varies by voluntary organisations’ size (Figure 3.2). There are wide disparities in experiences.

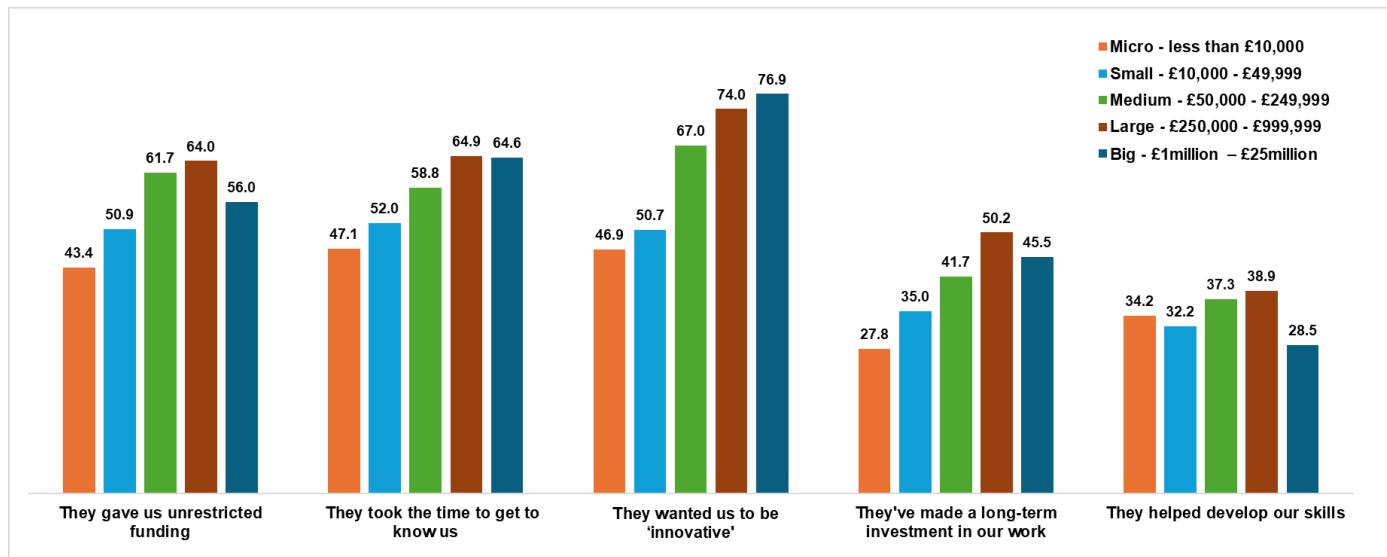
- Unrestricted funding is received by 43% of the smallest TSOs, rising to 64% of larger voluntary organisations before dropping back to 56% for the biggest.
- Many trusts and foundations take the time to get to know their grantees – but that happens more often with large and the biggest TSOs (65%) than with the smallest (47%).
- Expectations that grantees should be ‘innovative’ in their practice are much higher for the biggest organisations (77%) than the smallest (47%).²⁴

²⁴ Previously, the survey has also asked whether foundations expected TSOs to assess the impact of their work. As percentages were almost identical to those expecting innovation, the question was dropped to save space on the questionnaire – but it can safely be assumed that insistence upon ‘innovation’ is allied with associated expectations about ‘impact assessment’.

- Relatively few of the smallest TSOs have received long-term investment (28%) but this rises steadily to half of larger organisations before falling back for the biggest to 46%.
- A similar proportion of voluntary organisations are supported by trusts and foundations with skills development (32-39%). The biggest TSOs are least likely to receive such support (29%).

The above analysis suggests substantive variation in the receipt of support from trusts and foundations – but tells us nothing about the ‘demand’ for support. As shown in the second report in the series from Third Sector Trends in 2025²⁵, smaller voluntary organisations and the biggest are generally less inclined to seek or need support, which helps with the interpretation of the above findings.

Figure 3.2 Voluntary organisations’ working relationship with grant-making trusts and foundations by size of TSOs (Third Sector Trends in England and Wales, percentage ‘agree’ or ‘strongly agree’, average n=8,556)



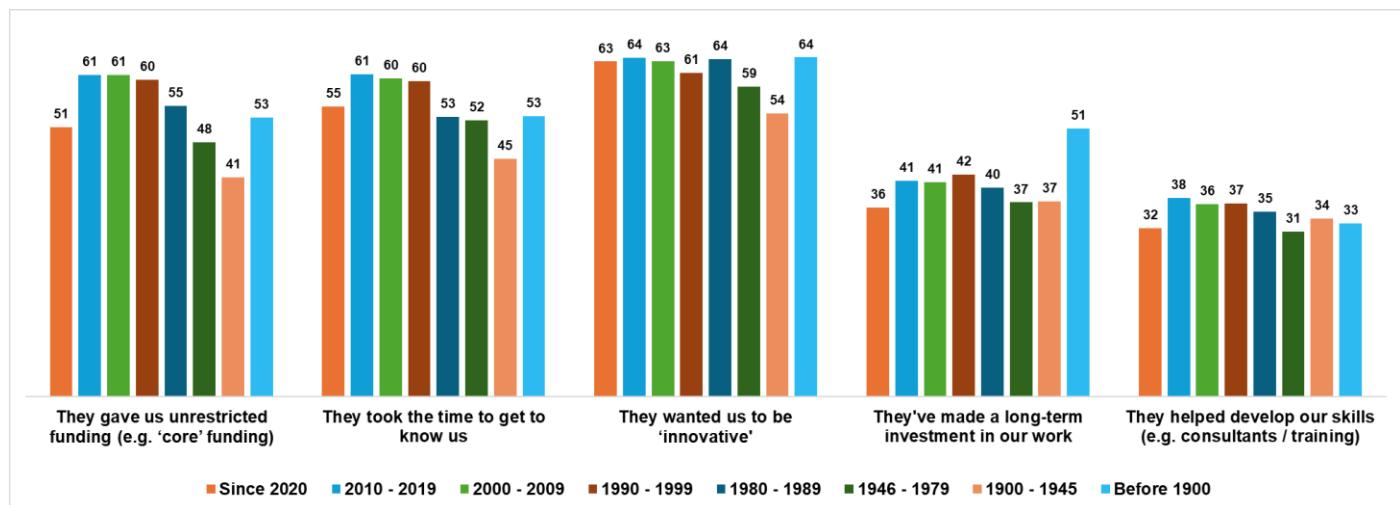
The age of organisations can have a bearing on perceptions of the quality of relationships with trusts and foundations (Figure 3.3). The newest voluntary organisations (which have a relationship with grant makers) are generally less likely to be receiving unrestricted funding (51%), getting to know trusts and foundation grant managers (55%), receiving long-term investment (36%) or being helped with their skills (32%) than longer established TSOs.

Those voluntary organisations established between 2010-2019, by contrast, are the most likely to be getting support and building their relationship with grant makers. That level of support steadily declines by age of TSOs in every aspect – as may be expected as organisations build their skill sets and become increasingly independent minded.

The exception is the oldest voluntary organisations where statistics stand out. They are much more likely to receive unrestricted funding than other older organisations, as they are to have closer relationships with grant makers and receive long-term funding. Interestingly, the oldest TSOs are amongst the most likely to feel that grant makers want them to be innovative. Given their longevity, it is less surprising to note that these voluntary organisations are amongst the least likely to receive help with their skills – though not by a wide margin.

²⁵ See Section 3, ‘People development’ in *Third Sector Trends in England and Wales 2025, people, work, ambition and impact*, which is available here: <https://www.stchads.ac.uk/research/third-sector-trends-in-england-and-wales/publications-from-third-sector-trends/>

Figure 3.3 Voluntary organisations' working relationship with grant-making trusts and foundations by age of TSOs (Third Sector Trends in England and Wales, percentage 'agree' or 'strongly agree', average n=8,550)



Analysis of area variations is revealing as it shows that, collectively, trusts and foundations work differently with organisations based in areas of affluence or deprivation (Figure 3.4).

- Unrestricted funding is more likely to be received in poorer areas (58%) than the richest (53%), although this difference is quite small.
- Trusts and foundations make more effort to get to know voluntary organisations in the poorest areas (60%). Interactions fall progressively in more affluent areas to 54% – but not in the *richest* areas where TSOs seem to be getting almost an equal level of attention to those in the poorest (58%).
- Pressures on voluntary organisations to be 'innovative' are *much* stronger in the poorest areas (69%) than the richest (53%).
- Grant-makers' commitment to long-term investment in voluntary organisations is highest in the most deprived areas (43%) and falls thereafter to 36% in the second most affluent areas – then rises to 41% in the richest areas.
- Skill support is highest in the poorest areas (40%) and falls progressively to 31% in the second-most affluent areas before rising to 37% in the most affluent areas.

To put the above analysis in context, data from *360Giving* have been reconfigured for England and Wales over a five year period from 2019-2024 to examine where grants are distributed spatially by trusts and foundations. Taken as a whole, it is evident that grant giving is more heavily focused in poorer areas (IMD 1-4) by all types of funders apart from academic and research foundations (Table 3.2).

Table 3.3 presents *360Giving* data on the distribution of grants across by indices of multiple deprivation in Wales and English regions. It is clear from these data that grant distribution by region broadly mirrors local economic and social circumstances. For example, in less affluent northern regions, there is a much higher concentration of grants distributed in poorer areas when compared with more affluent southern regions.

Data are also presented on the distribution of TSOs by area affluence within each region (Table 3.3). These data suggest that the odds of organisations holding grants are somewhat higher in poor rather than rich areas. In North East England, for instance, 41% of grants are distributed to the poorest areas within which only 29% of TSOs are based.²⁶

²⁶ There are exceptions. For example 25% of grants in South West England are allocated in the richest areas which are occupied by only 19% of the voluntary sector.

Figure 3.4 Voluntary organisations' working relationships with grant-making trusts and foundations by location in rich and poor areas (Third Sector Trends in England and Wales, percentage 'agree' or 'strongly agree', average n=8,550)

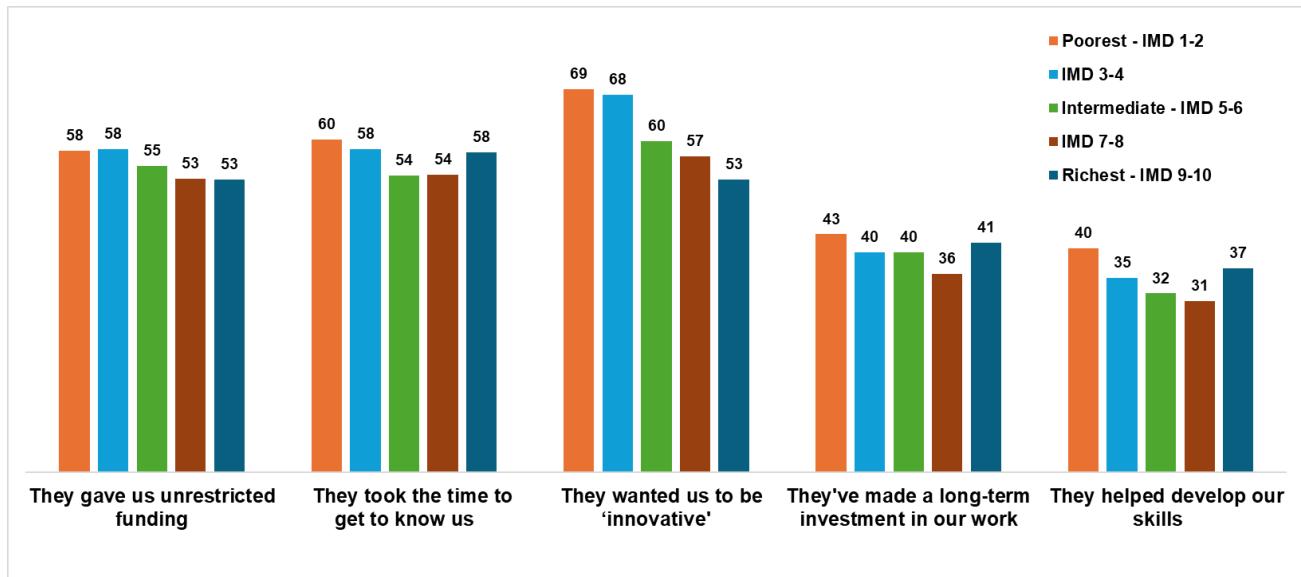


Table 3.2 Distribution of grants by trusts and foundations in England and Wales 2019-2024
(source 360Giving)²⁷

	Poorest IMD 1-2	IMD 3-4	IMD 5-6	IMD 7-8	Richest IMD 9-10	Number of grants
National Lottery distributors	28.2	22.4	19.8	16.6	12.9	61,202
Major national charitable foundations	32.0	26.6	18.6	13.7	9.1	27,568
Large national charitable foundations	32.2	26.8	18.8	14.0	8.2	17,528
Medium sized national charitable foundations	28.9	29.4	20.0	14.6	7.1	21,782
Smaller national and regional charitable foundations	24.0	28.5	22.3	16.0	9.1	8,573
Community foundations	30.2	22.7	20.7	15.0	11.4	38,207
Academic and research foundations	13.6	18.0	26.8	23.8	17.7	1,781
All trusts and foundations	29.4	24.7	19.9	15.3	10.7	176,641

²⁷ A total of 195,173 grants could be configured by postcode so as to align with IMD quintiles using ONS postcode lookups, but some foundations defied classification and their grants (~20,000) were excluded from the analysis.

Table 3.3 Distribution of grants and TSOs by region and areas of deprivation in England and Wales 2019-2024
 (source: 360Giving / Third Sector Trends Combined Register 2025)

	Poorest IMD 1-2		IMD 3-4		Intermediate IMD 5-6		IMD 7-8		Richest IMD 9-10			
	Percent grants	Percent TSOs	Percent grants	Percent TSOs	Percent grants	Percent TSOs	Percent grants	Percent TSOs	Percent grants	Percent TSOs	Number of grants	Number of TSOs
North East England	40.9	27.9	17.3	23.1	18.0	18.9	14.3	15.1	9.5	15.0	18,185	7,134
North West England	39.5	30.4	25.3	17.8	18.4	17.3	8.9	18.8	7.8	15.7	17,405	20,755
Yorkshire and The Humber	46.4	25.0	21.1	15.0	12.6	19.9	12.2	21.4	7.8	18.6	23,436	15,057
East Midlands of England	35.2	14.1	22.5	18.6	18.8	18.9	14.8	24.7	8.7	23.6	13,510	14,646
West Midlands of England	26.8	24.4	24.3	19.2	16.4	22.4	16.3	19.8	16.2	14.2	10,778	17,501
East of England	22.5	7.5	22.3	15.4	26.9	25.8	16.7	24.5	11.5	26.8	22,271	22,108
London	22.2	15.2	36.4	29.4	22.0	24.7	13.6	20.0	5.7	10.7	41,512	38,861
South East England	25.6	6.2	21.5	11.7	20.9	19.7	20.2	27.4	11.8	35.0	8,424	33,979
South West England	13.5	9.3	17.3	19.9	19.7	29.3	25.0	22.9	24.6	18.6	22,417	24,426
Wales	16.1	13.8	20.7	18.6	23.8	23.8	20.4	25.5	18.9	18.3	17,235	10,533
England and Wales	28.2	15.5	24.3	19.2	20.1	22.6	15.9	22.5	11.6	20.3	195,173	205,000

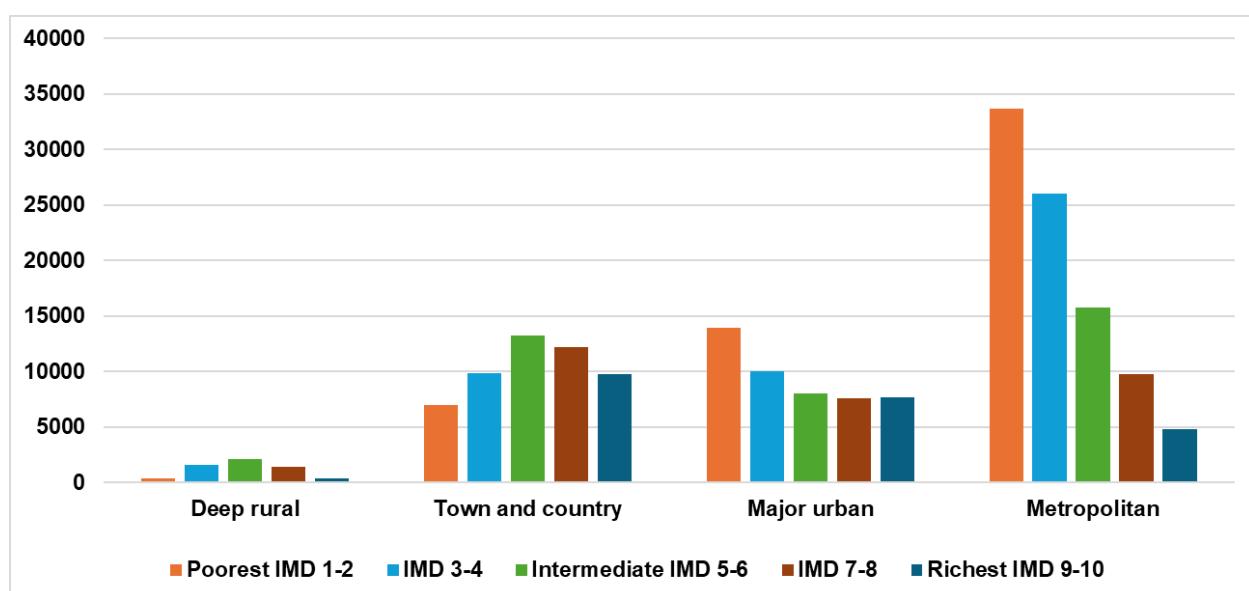
When expressed as ratios (Table 3.4), it is clear that the odds of voluntary organisations being awarded grants is generally higher in poorer areas (although that may not be an accurate reflection of *demand* as shown in Figure 2.6). It is notable that in South East England, trusts and foundations are working particularly hard to focus their grant making in the relatively limited number of poor areas in their region: 4.1:1 grants per TSO were awarded in a five year period compared with 0.4:1 in the richest areas.

