

State of the Sector V

Northern Ireland Voluntary and Community Sector Almanac 2009



SOSV Facts

		2008	2005
Voluntary and community organisations		4,700	4,500
		2006/07	2003/04
Total income		£570.1 million	£614.5 million
Voluntary income		£263.0 million	£392.2 million
Earned income		£290.0 million	£123.1 million
Investment income		£17.1 million	£8.4 million
Income from general public		£180.1 million	£199.6 million
Income from government		£259.1 million	£215.9 million
Income from voluntary		£54.0 million	£60.4 million
Income from Europe		£10.6 million	£57.9 million
Income from Lottery		£29.0 million	£32.6 million
Income from other sources		£37.3 million	£47.7 million
Total expenditure		£544.4 million	£590.5 million
Expenditure on charitable activities		£467.6 million	£422.9 million
Expenditure on generating funds		£20.3 million	£10.7 million
Expenditure on staff costs		£280.4 million	£312.3 million
Total assets		£737.5 million	£755.8 million
Total liabilities		£214.7 million	£192.8 million
Net assets		£522.8 million	£563.0 million
Giving		2008	2005
Average monthly donation		£14.22	£12.76
Proportion giving to charity		83.8%	93.8%
Workforce		2008	2005
Total paid workforce		26,737	28,932
Employment status	Full-time	60.5%	63.6%
	Part-time	39.5%	36.4%
Gender	Male	25.3%	25.0%
	Female	74.7%	75.0%
		2008	2005
Volunteering		87,723	75,780

Table of Contents

Acknowledgements	6
Foreword	7
Overview	8
1. Introduction	10
1.1 Structure of the report	10
2. Definitions	12
3. Methodology	14
3.1 Surveying the sector	14
3.2 Sub-sectoral analysis	14
3.3 Estimating the size of the sector	15
4. Profile	16
4.1 Geographic spread	16
4.2 Activities	18
5. Income	22
5.1 Income profile	23
5.2 Sources of income	25
5.3 Sub-sectoral income profile	32
5.4 Dependency on sources of funding	35
6. Giving	38
6.1 Giving in Northern Ireland	39
6.2 Distribution of giving	40
6.3 Causes	42
6.4 Methods of giving	43
6.5 Gift Aid	44
6.6 Legacy giving	44
6.7 Motivations for giving	45
6.8 Attitudes towards giving	45
7. Expenditure	47
7.1 Expenditure profile	48

8. Assets	53
8.1 Asset profile	54
8.2 Liabilities	56
8.3 Funds	57
9. Workforce	60
9.1 Workforce profile	61
9.2 Workforce composition	63
9.3 Comparisons with the overall Northern Ireland workforce	65
9.4 Challenges facing employers and employees	67
10.1 Volunteer profile	70
10. Volunteers	70
10.1 Volunteer profile	71
10.2 Sub-sectoral volunteer profile	74
11. Forecasts	76
11.1 General outlook	77
11.2 Staff and volunteers	77
11.3 Economic conditions	78
11.4 Financial situation	79
11.5 Competitiveness	80
11.6 Community relations	80
11.7 The impact of government policies	80
11.8 Expenditure	81
11.9 Mergers	81
11.10 Services	81
11.11 Campaign and advocacy	82
11.12 Collaboration	82
11.13 Political	82
11.14 Barriers	83
Appendix 1	86
Appendix 2	88
References	89

List of tables & figures

List of tables

4.1	Estimated number of voluntary and community organisations by district council area	17
4.2	Percentage of organisations operating in the most deprived wards	18
4.3	Geographic remit of organisations	18
4.4	Profile of sub-sectors	19
4.5	Primary purpose of organisations (%)	20
4.6	Primary beneficiaries of organisations (%)	21
5.1	Average annual income by income band (2006/07)	24
5.2	Sources of income (2006/07)	26
5.3	Government funding to the voluntary and community sector (2006/07)	28
5.4	Central government funding by department (2006/07)	29
5.5	European funding by programme (2006/07)	31
5.6	Sources of income by sub-sector (2006/07)	33
5.7	Nature of income by sub-sector (2006/07)	34
5.8	Dependency profile by income source (%) (2006/07)	35
5.9	Dependency on sources of income by sub-sector (2006/07)	36
6.1	Monthly charitable donations	39
6.2	Distribution of charitable giving and financial share of all donations (including monthly donations made in places of worship)	40
6.3	Distribution of charitable giving and financial share of all donations (excluding monthly donations made in places of worship)	41
6.4	Monthly donations made to each charitable cause	42
6.5	Would you consider setting up a bequest if and when you make a will?	45
7.1	Breakdown of overall expenditure (2006/07)	48
7.2	Expenditure by sub-category	50
7.3	Expenditure by sub-sector (2006/07)	51
8.1	Breakdown of assets (2006/07 and 2003/04)	55
8.2	Breakdown of assets by income band (2006/07)	56
8.3	Liabilities by income band (2006/07)	57
8.4	Breakdown of funds by income band (2006/07)