Table 3.4 **Ratios of grants received to number of organisations** (Calculated from data in Table 3.3)

	Poorest IMD 1-2	IMD 3-4	IMD 5-6	IMD 7-8	Richest IMD 9-10	Number of grants	Number of TSOs
North East England	1.5	0.8	1.0	0.9	0.6	18,185	7,134
North West England	1.3	1.4	1.1	0.5	0.5	17,405	20,755
Yorkshire and Humber	1.9	1.4	0.6	0.6	0.4	23,436	15,057
East Midlands of England	2.5	1.2	1.0	0.6	0.4	13,510	14,646
West Midlands of England	1.1	1.3	0.7	0.8	1.1	10,778	17,501
East of England	3.0	1.4	1.0	0.7	0.4	22,271	22,108
London	1.5	1.2	0.9	0.7	0.5	41,512	38,861
South East England	4.1	1.8	1.1	0.7	0.3	8,424	33,979
South West England	1.4	0.9	0.7	1.1	1.3	22,417	24,426
Wales	1.2	1.1	1.0	0.8	1.0	17,235	10,533
England and Wales	1.8	1.3	0.9	0.7	0.6	195,173	205,000

To conclude this analysis, Figure 3.5 illustrates the pattern of distribution of grants in England and Wales between 2019 and 2024. It is clear that the majority of grants are distributed in the poorest metropolitan or major urban areas.

Figure 3.5 **Distribution of grants in England and Wales 2019-2024 by area type**
(source: 360Giving, grants distributed n=195,173)



3.2 Public service delivery contracts

The issues surrounding the delivery of public services under contract were discussed in detail in the first report from Third Sector Trends in 2025.²⁸ What follows is an abridged version of the key findings from that analysis for those who did not read the previous report.

Historically, government policy on the procurement of service delivery from TSOs has lacked critical awareness of market demand for such work and mistakenly believed that sector capacity can easily be built. Current procurement policies differ little, in essentials, from previous incarnations of two decades ago.

Before scrutinising long-term trends in market demand, the analysis begins with an assessment of voluntary sector interest in delivering public services under contract. Table 3.5 compares current levels of interest by size of organisations and as would be expected, micro to medium-sized organisations (given their purpose, practice preferences and capacity) have neither awareness of nor interest in such work.

Most of the biggest TSOs are aware of such opportunities (90%), but many are now disinterested (29%) or are at best 'ambivalent' (17%) about getting involved. That stated, 39% of the largest TSOs are currently delivering contracts and another 5% are bidding to do so.

Table 3.5 Engagement with public service delivery contracts by TSOs' size
(Third Sector Trends in England and Wales 2025)

	Micro income below-£10,000	Small income £10,000-£49,999	Medium income £50,000-£249,999	Large income £250,000-£999,999	Big Income £1m - £25m	All TSOs
Not aware of these opportunities	43.3	38.5	31.9	19.8	10.1	34.7
Aware of these opportunities but they are not relevant to our organisations objectives	47.9	48.8	39.7	31.5	28.9	43.4
Ambivalent about contracts	Are aware of these opportunities but need more information	2.3	3.2	4.1	4.5	3.7
	Are interested in this option but would need extra support to do this	2.9	4.0	8.6	9.6	4.6
	Are interested in this option but feel there are barriers in the tendering process	1.9	3.5	8.1	13.8	8.8
Are already bidding to deliver public sector services	0.8	0.7	2.2	5.3	4.6	1.8
Are already delivering public sector services for which we have tendered	0.9	1.2	5.3	15.4	39.2	5.7
N=	2,448	2,643	2,056	946	454	8,547

When changing attitudes about delivering public services under contract are considered, interesting patterns emerge (Figure 3.6). Medium-sized voluntary organisations (with income from £50,000 to £249,000) have never been interested in such work due to their wider interests and limited capacity: the enthusiasm some had in 2013 (15%) has more than halved in 2025 (6%).

Many voluntary organisations with income up to £500,000 have abandoned the idea (falling from 49% in 2013 to 15% in 2025). Over 60% of TSOs with income between

²⁸ See Section 4, 'Contractual relationships with the local public sector', in *Third Sector Trends in England and Wales 2025: Relationships, influencing and collaborative working*, available here: <https://www.stchads.ac.uk/wp-content/uploads/2025/10/Relationships-influencing-and-collaborative-working-Third-Sector-Trends-in-England-and-Wales-2025-October-2025-1.pdf>

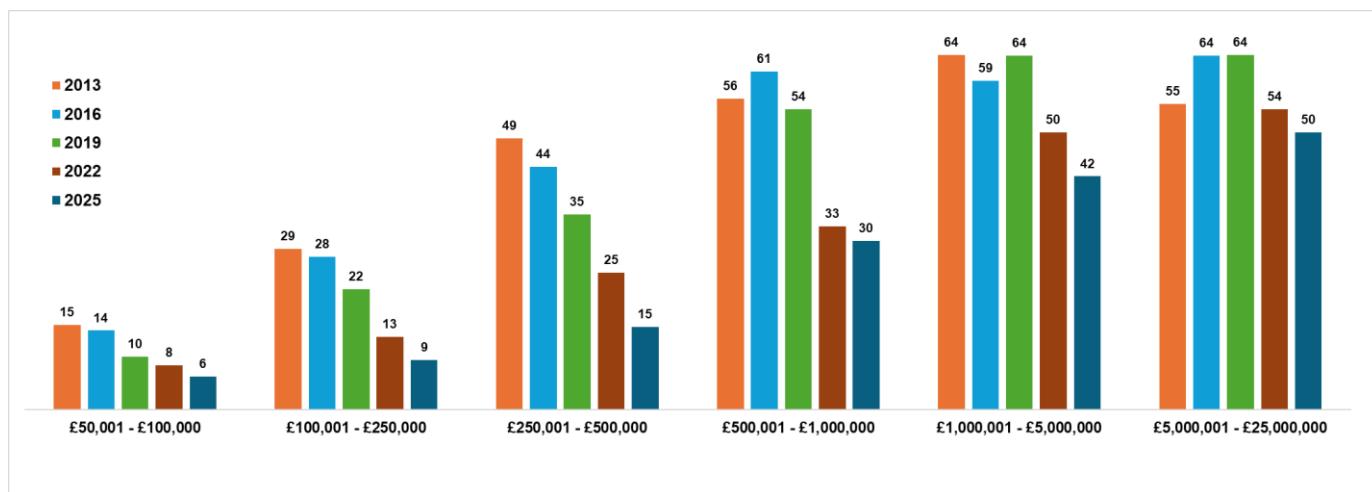
£500,000 and £1m were involved in 2016; that collapsed to 33% in 2022 and now stands at 30%.

Most startling is the finding that the involvement of organisations with income of £1m-£5m has fallen from 64% in 2019 to 42% now. And for TSOs with income from £5m-£25m, participation continues to fall from 64% in 2019 to 54% in 2022 and 50% in 2025.

In the last round of the Third Sector Trends study, it was predicted that interest in the delivery of public sector services under contract would decline further unless the value of tenders increased.²⁹ Already in 2022 many organisations with contracts were struggling to recruit and retain staff and the indications from qualitative research were that many organisations were delivering such work below cost to sustain activity in their local area.³⁰ The situation has deteriorated further in the last three years.

Government policy statements about ‘smoothing’ procurement practices to help voluntary organisations to get involved with contracts miss the point. Time-series analysis shows that there has been little success in ‘converting’ interest in bidding for contracts (where TSOs argue that *more information is required, that barriers have been identified or support needs to be provided*) into purposeful action.

Figure 3.6 Bidding for or delivering public services under contract by size of organisations 2013 – 2025 (Third Sector Trends, 2025, n=8,547, 2022 n=5,928, 2019 n=3,085, 2016 n=3,444, 2013 n=2,119)³¹



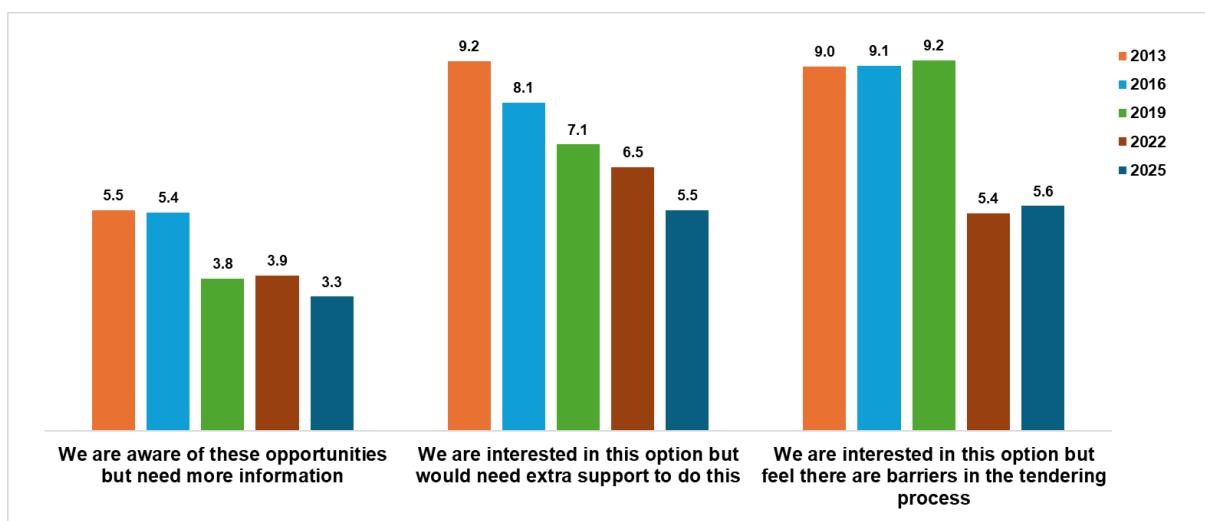
The proportion of TSOs expressing ambivalence about engaging with public service delivery contracts has fallen dramatically since 2013 (Figure 3.7). Only 3% of TSOs now think that it is lack of information that is blocking their way, just 6% feel that they need more support and only 6% are put off by perceived barriers to tendering. In short, these findings indicate a *hardening* of attitudes against involvement in such work.

²⁹ See: Chapman, T. (2023) *Third Sector Trends in England and Wales 2022: finances, assets and organisational wellbeing*, Newcastle upon Tyne: Community Foundation North East, p.59. <https://www.communityfoundation.org.uk/wp-content/uploads/2023/01/Third-Sector-Trends-2022-finances-assets-and-organisational-wellbeing-January-2023.pdf>

³⁰ See: Chapman, T. (2022) *Going the distance: how Third Sector organisations work through turbulent times*, Newcastle upon Tyne: Community Foundation North East [first edition]. <https://www.stchads.ac.uk/wp-content/uploads/2022/10/Going-the-distance-how-third-sector-organisations-work-through-turbulent-times-July-2022.pdf>; 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*, Bristol, Power to Change. <https://www.stchads.ac.uk/wp-content/uploads/2024/05/Striking-a-balance-trading-interactions-amongst-community-businesses.pdf>

³¹ As most micro and small organisations are not interested in public-service delivery contracts, they are excluded from the analysis.

Figure 3.7 Ambivalent attitudes about bidding for or delivering of public services under contract: 2013 – 2025 (Third Sector Trends, 2025, n=8,547, 2022 n=5,928, 2019 n=3,085, 2016 n=3,444, 2013 n=2,119)



Raising the value of contracts sufficiently to meet the full cost of delivery by voluntary organisations is one way forward for public authorities. And while the service delivered, as contracted, may differ little from that provided by a business or a public sector organisation – there are benefits to be gained by keeping TSOs involved – such as the common practice of ‘adding value’ to contracts by, for example, providing volunteer befriending services to help compensate for strictly time-limited personal and social care contracts.

There is a worry, however, that ministers will fail to recognise that TSOs are pulling out from this line of work (even though the evidence is clear) and that this could result in local councils’ and the NHS having no choice other than to take services back in house at greater cost. The longer that this realisation takes, the harder it will become to re-engage voluntary organisations once their capacity and interest in doing such work is lost.

3.3 Earned income

About 60% of voluntary organisations earn income by delivering contracts or engaging in self-generated trading of goods and services. About a quarter of TSOs are heavily reliant upon trading (24% earn more than 60% of their income).

As shown in Table 3.6, the biggest TSOs are the most likely to engage in trading (89%), of which 42% earn more than 60% of their income. At the other end of the spectrum, only 44% of micro organisations trade – but 19% earn more than 60% of their income. Trading is of value to over two thirds of medium-sized organisations, a majority of which earn less than 60% of their income.³²

³² While the definition of the legal form of organisations included and methodology employed is somewhat opaque, recent analysis from Social Enterprise UK provides useful detail on the operation of trading organisations in the UK based on a study of 2,000 organisations which describe themselves as ‘social enterprises’: SEUK (2025) *State of social enterprise: backbone of Britain*, <https://www.socialenterprise.org.uk/news-and-views/new-research-highlights-impact-of-economic-shocks-and-property-prices-on-social-enterprises/>. Third Sector Trends asked if organisations self identified as social enterprises from 2010 until 2022, but the question was dropped in 2025 as fewer than about 5% of TSOs defined themselves as such.

Table 3.6 **Percentage of TSOs earning income by size of organisation**
(Third Sector Trends in England and Wales 2025)

	Micro income below-£10,000	Small income £10,000-£49,999	Medium income £50,000-£249,999	Large income £250,000-£999,999	Big Income £1million - £25million	All TSOs
No earned income	56.1	41.5	32.8	20.7	11.4	39.7
1 - 20% of income is earned	15.5	18.3	27.2	28.9	26.6	21.2
21- 40% of income is earned	4.4	7.4	10.3	15.1	10.5	8.3
41 - 60% of income is earned	5.3	6.2	7.3	11.2	9.5	6.9
61 - 80% of income is earned	5.6	7.6	7.6	8.1	13.6	7.4
81 - 100% of income is earned	13.1	19.0	14.8	16.1	28.4	16.5
N=	2,491	2,658	2,071	953	455	8,628

Third Sector Trends has been tracking the extent of reliance of voluntary organisations upon trading since 2013. As Figure 3.8 shows, the proportion of TSOs which earned more than 80% of their income between 2013 and 2022 fell to just 14% during the pandemic. That has since recovered to 17% in 2025 (though still remaining lower than a peak of 20% in 2013. The overall population of trading organisations has decreased from 68% in 2013 to 60% in 2025.

Figure 3.8 **Percentage of voluntary organisations earning income: 2013-2025**
(Third Sector Trends, 2013 n=2,184, 2016 n=3,505, 2019 n=3,127, 2022 n=5,955, 2025, n=8,628)

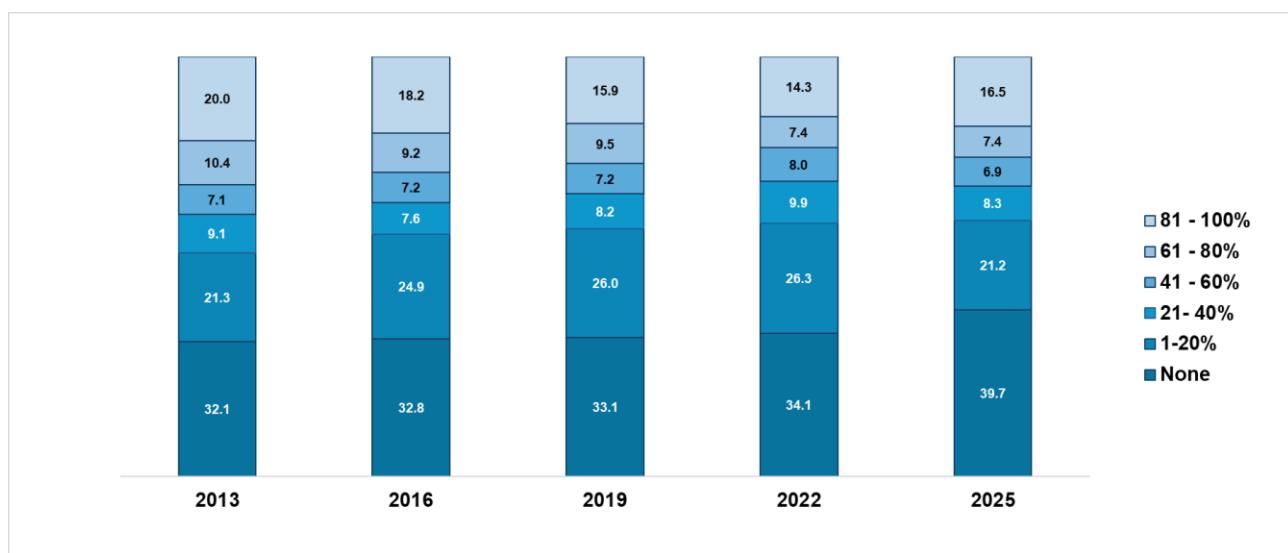
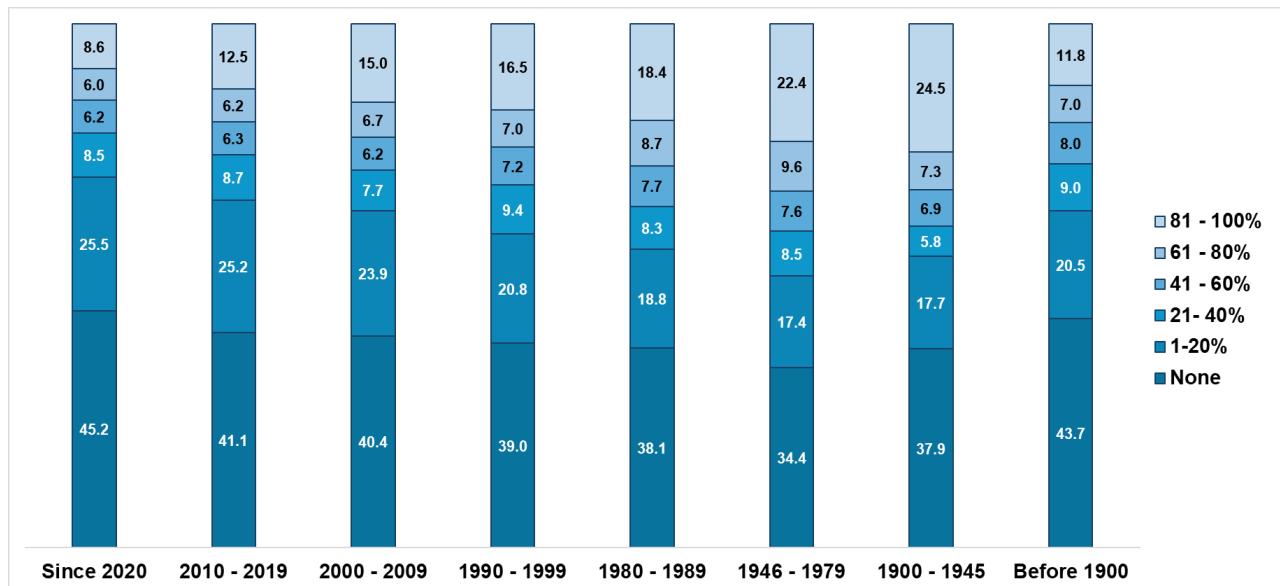


Figure 3.9 shows that the most recently established TSOs are the least likely to engage in trading (45%). Those voluntary organisations which rely most heavily on trading income were established between 1945 and 1979 (66%).

Heavy financial reliance on trading is patterned. Only 9% of the most recently established TSOs earn more than 80% of their income; this rises steadily to 25% of those which have operated since 1900. The oldest TSOs stand out as having a much lower level of reliance upon earning income. But it is voluntary organisations established between 1900-1945 which are the most reliant on trading: 25% of these TSOs earn more than 80% of their income.

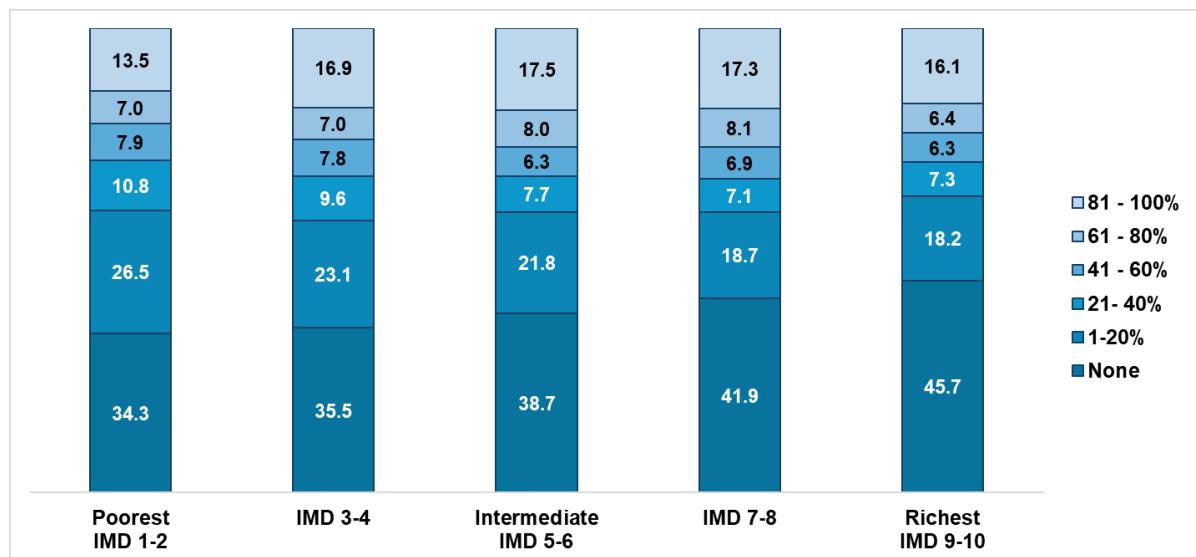
Figure 3.9 Percentage of TSOs earning income by age of organisation (Third Sector Trends in England and Wales 2025, n=8,621)



The characteristics of the area within which voluntary organisations are located has a bearing upon involvement in trading activity (Figure 3.10). In the most affluent areas, the largest proportion of TSOs do not trade (46% compared with 34% in the poorest areas).

Of those voluntary organisations which are based in the poorest areas, 38% earn less than 40% of their income. It is relatively rare for TSOs to earn over 80% of their income in the poorest areas (14% compared with 16% in the wealthiest areas).

Figure 3.10 Percentage of TSOs earning income when located in richer or poorer areas (Third Sector Trends in England and Wales 2025, n=8,628)



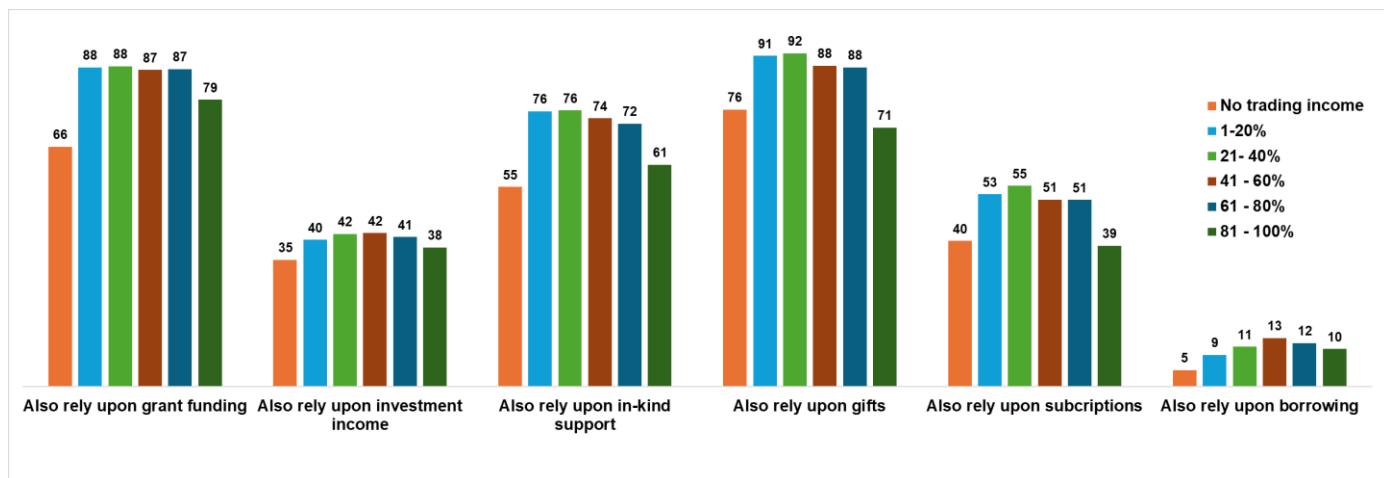
Deeper analysis shows that it is unusual for voluntary organisations to depend upon trading alone to sustain their activities. Most rely upon several other sources of income and support (Figure 3.11).

- Grants and gifts are the most common source of additional financial support amongst TSOs which engage in trading – although reliance on these income sources dips considerably amongst those which earn more than 80% of their income.
- Reliance upon investment income is fairly level (38-42% of TSOs) irrespective of the proportion of income garnered from trading.

- In-kind support is valued more greatly by TSOs which earn less than 40% of their income (91-92%). While fewer of the most socially enterprising TSOs rely on in-kind support (61%) it remains an important element in their portfolio of income sources.
- Gifts remain a vital source of income amongst TSOs which earn a proportion of their income from trading (~88-92%) – the exception being those which earn over 80% of their income (71%).
- Additional income from subscriptions is important to about half of TSOs which trade – with the exception of those which earn more than 80% of income.
- While trading organisations are much more likely to borrow money than those which do not earn any income (5%) – enthusiasm for borrowing is not strong (ranging from 9-13%)

Figure 3.11 Trading organisations' reliance upon additional income sources

(Third Sector Trends in England and Wales 2025, average n=8,500)³³



3.4 Summary

Grants from trusts and foundations are increasingly valued by voluntary organisations. That may be associated with the willingness of many grant makers to develop closer working relationships with voluntary organisations, their growing commitment to providing longer-term grant funding and assistance with developing skills.

There are also signs, however, that some grant funders may be shifting away from the provision of unrestricted funding since the pandemic. This has been accompanied by a renewed insistence that grantees are 'innovative' in their practice by some trusts and foundations.

It is not surprising to note that grant-makers' expectations of innovation are higher when working with bigger voluntary organisations – presumably because they have more capacity to deliver impact than small TSOs. But it is less clear why there is a stronger emphasis on innovation in poorest areas (69%) than in the richest (53%).

The eagerness of middling-sized TSOs to accept service delivery contracts from public sector organisations has been on the wane for many years. What stands out in the analysis in 2025 is that the biggest TSOs are also now pulling out from such work: falling from 64% in 2016 to 50% now.

Government has taken action to smooth procurement processes to entice TSOs into delivering public services; but the indications are that many organisations are now

³³ Contracts are not included in the analysis as these constitute a form of trading activity.

quite decisive in expressing their lack of interest – few state that they are not engaging because of, for example, lack of support or information or perceptions of barriers in the tendering process.

When this study began in 2008, there was much debate in policy circles about 'grant dependency' and the need for voluntary organisations to become more socially enterprising so as to achieve financial sustainability. While there is strong evidence to show that a large proportion of the voluntary sector has retained a commitment to earning income, relatively few depend heavily on trading. In 2025 only 17% of TSOs earn more than 80% of their income – which is a slight improvement on the pandemic years (14%) when restrictions limited trading.

To expect voluntary organisations to rely heavily upon trading income is a big ask – and especially so when working in poor areas where the private sector has withdrawn due to low levels of profitability. This is why, as reported here, most trading organisations rely upon a wide variety of other income sources – especially grants and gifts – in addition to in-kind support.

Section 4

Property assets and financial reserves

4.1 Property assets

Little is currently known about property ownership in the third sector as there are no easily identifiable categories nor accessible summaries of national data.³⁴ Table 4.1 provides relatively crude survey estimates on the number of organisations which own, rent or have free use of properties in England and Wales. Rough estimates are also provided on the number of properties obtained via community asset transfers of former public sector property which are now owned by third sector organisations.³⁵

The most common forms of property tenure or usage in 2025 are renting (39%), followed by ownership (27%) and free use of space in a building (27%). Ownership includes properties adopted via community asset transfer. There is little change from 2022 although ownership and asset transfer percentages have risen slightly.

Table 4.1 **Tenure of property usage by TSOs England and Wales 2022-2025**
(Third Sector Trends in England and Wales, 2022³⁶ in parentheses, n=6,070, 2025, n=8,680)

	We own a property that we can use		We rent a property to use		We have a property that we got via community asset transfer		We are allowed to use space in a property without charge	
	2022	2025	2022	2025	2022	2025	2022	2025
Yes	26.3	27.3	40.7	38.8	4.8	4.9	24.5	27.3
No - but we're looking into this	5.9	6.3	2.7	2.8	4.9	5.6	5.6	5.8
No - and we have no plans to do so	67.8	66.4	56.6	58.4	90.2	89.4	69.9	66.9
N=	5,386	8,253	5,408	8,170	4,983	7,931	5,134	8,018

If statistics for 2025 are scaled up to national levels, it is estimated that there are about 55,900 property owners, 9,800 of which gained the property by asset transfer. Around 79,100 voluntary organisations rent property while 55,900 have free access

³⁴ Theoretically, it is possible to search charity ownership in the Land Registry [see: [Search for land and property information - GOV.UK \(www.gov.uk\)](https://www.gov.uk/search-land-and-property-information)] but this would be time consuming and expensive. Furthermore, difficulties may be encountered in disentangling private ownership from charity ownership because Land Registry titles for charities may be registered in the names of retired, or even deceased trustees. For further explanation see: Katie Hickman (2020) 'How should charity property be registered a the Land Registry', VVV, 11th September: <https://www.vvv.co.uk/news-and-events/blog/charity-law-brief/charity-property-land-registry>.

³⁵ Currently there are no national statistics on community asset transfers (CATs). Listings are available from Plunkett Foundation's 'Keep it in the community' initiative <https://plunkett.my.site.com/keepitinthecommunity/s/>, these listings are input voluntarily and are unlikely to under report the actual number of CATs. For example, listings (17th November 2022) only included 263 community hubs, 78 libraries and 163 sport clubs). See also Mark Sandford (2022) *Assets of community value*, London, House of Commons Library, Section 1.5: <https://researchbriefings.files.parliament.uk/documents/SN06366/SN06366.pdf>.

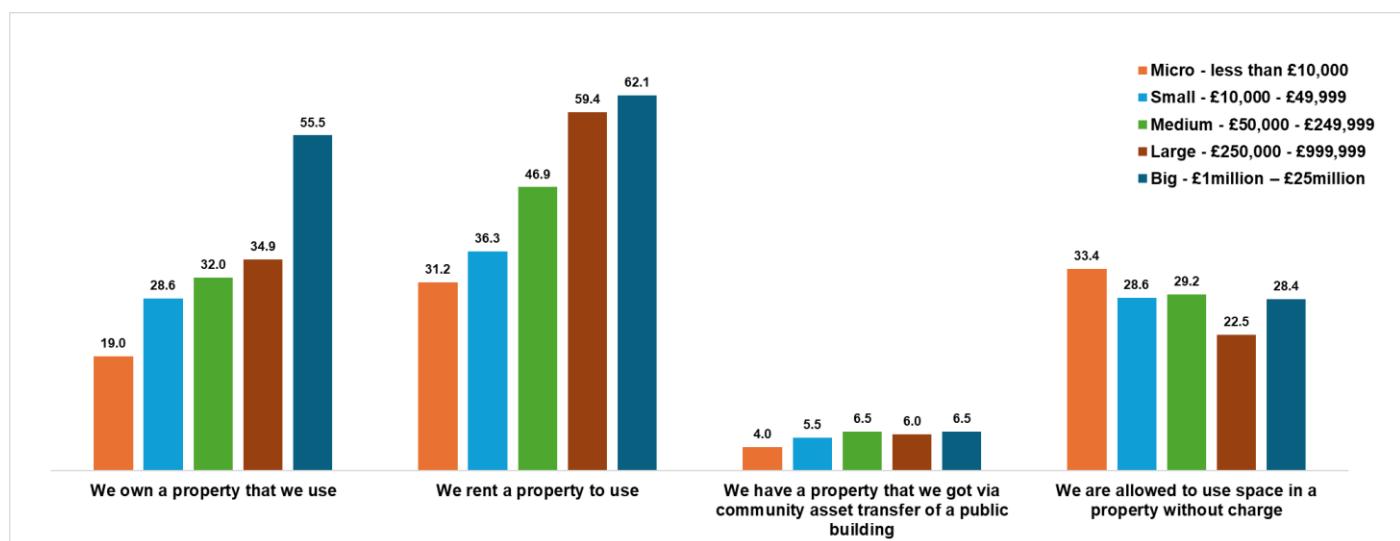
³⁶ In 2022 reports, the percentages vary from those published in 2025. This is because the assumption that those who did not respond to the question were not owning or renting or had access to free use of space. In 2025 response rates to the questions were stronger and so that assumption is no longer made but it may mean that estimates are less conservatively low for property ownership and renting.

to property for their own use. Amongst those TSOs which rent space, 12% also own a property.

Property tenure varies by size of organisation. As Figure 4.1 shows, over half of the biggest organisations use a property that they own (56%). Around a third of middle-sized organisations own property compared with 19% of micro TSOs. Ownership via asset transfer is fairly evenly distributed but is highest amongst medium sized and the biggest organisations (7%).

Rented property remains the most usual form of tenure for 'large' and 'big' TSOs (59-62%). Many organisations have access to space in properties to use at no cost. This is more common amongst micro organisations (33%) but is also available to about a quarter of small and medium-sized TSOs. The percentage of the biggest organisations which rent is quite high, but 28% of these organisations also own property.

Figure 4.1 **Property ownership, renting and free usage by TSOs' size** (Third Sector Trends in England and Wales 2025, n=8,253)



As Figure 4.2 indicates, a majority of the oldest organisations own property (58%) but that is unusual amongst the most recently-established TSOs (10%). Rented accommodation is more rare amongst the oldest organisations (21%) and most common amongst those TSOs set up between 1980 and 2010 (47-49%).

Free use of space is most frequent amongst TSOs set up since 2010 (38%) but far less usual in the oldest organisations (21%). Ownership by asset transfer is not clearly patterned by organisational age.

Figure 4.3 shows that the affluence of the local area where TSOs are based has a bearing upon property tenure. Property ownership is more usual in poorer and those areas of intermediate affluence (28-31%), but less so in the richest areas (25%). TSOs owning property via community asset transfer is more common in the poorest areas (8%) whereas in other areas, percentages range from 4-6%).

Rented property is much more common in the poorest areas (57%) and least so in the richest areas (34%). Free use of space is available to a similar percentage of organisations irrespective of the level of local affluence (28-31%).

Figure 4.2 **Property ownership, renting and free usage by TSOs' age**
(Third Sector Trends in England and Wales 2025, n=8,253)

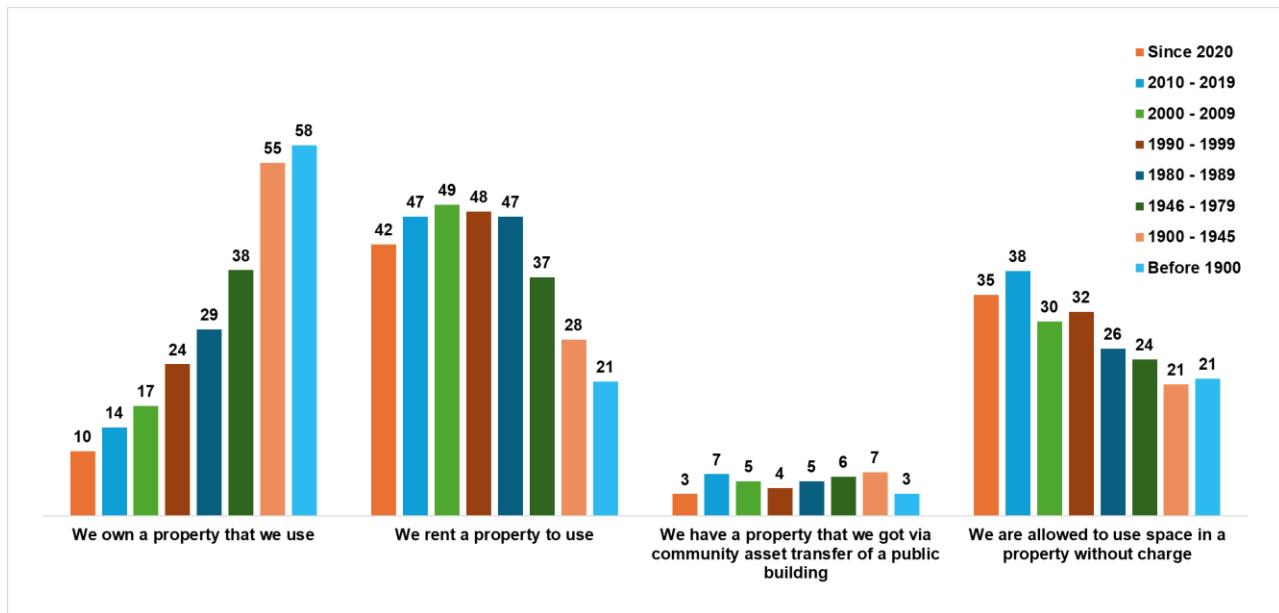
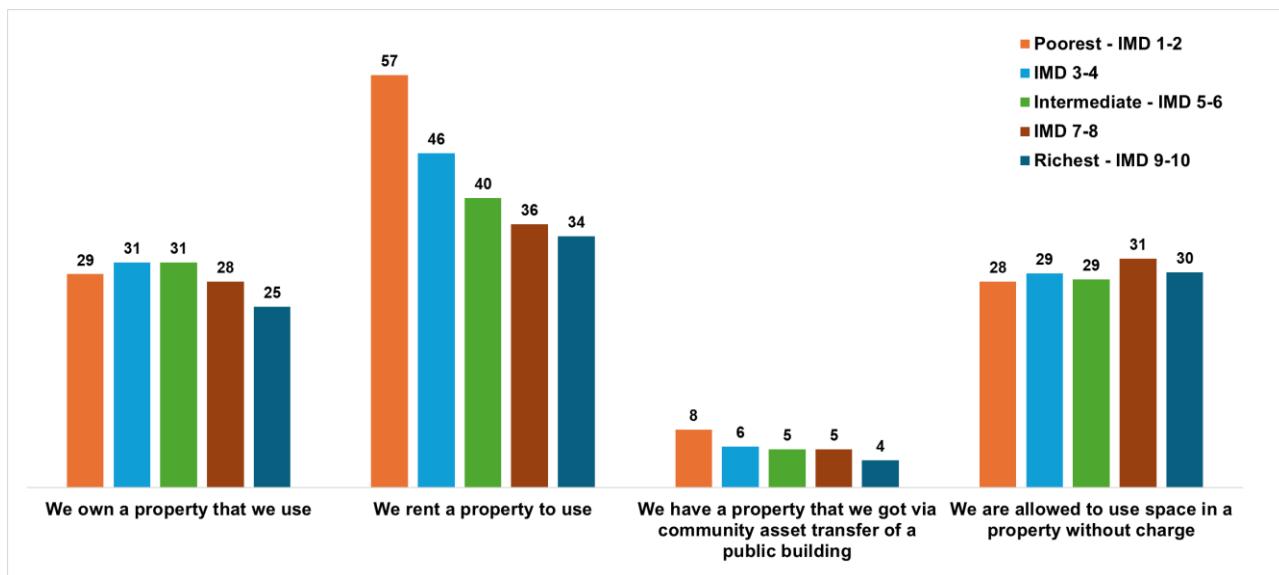


Figure 4.3 **Property ownership, renting and free usage by TSOs' location**
(Third Sector Trends in England and Wales 2025, n=8,253)



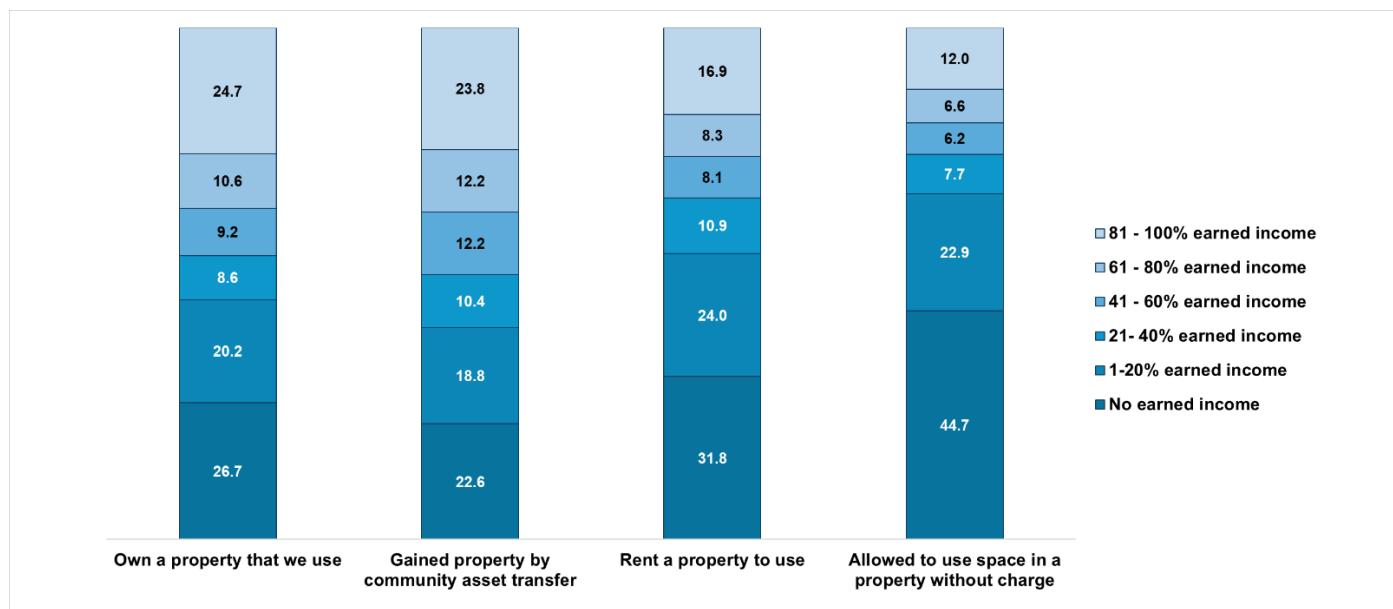
The ownership of property via community asset transfer does not necessarily signify stronger commitment to working in the locality. As shown in Figure 4.4, an equal percentage of TSOs with conventional or asset transferred property confine their work to the immediate neighbourhood or village. However, TSOs that rent property are far less likely to work purely at neighbourhood or village level (29%) as is the case with those which enjoy free usage of space (34%).

Figure 4.4 Spatial range of work of TSOs owning conventionally owned property and by community asset transfer (Third Sector Trends in England and Wales 2025)



Ownership has an impact on how organisations' finances operate. As shown in Figure 4.5, conventional property owners (73%) and those gaining property via community asset transfer (77%) are more likely to earn a proportion of income than those which rent (68%) or have free access to property for usage (55%).

Figure 4.5 Relationship between property tenure and trading activity of TSOs
(Third Sector Trends in England and Wales 2025, n=8,218)



As analysis proceeds in future reports on the local impact of voluntary organisations, the benefits of conventionally owning property or via community asset transfer will be explored.

4.2 Financial reserves

Holding reserves is generally regarded as a good indication of TSOs' financial wellbeing. As shown in Table 4.2, most voluntary organisations in 2025 hold reserves (82%), more than half of which did not draw upon these reserves in the previous year. About 16% of organisations used reserves to invest in new activities, while about 27% have used reserves for essential purposes such as rent, bills and wages.³⁷

- Holding reserves is much more common amongst larger voluntary organisations: 97% of the biggest organisations have reserves compared with 71% micro TSOs.
- Small voluntary organisations (49%) are the most likely to not to have drawn upon reserves in the previous year; that percentage falls steadily to 41% of the biggest TSOs.
- Investment of reserves in new activities is most common in the biggest organisations (35%) and least amongst the smallest (11%).
- The use of reserves to meet essential costs is most common in larger TSOs (39%) while the biggest and medium-sized voluntary organisations are somewhat less vulnerable in this respect (33-34%).
- Use of reserves for essential costs by micro and small TSOs is comparatively rare (21% and 23% respectively).

Table 4.2 Ownership and use of reserves by size of organisation
(Third Sector Trends in England and Wales, 2025)

	Micro income below-£10,000	Small income £10,000-£49,999	Medium income £50,000-£249,999	Large income £250,000-£999,999	Big Income £1million - £25million	All TSOs
No, we don't have any reserves	29.4	19.9	12.2	6.7	2.9	18.4
No, we have not drawn on our reserves	43.9	48.7	43.3	41.4	40.7	44.8
Yes, we have used our reserves to invest in new activities	6.2	8.4	10.4	13.0	23.1	9.5
Yes, we have used our reserves for essential costs	15.3	16.3	27.1	29.2	21.1	20.3
We have used our reserves for both investment and essential costs	5.2	6.7	6.9	9.7	12.3	7.0
N=	2,481	2,654	2,067	955	455	8,612

To put the 2025 survey analysis in context, Figure 4.6 shows how the financial situation of organisations has changed since 2013. It is clear that in 2025 relatively few organisations have no reserves (18% compared with 22-24% between 2013 and 2019).

Prior to the pandemic, only 34-37 of TSOs were able to leave reserves untouched. During the pandemic, many more organisations had unused reserves (45%) due to a period of relatively free-flowing unrestricted grants and giving. That level of unused reserves has been sustained in 2025.

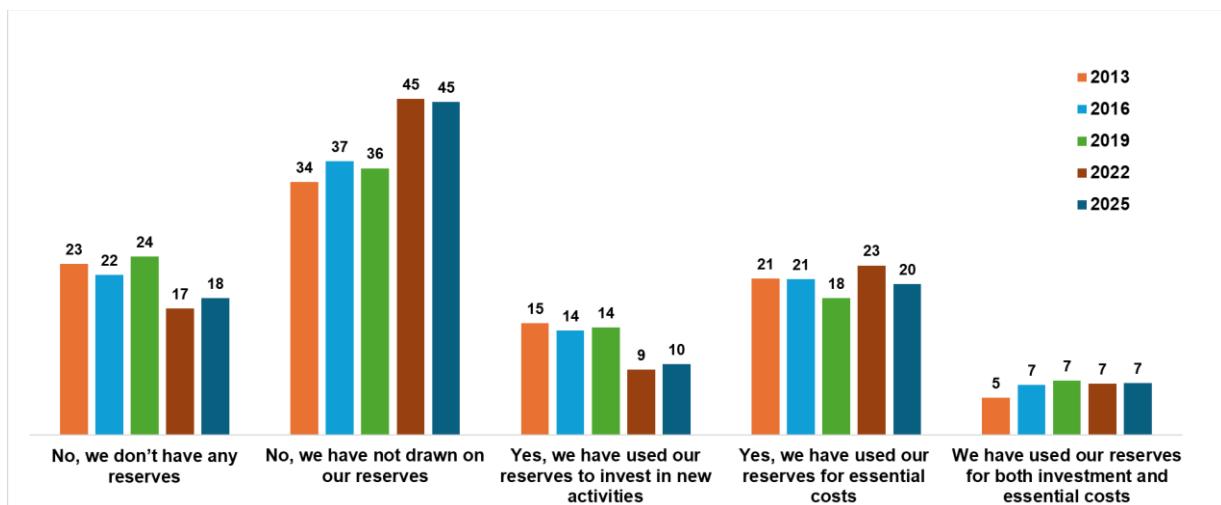
Between 2022 and 2025, the percentage of voluntary organisations using reserves for essential costs has fallen from 30% to 27%. It is useful to note that the

³⁷ To calculate the percentages of TSOs using reserves for investment the third and fifth row of the table are added, for the use of reserves for essential costs, the fourth and fifth row are added,

percentage of TSOs using reserves for essential costs has remained remarkably similar since 2013 – suggesting that there is always a portion of the sector which is under pressure to some extent financially (though not necessarily the same organisations).

Investment of reserves in new activities has barely risen from 9% in 2022 to 10% in 2025 – suggesting great caution within the voluntary sector about finances – though there is some doubt as to whether that is justified, as discussed in the second in this series of reports.³⁸

Figure 4.6 **Ownership and use of reserves 2013-2025** (Third Sector Trends 2013 n=2,302, 2016 n=3,613, 2019 n=4,083, 2022 n=6,013, 2025, n=8,612)

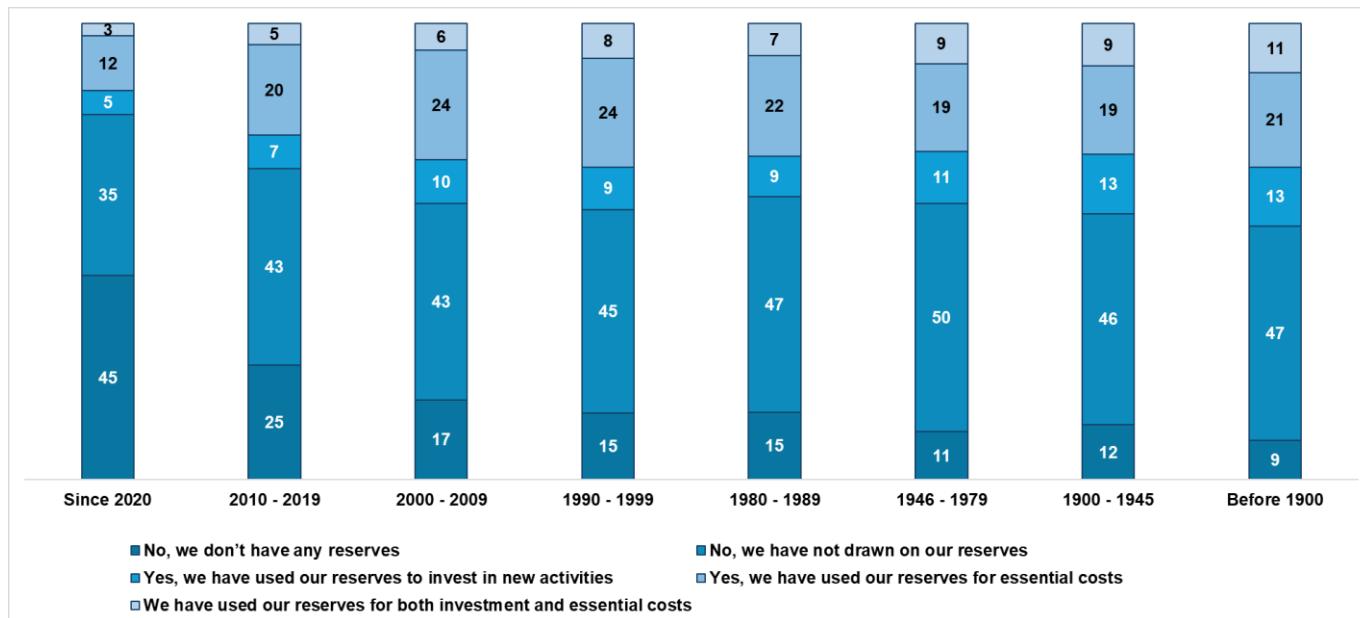


The age of organisations has a clear bearing upon the ownership of reserves (Figure 4.7).

- Only 55% of the newest organisations have reserves, rising rapidly to 75% of those set up between 2010-2019 and thereafter reaching 91% of the oldest TSOs.
- Leaving reserves untouched is slightly more common in older TSOs but not dramatically so (ranging from 43-50%). Fewer of the newest organisations have managed to leave reserves intact (35%).
- The use of reserves for essential costs (adding the percentages of the top two blocks on each bar) increases by organisational age from 15% of the newest TSOs to 32% of those set up between 1990-1999. Thereafter, use of reserves for essential costs stays about the same at about 30% of voluntary organisations.
- Investment in new activities is low across the whole sector (figures are added from top and third blocks combined from each bar). Only 8% of the newest TSOs are investing in new activities. The oldest TSOs are most likely to invest in this way (~22-24%).

³⁸ See *Third Sector Trends in England and Wales 2025: people, work, ambition and impact*, Section 3, <https://www.stchads.ac.uk/wp-content/uploads/2025/12/Third-Sector-Trends-in-England-and-Wales-people-work-ambition-and-impact-December-2025.pdf>

Figure 4.7 **Ownership and use of reserves by age of TSOs**
(Third Sector Trends in England and Wales 2025, n=8,606)



Patterns on the ownership and use of reserves by voluntary organisations based in areas of affluence or deprivation is presented in Figure 4.8.

- While 17-20% of voluntary organisations lack reserves, this is not patterned by area affluence.
- Voluntary organisations in the most affluent areas are least likely to have drawn upon their reserves (50%) compared with the least-affluent areas (38%).
- Few organisations have been drawing upon their reserves to invest in new activities (15-18% adding together the third and fifth set of bars in the graph) and this varies little by area affluence
- Organisations in the most affluent areas are much less likely to have needed to draw on reserves for essential costs (23% - adding fourth and fifth set of bars) than in the least-affluent areas (33%).

Figure 4.8 **Ownership and use of reserves by location of TSOs in rich and poor areas** (Third Sector Trends in England and Wales 2025, n=8,606)

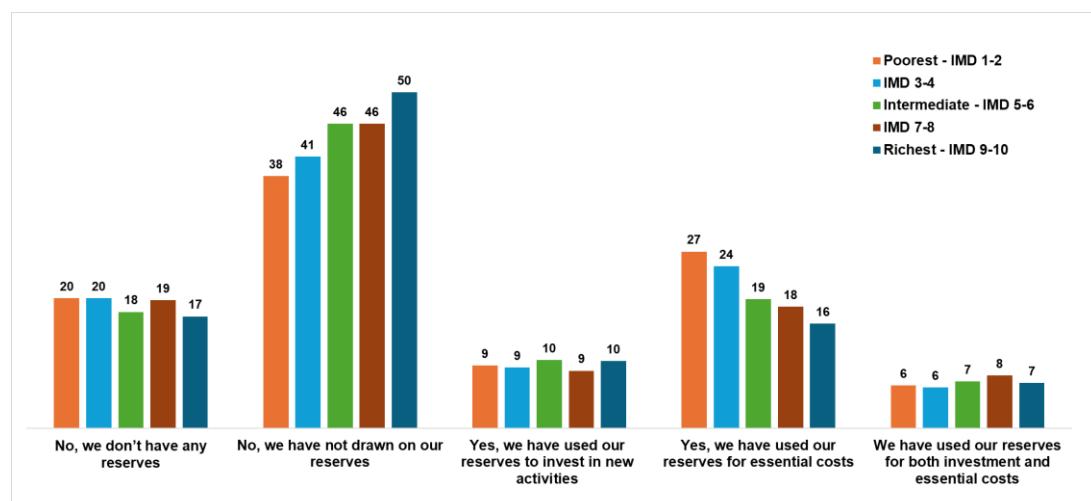


Figure 4.9 presents data on the relationship between property tenure and the ownership and use of reserves.

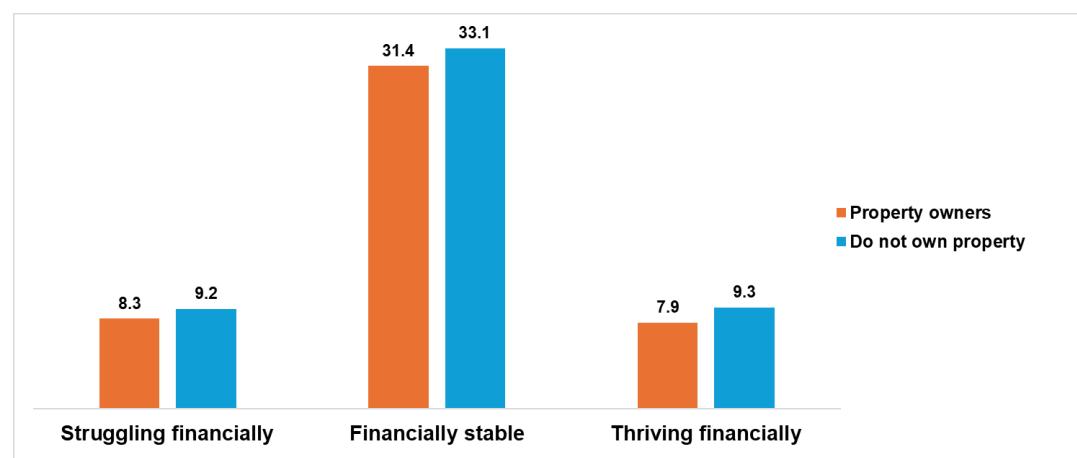
- Property owners are least likely to lack reserves (11%) while those TSOs gaining property via asset transfer are slightly more vulnerable in this respect (14%). 15% of TSOs which rent space have no reserves.
- A quarter of property owners invest in new activities (adding the top and third blocks). Those TSOs which gained property via community asset transfer are more likely to invest in new developments (20%) than those which rent space (15%).
- The use of reserves for essential costs is highest (*adding the top two blocks of each bar*) amongst property owners (33%) compared with TSOs which have acquired property via asset transfer (29%) or those which rent space (31%).

Figure 4.9 **Property ownership, renting and use of reserves**
(Third Sector Trends in England and Wales 2025)



The above analysis suggests that property ownership may be a mixed blessing. On one hand, maintenance costs can be high, but on the other (provided that they are not mortgaged) organisations can live rent free and may have the potential to earn rent from tenants or hiring out space. There is little evidence to suggest, however, that property ownership protects voluntary organisations from aspects of financial instability. As Figure 4.10 indicates, whether organisations own property or not, they are fairly equally likely to be struggling or thriving financially.³⁹

Figure 4.10 **Property ownership and financial situation** (Third Sector Trends in England and Wales 2025, property owners n=2,369, non owners 5,884)



³⁹ Organisations which do not show clear signs of stability, thriving or struggling are excluded from the analysis.

4.3 Summary

This section has shown that the likelihood of TSOs holding property assets varies considerably depending upon organisations' age, size and location. As would be expected, ownership is much more widespread amongst larger TSOs (56%) than their smallest counterparts (19%). Older organisations (established before 1945) are much more likely to own property than those TSOs set up more recently and less than half as many of the oldest organisation rent property (21%) than those established between 1980 and 2020.

Renting property is more likely in the poorest locations (57%) but ownership levels are similar irrespective of area affluence (~28-31%). Ownership via community asset transfer, however, is more prevalent in the poorest areas (8%) than in the richest (4%). Property owners are twice as likely to focus their work entirely within neighbourhood or village level (82%) as do non-propertied TSOS (~29-33%). Property owners are also much more likely to engage in trading to earn a proportion of their income (73%) when compared with those which rent (68%).

The ownership of reserves can cushion TSOs from financial shocks or leaner financial periods. Relatively few voluntary organisations had no reserves in 2025 (18%); a similar level to 2022 (19%) compared with higher levels prior between 2013-19 (~22-24%).

As in 2022, many TSOs have held on to their reserves without use over the last two years (45%), which is a much higher level than between 2023-2019 (~34-37%) and only 20% of organisations have used them solely for essential costs such as rent, salaries and bills. Voluntary organisations based in the poorest areas have been more vulnerable to the use of reserves solely for essential costs (27%) than in the richest areas (16%).

Interestingly, property ownership does not seem to protect voluntary organisations from financial instability; a similar percentage of TSOs which do or do not own properties were struggling financially in 2025 (8-9%). Similarly, owners and non owners were almost equally likely to be thriving financially (8-9%).

Section 5

Organisational wellbeing

5.1 Changing financial fortunes

Third Sector Trends reports have consistently argued that sector wellbeing is not all about money. And indeed that money, when ill-chosen can be the cause of organisations' problems – not necessarily the solution.⁴⁰ With that caveat in mind, this section of the report looks at the changing financial fortunes of TSOs over the last two years.

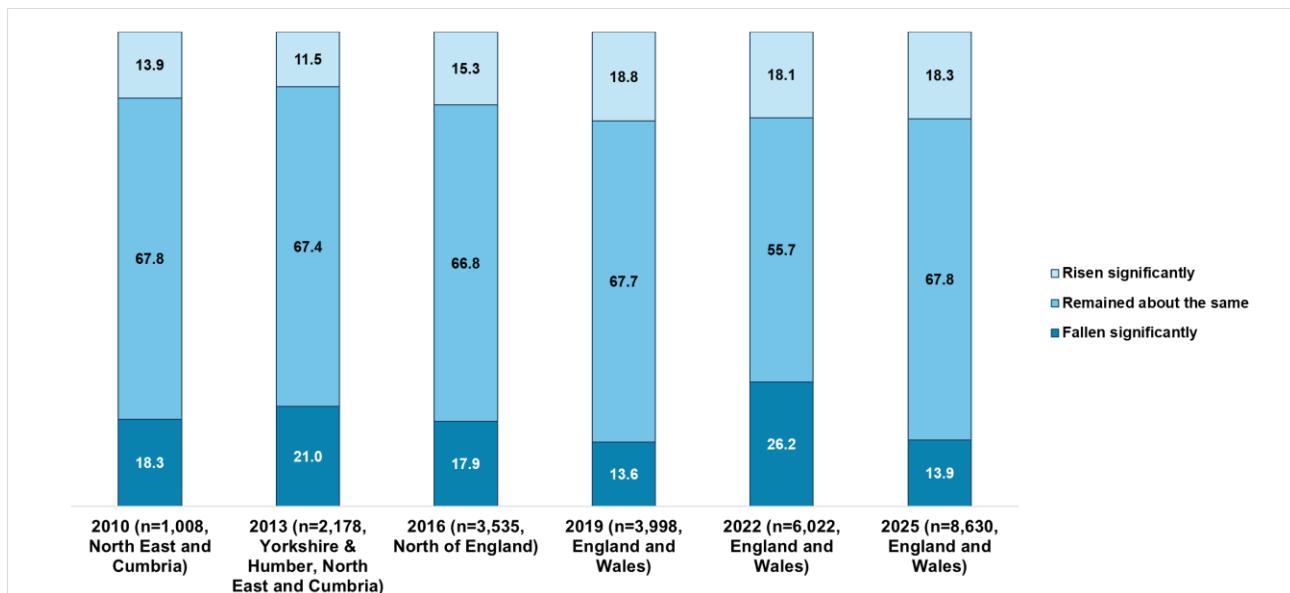
Figure 5.1 presents time-series data on the changing financial fortunes of voluntary organisations since the study began in 2010. These data indicate that income stability is the most common experience over the years – but also shows that the balance between organisations with rising or falling income continually changes.

In the worst years of austerity, following the global economic crash in 2008, more organisations were experiencing significant income loss than those with rising income. This had reversed by 2019. But in 2022, post pandemic, the percentage of organisations with significantly falling income outnumber those with rising income by quite a large margin (but that was shown to be largely due to inactivity during lockdowns as many organisations built their reserves at this time).

In 2025, the situation has changed again: 68% of voluntary organisations enjoyed a measure of income stability in the previous year, 18% saw their income rise significantly while only 13% experienced significant income decline.

Figure 5.1 **Income change in voluntary organisations 2010-2025**

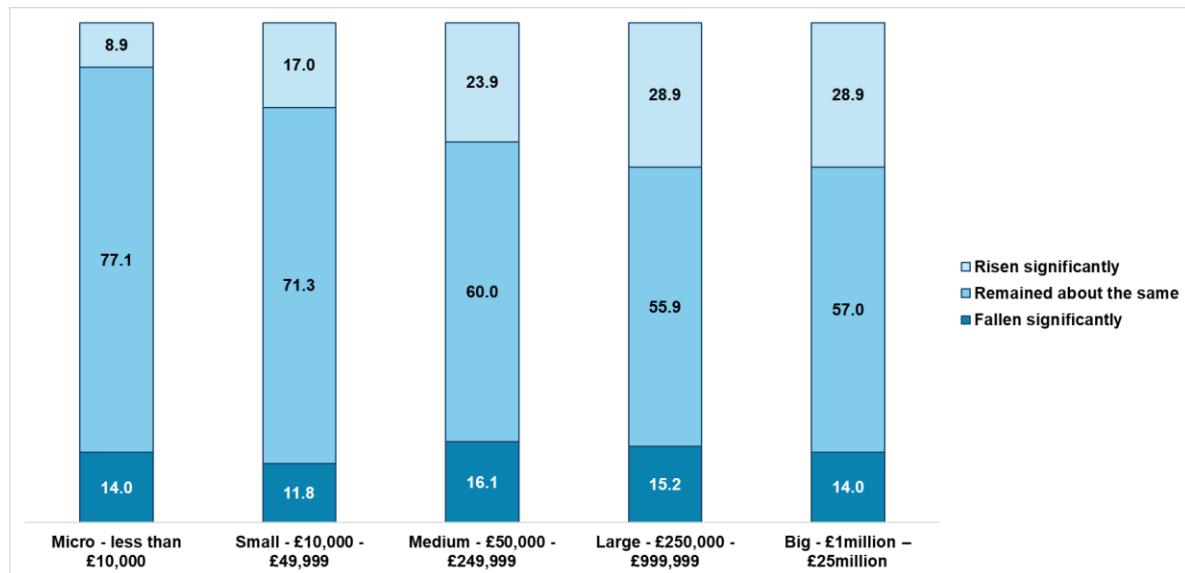
(Third Sector Trends, percentages refer to income change over the previous two years)



⁴⁰ See the most recent report from a qualitative study of 50 organisations in North East England and Cumbria which has spanned nearly 15 years. Third Sector Trends (2022) *Going the Distance: how Third Sector organisations work through turbulent times*, Newcastle upon Tyne: Community Foundation Tyne & Wear and Northumberland. The report can be downloaded here: <https://www.stchads.ac.uk/uncategorised/going-the-distance-how-third-sector-organisations-work-through-turbulent-times/>

Financial fortunes over the last two years are compared by organisational size in Figure 5.2. As far as significantly increasing income is concerned, a clear pattern emerges. Only 9% of micro TSOs' saw their income rise significantly, this rises steadily to 29% of larger and the biggest voluntary organisations. Relatively few TSOs have experienced significant income decline and this changes little irrespective of organisational size (~12-16%).

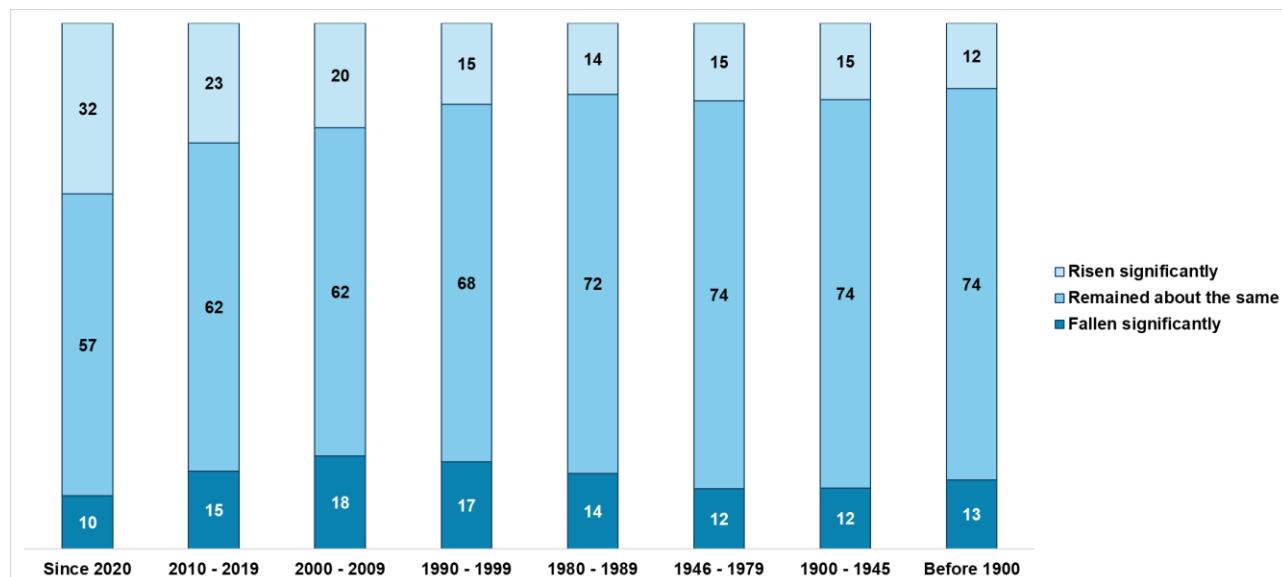
Figure 5.2 Income change by size of voluntary organisations (Third Sector Trends in England and Wales 2025, percentages refer to income change over the previous two years, n=8,630)



The age of organisations also has a bearing upon financial fortunes. The most recently-established organisations have been much more likely to increase income significantly over the last two years (32%) than other TSOs (ranging from 12-23%). The newest TSOs are least likely to have experienced significant income decline (10%).

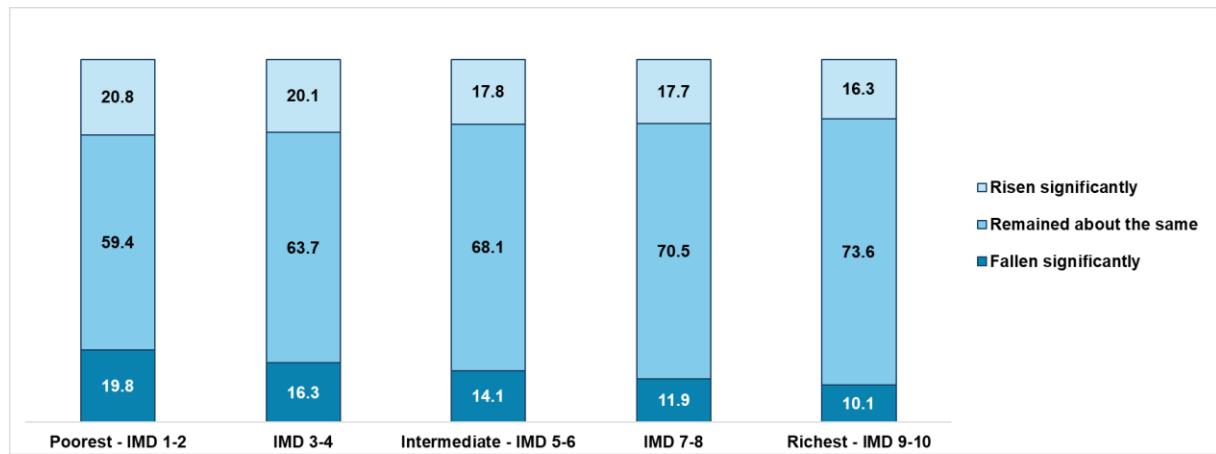
Quite a sizeable proportion of TSOs established between 2000-20 have seen their income decline significantly (15-18%) but fewer than those which saw income increase (20-23%). Those TSOs established before 1980 have not been so badly affected (ranging from 12-13%).

Figure 5.3 Income change by age of voluntary organisations (Third Sector Trends in England and Wales 2025, percentages refer to income change over the previous two years, n=8,630)



Area affluence has had only a limited impact on the financial situation of voluntary organisations over the last two years – but patterns remain clear. Organisations in the least-affluent areas are more likely to have increased income (21%) than TSOs in the richest areas (16%). Income stability is higher in the most affluent areas (74%) than in the poorest (59%). Significant income decline is more pronounced in the poorest areas (20%) than in the richest (10%).

Figure 5.4 Income change by location of voluntary organisations in rich and poor areas (Third Sector Trends in England and Wales 2025, percentages refer to income change over the previous two years, n=8,630)



Regional variations in income change are shown in Table 5.1 but need to be interpreted with care because sector structure varies from area to area. For example, micro and small organisations constitute a larger majority of the sector in some regions (especially East of England, South East England and South West England) than others (such as North East England).

Table 5.1 Income change by region 2025 (Third Sector Trends in England and Wales, 2022 survey data in parentheses)

	Risen significantly		Remained about the same		Fallen significantly		N=	
	2025	(2022)	2025	(2022)	2025	(2022)	2025	(2022)
North East England	20.9	(19.6)	64.0	(55.9)	15.0	(24.5)	659	(603)
North West England	16.8	(22.4)	65.2	(51.4)	17.9	(26.2)	797	(729)
Yorkshire & Humber	19.3	(20.9)	67.1	(57.4)	13.7	(21.7)	945	(645)
East Midlands of England	17.6	(18.5)	69.9	(52.5)	12.5	(29.0)	608	(400)
West Midlands of England	15.7	(21.3)	71.3	(54.2)	13.0	(24.5)	738	(507)
East of England	17.2	(14.1)	70.5	(58.7)	12.4	(27.2)	1,117	(569)
Greater London	22.2	(16.5)	63.4	(56.3)	14.4	(27.2)	766	(533)
South East England	17.8	(15.7)	68.9	(59.1)	13.3	(25.3)	1,204	(811)
South West England	18.1	(15.9)	70.5	(57.5)	11.5	(26.6)	1,090	(778)
Wales	18.1	(16.3)	63.9	(51.2)	18.0	(32.4)	706	(441)
England and Wales	18.3	(18.1)	67.8	(55.7)	13.9	(26.2)	8,630	(6,016)

5.2 Financial wellbeing

Statistics on significant changes in income over the last two years alone do not provide reliable indications of organisational financial wellbeing. During the pandemic, for example, many organisations experienced significant income decline. That did not necessarily indicate that they were in financial trouble because many became relatively inactive due to lockdowns and furloughing of staff.

Furthermore, an 'expected' steep decline in income is quite common in voluntary organisations – and especially in smaller TSOs where they may only apply for an occasional grant and once expended, do not apply for further income. This can happen in much larger organisations too when coming to the end of a major project or programme of work.

To configure data that more reliably indicate financial problems, two variables from the Third Sector Trends dataset are used: significant income changes (as discussed in the above section) and the use of reserves for emergency purposes such as paying for rent, consumables or wages (as discussed in Section 4 of this report).

The variable has been constructed to define two types of voluntary organisation (those TSOs to which these categories do not strictly apply are excluded).

- **Struggling financially:** applies to voluntary organisations which have experienced significant income decline *and* have been relying upon reserves for emergency purposes to keep afloat.
- **Thriving financially:** applies to voluntary organisations which have experienced significantly increased income over the last two years *and* are either not using reserves *or* are investing them in new developments.

This new variable has been designed to look at the circumstances of those TSOs which are thriving or struggling financially. The percentages reported represent the *overall picture* for the voluntary sector to take account of those organisation which are not included in the above categories so as to produce a representative picture.

- Bigger TSOs are more likely to be thriving financially (16%) compared with just 4% of micro organisations (Figure 5.5). Amongst voluntary organisations which are struggling financially (7-11%) there is no clear pattern by size of organisations – although percentages peak for medium sized TSOs (11%).
- Newly established TSOs are the most likely to be thriving (14%) and the percentage falls gradually by age to 7% of the oldest organisations (Figure 5.6). TSOs established between 1990 and 2010 are most likely to be struggling (11%) while the oldest organisations are more secure financially (6-7%).
- Voluntary organisations which are struggling, are most likely to be located in the poorest areas (14%), while many fewer are struggling in the richest areas (6%). Of those TSOs which are thriving financially, there is no clear pattern (8-11%) (Figure 5.7).

Figure 5.5 **Voluntary organisations struggling or thriving financially by size**
(Third Sector Trends in England and Wales 2025, thriving n=776, struggling n=772)

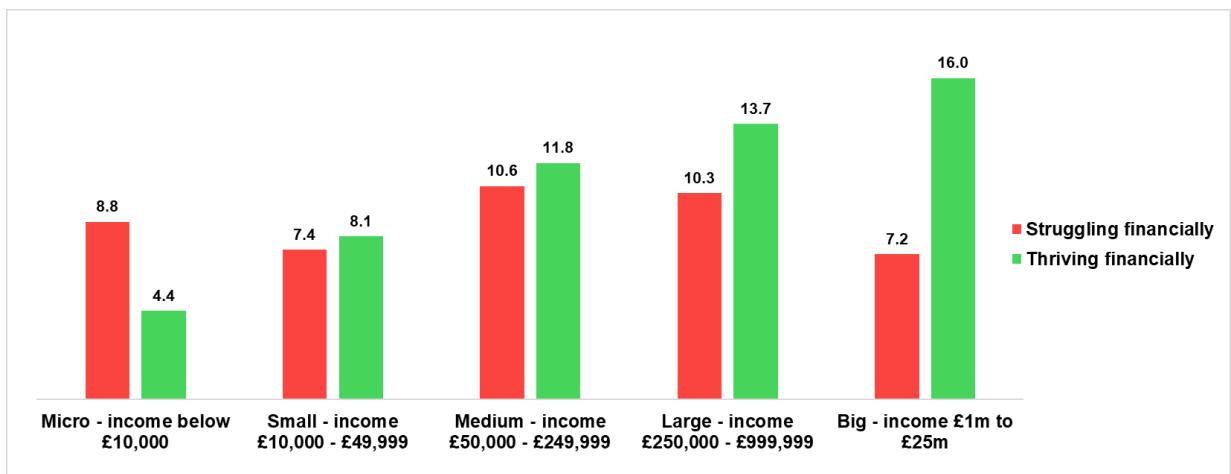


Figure 5.6 **Voluntary organisations struggling or thriving financially by age** (Third Sector Trends in England and Wales 2025, thriving n=776, struggling n=772)

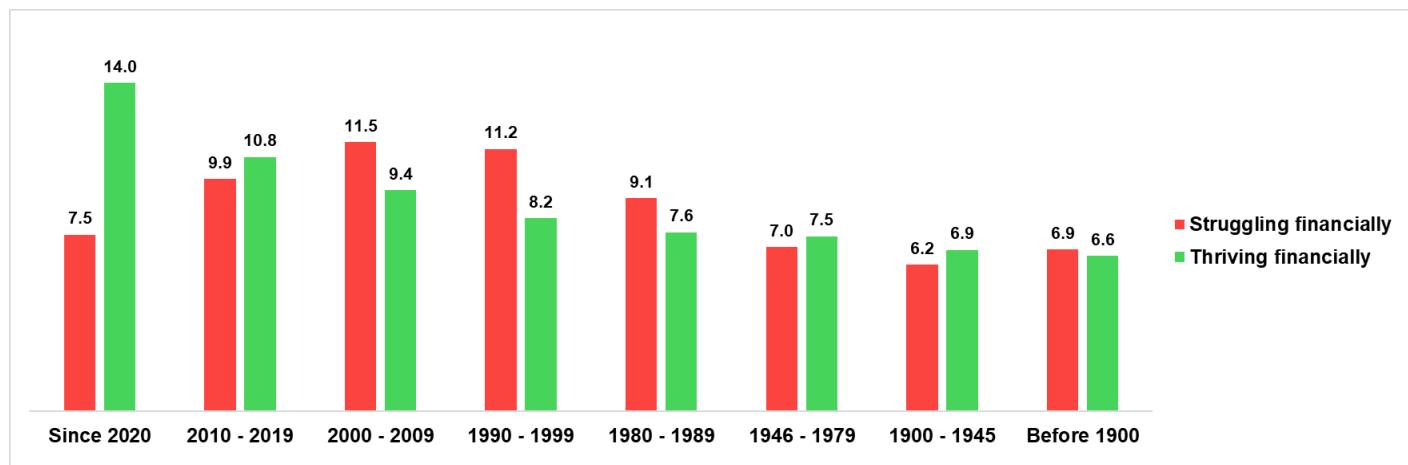


Figure 5.7 **Voluntary organisations struggling or thriving financially by area affluence**
(Third Sector Trends in England and Wales 2025, thriving n=776, struggling n=772)

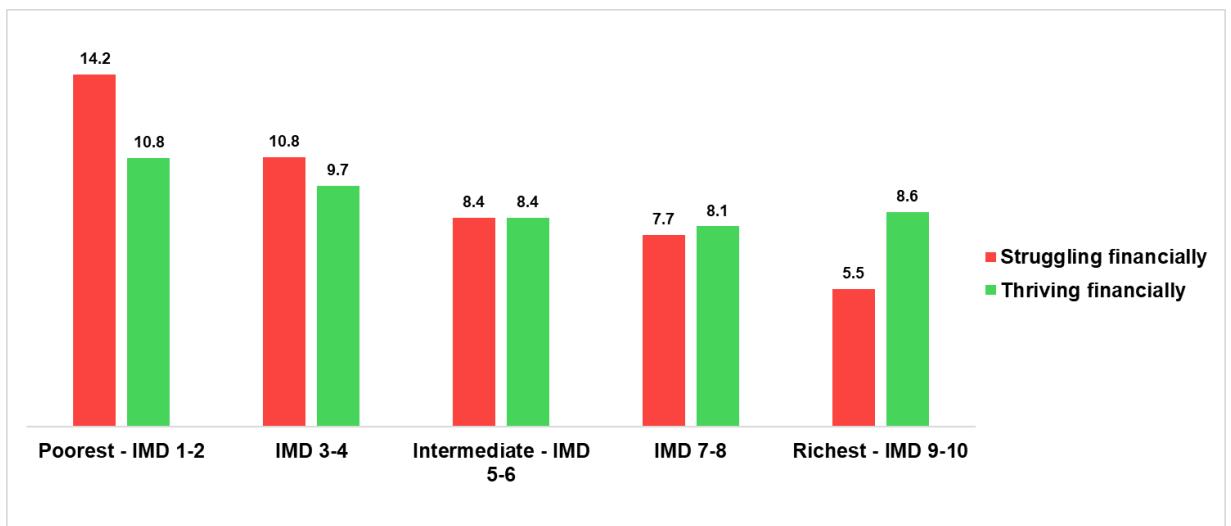


Table 5.2 shows the percentages of TSOs which are struggling (in percentage rank order) or thriving financially according to the beneficiaries they serve. Variations between beneficiary areas are quite limited, although the balance between financial winners and losers within areas of beneficiary support can be quite mixed. For example, 13% of TSOs which support people of a particular ethnic or racial origin are struggling, while 9% of these organisations are thriving.

Table 5.2 Beneficiaries served by organisations which are struggling or thriving financially
(Third Sector Trends in England and Wales 2025, n=8,680)

	Struggling financially (in rank order)	Thriving financially	N=41
People with concerns about gender and sexuality	12.8	7.6	344
People of a particular ethnic or racial origin	12.7	9.4	573
Unemployed/workless people	12.6	10.5	1,033
People in disadvantaged urban areas	12.1	10.0	1,203
People with mental health conditions	11.4	9.9	2,036
People or households living in poverty	11.3	10.4	1,611
People with physical disabilities	11.2	9.7	1,785
People with learning disabilities	11.2	10.5	1,530
Carers	11.0	10.0	1,057
People with physical health conditions	10.7	9.6	1,783
Animals	10.2	7.2	236
People with homelessness and housing issues	10.1	10.0	919
Other Third Sector Organisations (e.g. a grant making trust/ CVS)	10.0	9.7	321
Older people	9.6	9.0	2,820
Children and young people	9.2	8.7	3,409
People in general	8.3	8.3	4,837
People in rural areas	8.2	8.8	1,383
Overseas aid (e.g. famine relief, education, development work)	6.8	5.3	397

Finally, the leadership characteristics of voluntary organisations which are struggling or thriving is considered in Table 5.3.

- Non graduate CEOs' organisations (14%) are marginally more likely than graduate CEOs (11%) to be struggling financially, A similar percentage of TSOs are thriving financially (10-11%).
- Women chief officers are slightly more likely to be struggling financially (12%) than men CEOs (10%). But more women CEOs' organisations are slightly more likely to be leading financially thriving TSOs (11%) than men (10%).
- Chief officers with disabilities are more likely to be leading TSOs that are struggling financially (15%) than non-disabled chief officers (11%), but CEOs with disabilities are more likely to be leading thriving TSOs (14%) than non disabled CEOs (10%).
- Minority ethnic CEOs' organisations are more likely to be struggling financially (16%) than those led by white CEOs (11%). White CEOs are marginally more likely to be leading thriving organisations (11%) than minority ethnic leaders (9%).

⁴¹ The sum of these respondent numbers (27,277) is about three times the number of actual survey respondents (i.e. 8,690). That is because many organisations subscribe to more than one beneficiary group.

Table 5.3 **Leadership characteristics of struggling or thriving TSOs**
 (Third Sector Trends in England and Wales 2025)

	Struggling financially	Thriving financially	N=
Graduate chief officers	10.8	11.1	2666
Non-graduate chief officers	13.5	9.9	1308
Women chief officers	12.2	11.2	2615
Men chief officers	10.2	9.6	1329
Chief officers with registered disabilities	15.0	13.9	339
Chief officers without registered disabilities	11.4	10.3	3406
Minority ethnic chief officers	16.0	8.8	375
White chief officers	11.3	10.8	3390

5.3 Financial outlook

Third Sector Trends surveys ask respondents to make an assessment of their prospects over the next two years. It has been shown in previous rounds of the study that voluntary organisations of all sizes tend to be 'over optimistic' in their projections about future finances. This should not be seen as a 'bad thing', optimism drives sector enthusiasm and commitment. But when hopes are dashed, it can make people in the sector feel disappointed.

When Third Sector Trends survey was running in the summer of 2022, it was a fast-moving political environment. Prime Minister, Boris Johnson, was turned out of office and another, Liz Truss, came and went within a matter of weeks. Turmoil in the financial markets, the impact of war in Ukraine on energy prices and the domestic 'cost-of-living crisis' dominated news headlines. And yet, the mood of people in the third sector about financial prospects did not take a dive.

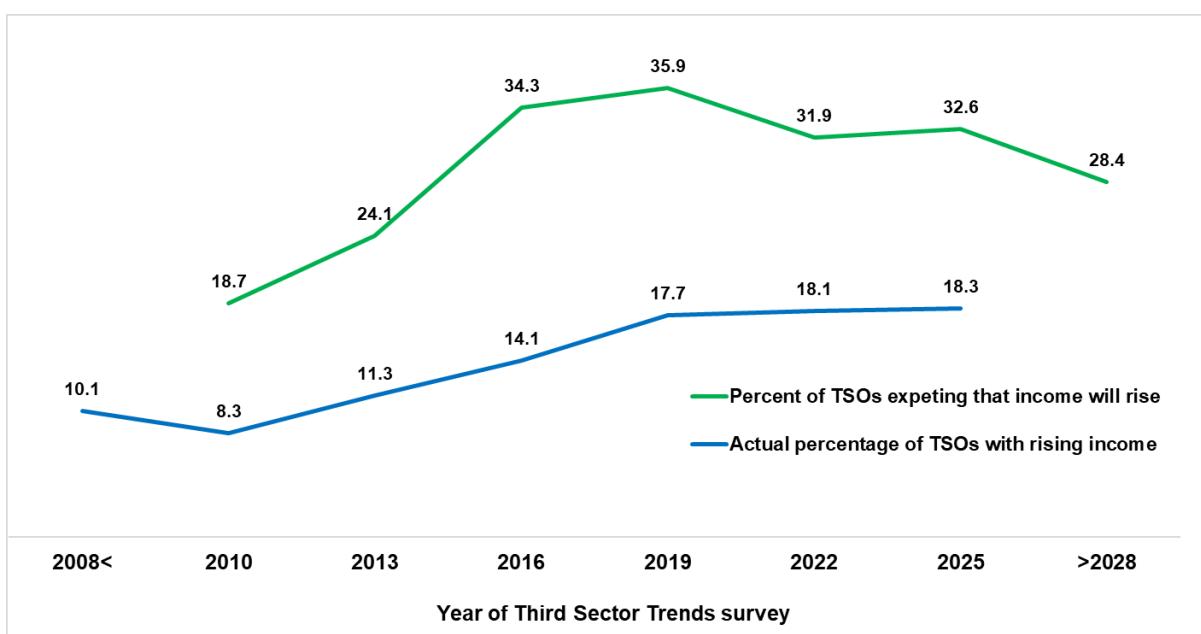
Three years have gone by now, so it is time to look again at how respondents feel about their financial prospects over the next two years. Figure 5.8 presents trend data on the percentage of TSOs which thought that their income would rise over the next two years (green line) at each stage of the study and what percentage of TSOs which actually saw their income rise in the previous two years (blue line).

In the early years of the study, optimism was low due to deep anxieties about the consequences of government austerity policies following the global economic crash of 2008 (only 19% of TSOs felt optimistic about rising income in 2010). Optimism steadily rose to 36% by 2019, but fell back to 32% as the effects of the pandemic receded in 2022 and have now fallen again to 28% in 2025.

The blue line shows that the actual percentage of TSOs reporting rising income is always much lower than previous expectations. Nevertheless, the evidence demonstrates that the percentage of TSOs with rising income has grown from a low point of 8% in 2010 to 18% in 2022 and 2025.

Figure 5.8 **Tracking expectations and reality about rising income levels 2008-2028**

(Third Sector Trends surveys, 2010 n=1,027, 2013 n=2,288, 2015 n=3,525, 2019 n=4,011, 2022 n=6,070, 2025 n=8,680)



Third Sector Trends research takes a long view on expectations rather than focusing on the 'here and now'. It can be quite unhelpful when research reports based on snap-shot studies about current or perceived crises make predictions about the impact on sector wellbeing. This is because concerns about the impact of immediate crises may be misplaced – either because the severity of problems are exaggerated, that crises turn out to be short lived, or because predictions about potential crises fail to materialise.⁴²

Figure 5.9 presents data on changing expectations about financial support from different sources. The percentages refer to TSOs that think their income from these sources will remain stable or increase. Expectations about support from business remained quite buoyant for each year of the study – though at its peak in 2016. Hopes about income sourced from charitable foundations (data were only collected from 2019) have also remained fairly level.

Anticipated support from statutory sources, by contrast, has changed substantially over the years. Optimism was especially low in the worst years of government austerity policies (52%) but rose a good deal in 2019 (62%) and especially in 2022 (73%) when there was quite a free flow of income from local statutory sources. In 2025, expectations are shown to have lowered (67%), though not dramatically so.

⁴² For example, it was reported in the sector press in November 2022 that a study of just 222 organisations predicted (on the basis 3% of responses) that due to the cost-of-living crisis up to 4,000 social enterprises may close by the end of 2022:

<https://www.civilsociety.co.uk/news/4000-social-enterprises-to-close-this-winter-due-to-financial-pressure-report-warns.html>.

Even if studies which are addressing immediate issues are careful to avoid the use of leading questions, there is still a danger that respondents will be caught up in the moment and provide alarmist responses. During the early months of the Coronavirus pandemic, which was alarming, there were many studies that produced predictions of organisational or even sector collapse has proven to be unfounded. While the cost of living crisis might yet turn out to be a major challenge to many organisations, it is clear that when organisational leaders are asked to take a longer-term view they tend, collectively, to provide less alarmist responses.

Figure 5.9 **Expectations that income will remain stable or rise from business, charitable foundations and statutory sources 2013-2028** (Third Sector Trends surveys, 2013 n=2,288, 2015 n=3,525, 2019 n=4,011, 2022 n=6,070, 2025 n=8,680)

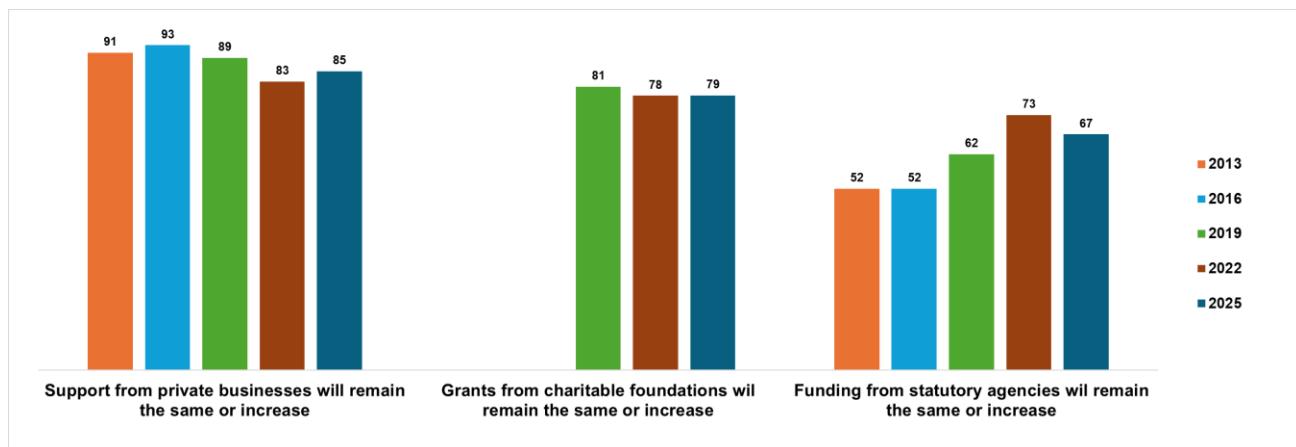
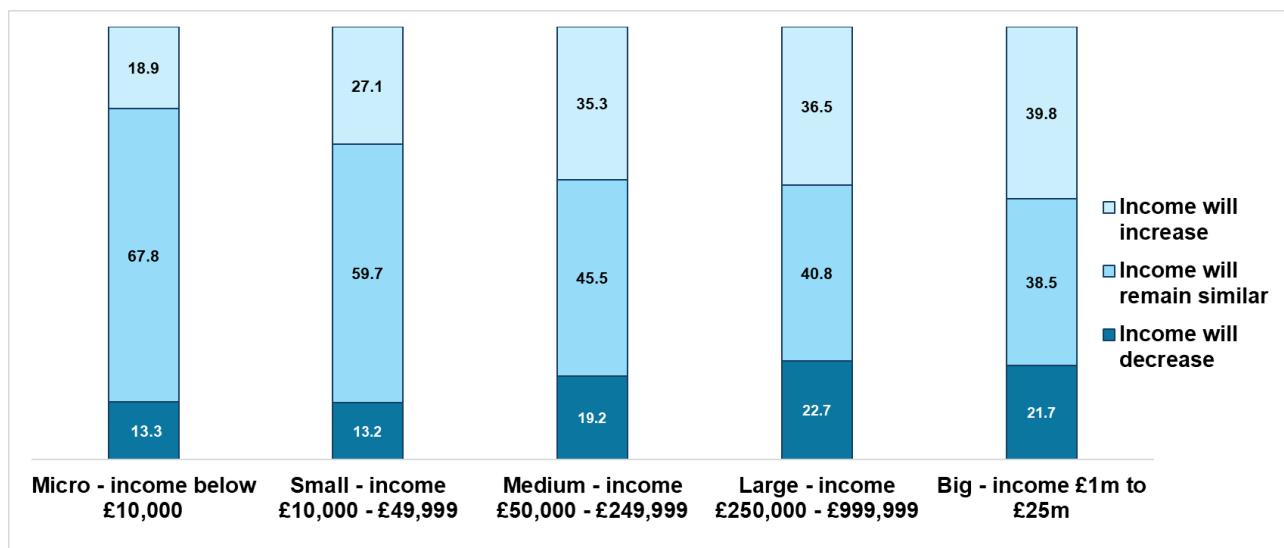


Figure 5.10 shows how expectations vary by size of organisations in 2025. Optimism about rising income is much higher amongst the biggest organisations (40%) when compared with the smallest (19%). Expectations of income stability is highest amongst micro organisations (68%). A relatively small minority of TSOs think that their income will fall over the next two years, irrespective of their size (ranging from only 13% to 23%).

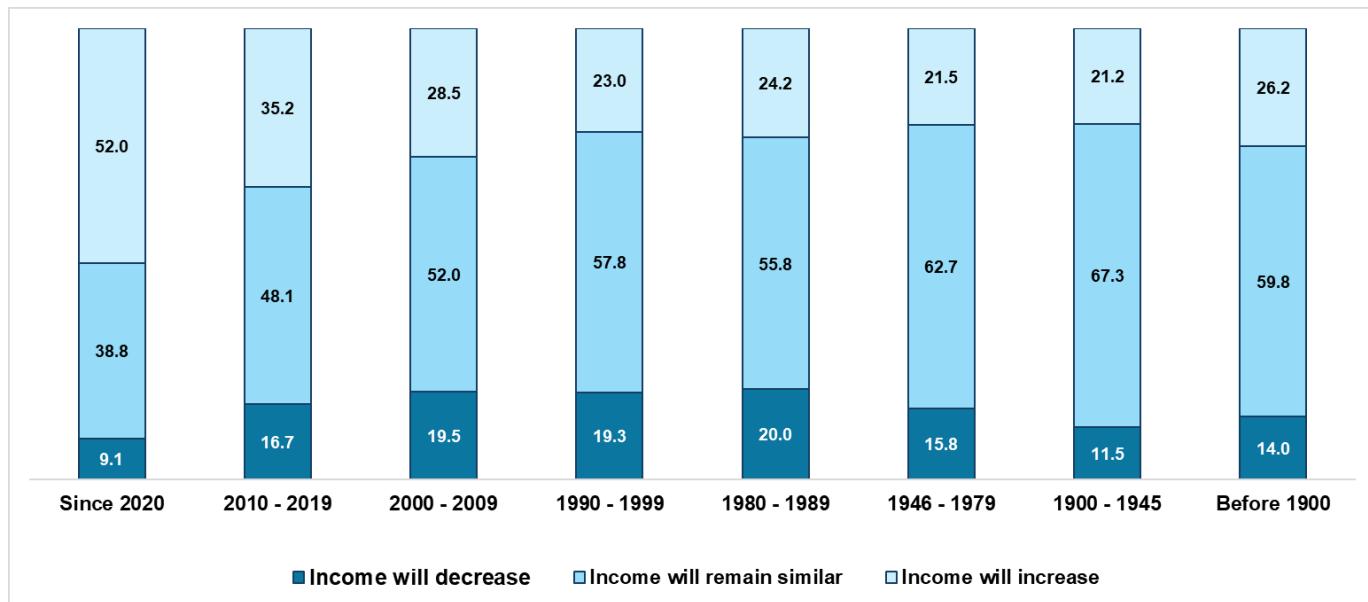
Figure 5.10 **Expectations about income levels by size of TSOs**
(Third Sector Trends in England and Wales 2025, n=8,504)



By organisational age, it is clear that recently established organisations are extremely optimistic: 52% believe that their income will rise over the next two years (Figure 5.11). Optimism becomes progressively muted by age of organisations falling to 21% of those established after 1900. The oldest organisations, by contrast, are somewhat more optimistic (26%).

Figure 5.11 Expectations about income levels by age of TSOs

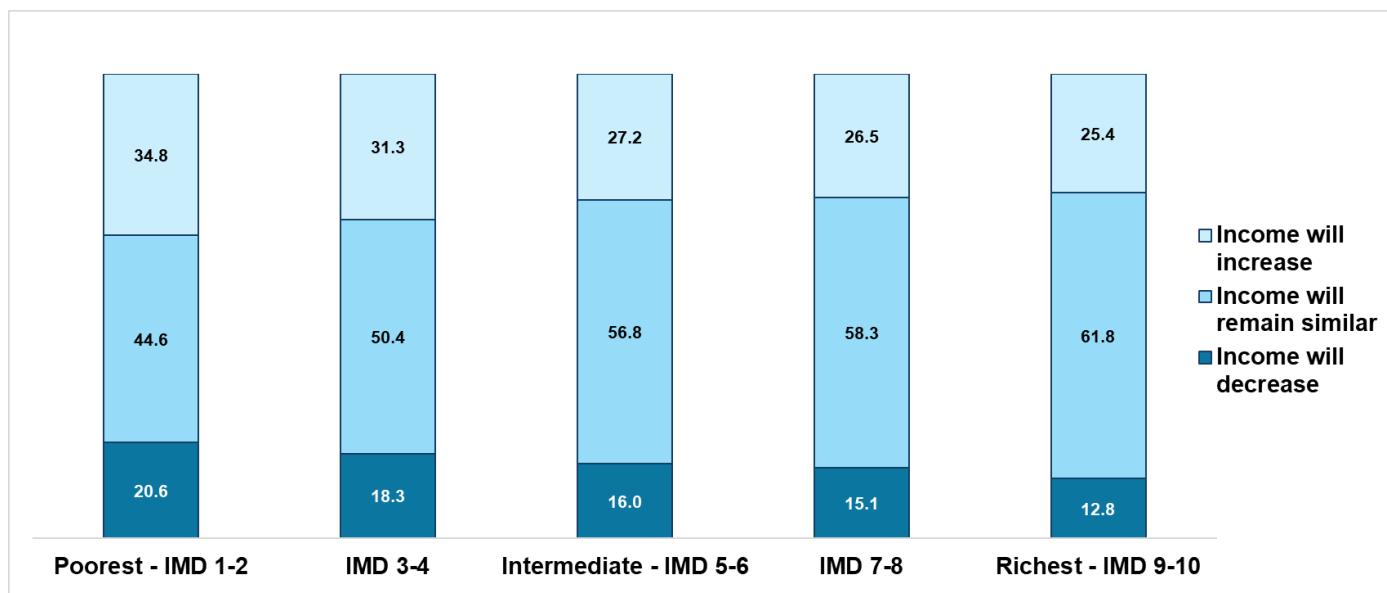
(Third Sector Trends in England and Wales 2025, n=8,504)



Area affluence also has some impact on levels of optimism (Figure 5.12). Voluntary organisations based in the poorest areas are the most optimistic that income will rise over the next two years (35%) but they are also the most pessimistic about income falling (21%). In the most affluent areas, voluntary organisations more generally believe that income levels will remain stable (62%).

Figure 5.12 Expectations about income levels by TSOs' location in rich and poor areas

(Third Sector Trends in England and Wales 2025, n=8,504)



5.4 Summary

Making firm statements on the financial wellbeing of individual voluntary organisations, let alone the third sector as a whole is not a straightforward process. That is because, as the above section shows, statistics on rising or falling income levels are open to interpretation. During the pandemic, for example, many organisations experienced significant income decline. But that did not necessarily indicate that they were in financial trouble because many became relatively inactive (due to lockdowns and furloughing of staff) and during this period many more organisations, due to free-flowing grant support were able to build reserves than would normally be expected.

Even a steep decline in organisational income is not a reliable indicator of financial insecurity in voluntary organisations – and especially so in smaller TSOs where they may only apply for an occasional grant and once expended, do not apply for further income. This can happen in much larger organisations too when coming to the end of a major project or programme of work providing that sensible plans have been put in place to accommodate to a changed financial position.

When data on significant income change is combined with the ownership and usage of reserves, a clearer picture emerges about those organisations which are thriving or struggling. *Struggling* TSOs have no reserves or are using reserves for emergency purposes (such as rent, bills and wages) and reported significantly falling income over the last two years. *Thriving* organisations reported significantly rising income over the last two years and are either not using reserves or investing them in new developments.

Bigger TSOs are more likely to be thriving financially (16%) compared with just 4% of micro organisations (Figure 5.5). Amongst voluntary organisations which are struggling financially (7-11%) there is no clear pattern by size of organisations – although percentages peak for medium sized TSOs (11%).

Newly established TSOs are the most likely to be thriving (14%) and the percentage falls gradually by age to 7% of the oldest organisations (Figure 5.6). TSOs established between 1990 and 2010 are most likely to be struggling (11%) while the oldest organisations are more secure financially (6-7%).

Voluntary organisations which are struggling financially, are most likely to be located in the poorest areas (14%), while many fewer are struggling in the richest areas (6%). Of those TSOs which are thriving financially, there is no clear pattern (8-11%).

To focus solely on TSOs' financial woes is inappropriate because it gives the impression that people in the third sector feel downcast about their future prospects. But as the above analysis shows, nothing could be further from the truth. Most organisations remain quite up-beat about sustaining current income levels or of increasing income in future. Whether current optimism is justified remains to be seen in 2028 when the triennial survey returns; but the likelihood, as in all previous rounds of the study, is that there will always be winners and losers in a competitive funding environment.

Section 6

Summary, implications and next steps

6.1 Summary and implications

Making accurate observations on the financial position of third sector is fraught with difficulty and has never been the objective of this study. The Charity Commission and NCVO's UK Civil Society Almanac are better positioned to interrogate the financial reports of individual voluntary organisations from across the UK to achieve that objective. Instead, Third Sector Trends makes comparative statements on sector finance by exploring aspects of financial wellbeing and patterns of reliance on a wide range of income sources such as grants, public sector contracts, self-generated income, grant funding from trusts and foundations, investments, gifts and so on.

Grants and giving, undoubtedly, remain the most valued sources of income in the third sector, followed by income from subscriptions and trading. Though once vaunted as the future of sector sustainability, income from contracts is now valued far less than was once the case even amongst the biggest organisations. And certainly, borrowing money continues to be highly valued as an income source by only a tiny minority of voluntary organisations.

What's going on underneath these headlines is much more interesting and insightful. For example, it has been shown that the value attached to grant income falls steadily by the age of organisations (as does the value of gifts and contributions in kind). This is related to older organisations' higher levels of dependence on earned income, subscription income, investment income and property ownership.

It has also been shown that the value attached to income sources varies by the kinds of areas within which TSOs are located. In the poorest areas, grants are much more highly valued than in the richest areas, as is the case with contracts, earned income, contributions in kind and gifts. Only subscriptions and investment income are progressively more important to TSOs in wealthier areas.

The popularity of grants is unquestionable, but not all TSOs rely on them. In 2025, 22% of voluntary organisations did not hold grants (that does not mean they never have, or do not intend to do so in future). Amongst those TSOs which have relationships with grant funders, the willingness of trusts and foundations to develop closer working relationships with voluntary organisations and to provide assistance with developing skills is highly valued and has returned to pre-pandemic levels. In 2025 trusts and foundations have also been shown to be more willing to provide longer-term grant funding to many voluntary organisations (40%) which is a significant improvement from 2022 (32%).

There are also signs, however, that some grant funders may be shifting away from the provision of unrestricted funding since the pandemic. This has been accompanied by a renewed insistence that grantees are 'innovative' in their practice by some trusts and foundations. It is not surprising to note that grant-makers' expectations of innovation are higher when working with bigger voluntary organisations as they deliver impact at scale. But it is perhaps concerning that there is a stronger emphasis on innovation in the poorest areas (69%) than in the richest (53%) as this may signify higher expectations of achievement in poor districts than affluent areas which are already stacked with higher levels of social capital.

Sector interest in delivering public sector contracts has continued its long-term slide. The eagerness of middling-sized TSOs to accept service delivery contracts from public sector organisations has been on the wane for many years. What stands out in the analysis in 2025 is that the biggest TSOs are also now pulling out from such work: falling from 64% in 2016 to 50% now. Government has taken action to smooth procurement processes to entice TSOs into delivering public services. But the indications are that many organisations have become more decisive in their rejection of contracts as few state that non-participation is due to lack of support, information or barriers in the tendering process.

When this study began in 2008, there was much debate in policy circles about 'social enterprise' and the promise that trading could help voluntary organisations to become more financially sustainable. While there is strong evidence to show that a large proportion of the voluntary sector has retained a commitment to earning income, relatively few depend heavily on trading (in 2025 only 17% of TSOs earn more than 80% of their income – which is a slight improvement on the pandemic years (14%) when restrictions limited trading.

The appeal of and reliance upon trading may be becoming less common. Only 55% of TSOs set up since 2020 are engaged in trading compared with 66% of those set up between 1945-1979. Only 9% of the newest organisations are highly reliant on trading (that is, earning more than 80% of their income); that percentage rises steadily to 25% of those TSOs set up between 1900-1945. Interestingly, amongst the oldest voluntary organisations (set up before 1900) only 12% are heavily reliant on earned income.

Policy makers continue to express enthusiasm for social enterprise to bolster local economies, especially in poorer areas, but to expect that of voluntary organisations is a big ask – especially in areas where trading conditions are tough and the private sector has already withdrawn. This helps to explain why almost all trading organisations rely upon a wide variety of additional income sources – especially grants and gifts together with in-kind support.

Sector property tenure is an under-researched aspect of third sector finance. Third Sector Trends has made some progress in filling this gap. It is estimated that there are about 55,900 property owners, 9,800 of which gained the property by community asset transfer. Around 79,100 voluntary organisations rent property while 55,900 have free access to property for their own use. Amongst those TSOs which rent space, 12% also own a property.

Renting is the most common form of property tenure in 2025 (39%), but is much more common amongst the biggest organisations (62%) than the smallest (31%). Renting is also more usual amongst TSOs based in the poorest areas (57%) when compared with the richest (34%). While over a quarter of voluntary organisations own property (27%), it is comparatively rare in the smallest TSOs (19%), but rises to 56% of the biggest organisations. Only 10% of TSOs set up after 2020 own properties compared with 58% of those established before 1900.

The percentage of organisations which have taken control over properties through community asset transfer has grown only very slightly from 4.8% to 4.9% of TSOs between 2022 and 2025. Interest in asset transfer, similarly, has increased only from 5% in 2022 to 6% in 2025. Twice as many TSOs in the poorest areas have engaged in asset transfer (8%) than in the richest areas (4%).

Property ownership may provide voluntary organisations with a measure of financial security. The evidence demonstrates that property owners are more likely to be locally focused and benefit from earned income (for example by renting space to other organisations). But the percentage of property owners which are thriving financially is much the same as for those which do not (8-9% respectively) as is so for those struggling financially (8-9%).

Third sector reserves have held up well in 2025, though experiences vary depending upon the size and location of voluntary organisations. Most TSOs continue to hold reserves (82%); that proportion rises from 71% of micro TSOs to 97% of the biggest

organisations. At one level, it is reassuring that about 45% of TSOs have not needed to draw on their reserves in the last year, irrespective of organisational size (that percentage is unchanged from 2022 but much higher than 37% recorded in 2019). But equally, it may be a matter of concern that so few TSOs are investing in their development; only 16% of TSOs have done so (rising from 11% of the smallest TSOs to 35% of the biggest).

About 27% of TSOs were using reserves for essential purposes such as rent, energy bills and wages in 2025; rising from 21% of the smallest to 33% of the largest TSOs. In the poorest areas, 33% of TSOs have drawn upon reserves for essential costs compared with 23% of voluntary organisations based in the most affluent areas. Furthermore, it is clear from time-series analysis that the situation has not deteriorated in 2025 as suggested by several small-scale studies; indeed, the proportion of TSOs drawing upon reserves for essential costs has remained much the same since surveying on this topic began in 2013.

Around a quarter of TSOs would seem to be under pressure financially - if the use of reserves for essential costs is taken to be a broad indicator of financial strain. What cannot be known from time-series survey data, is whether or not some organisations are caught in a perpetual struggle while others achieve continual advancement.⁴³ Consequently, determining 'distinct' attributes of those TSOs which are more likely to be thriving or struggling and offering convincing explanations for their success or plight has not been possible.

Uncertainties about funding sources and almost inevitable fluctuation in income makes life difficult for people who lead and run voluntary organisations. Contrary to our initial and naïve expectations in 2008, organisations' finances do not follow neat patterns in response to external stimuli such as the global financial crash of 2008, government austerity programmes, the distraction of Brexit, the Coronavirus pandemic, or rapid inflation brought about initially by a fuel crisis driven by the Russian invasion of Ukraine in February 2022.

On the contrary, the pattern of rapid income fluctuation amongst organisations was almost completely randomised (see Figure 6.1⁴⁴) and demonstrates that in a highly competitive funding environment, long-term financial planning is a pipe dream for most voluntary organisations. The best that effective leaders can do is to keep an eye on the horizon for new opportunities or threats, while in the medium term planning carefully with what they know more or less definitely will be in their coffers.

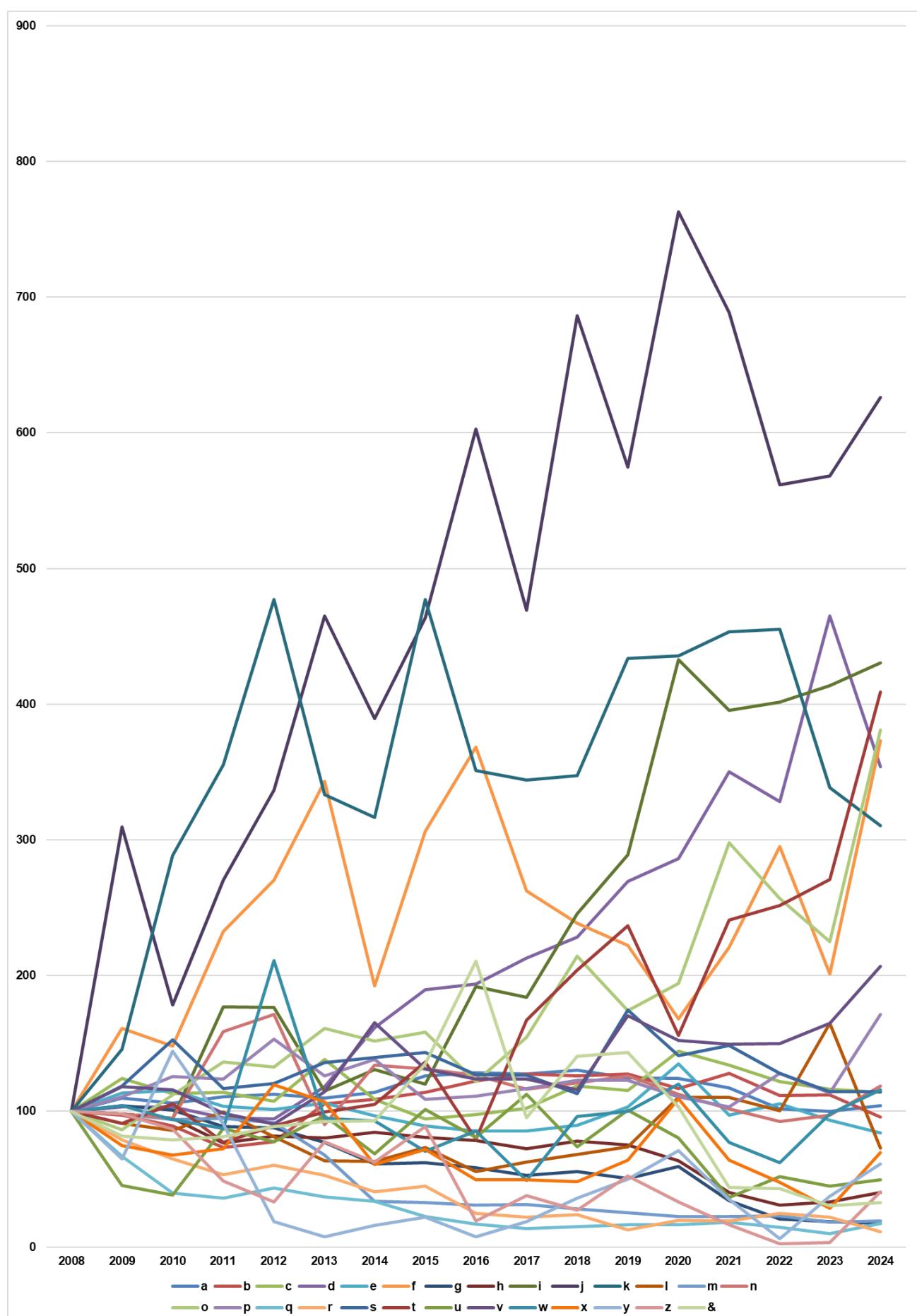
Undoubtedly, external factors have a major role to play in shaping the financial prospects of TSOs, such as national economic and labour market conditions, government action that led to substantial increases in employer National Insurance Contributions and the National Minimum Wage, or significant shifts in the social objectives of trusts and foundations.

To assert that external forces are solely responsible for shaping voluntary organisations' financial prospects would be a serious mistake. Extremely high levels of ambition amongst voluntary organisations to achieve their social objectives has the inevitable consequence of producing intense competition over finite financial resources and means that there will always be winners and losers in financial terms.

⁴³ Third Sector Trends is not a panel study (i.e. one which explicitly tracks the experiences of individual TSOs year on year). In the first three waves of the study, when complete 'confidentiality' was offered but not 'anonymity' to the research team, attempts were made to match the progress of the same organisations. This did not work well because fewer than 20% organisations could be matched across all three waves of the study in 2010, 2012 and 2014 in North East England and Cumbria which disallowed reliable statistical analysis. From 2013 (in Yorkshire & Humber) and 2016 elsewhere, respondents have been guaranteed both confidentiality and anonymity for both pragmatic and ethical reasons; so even though datasets have become larger as the geographical range of the study has widened, tracking the same organisations progress over time is not possible.

⁴⁴ See: *Going the distance*, *Ibid*, Section 3: 'How have organisations fared?' <https://www.stchads.ac.uk/wp-content/uploads/2022/10/Going-the-distance-how-third-sector-organisations-work-through-turbulent-times-July-2022.pdf>;

Figure 6.1 Income fluctuation of voluntary organisations: 2008-2024 (based on complete sets of financial histories for 27 organisations participating in the TSO50 study, trendlines for each organisation from 2008 baseline position (100) with percentage variation from base – adjusted annually for inflation)



6.2 Next steps

Having laid the analytical groundwork in three national reports, the next phase of reporting will be at regional level in comparative context for North East England (for *Community Foundation North East*) and in Wales (for *WCVA*). Further commissions are currently being discussed for reports in other localities.

The next substantive national report for *Lloyds Bank Foundation England and Wales* will explore how the third sector works at area level with a strong focus on TSOs' place-based objectives. The analysis will proceed by looking closely at how TSOs work within specific types of areas such as coastal towns, isolated rural areas, wealthy middle-class districts, stressed inner city areas, by levels of population diversity and so on.

The research will assess the both the commitment and energy employed by TSOs in area types to tackle issues of value to individuals (such as social isolation, confidence, employability, financial insecurity, access to services, etc.) and for localities (such as strengthening community resilience, facility, empowerment, cohesion and pride). By interrogating aspects of localised third sector vitality, ambition and commitment to change, the report aims to help inform local infrastructure organisations, trusts and foundations and local policy makers about the costs and benefits of investing in specific types of area.



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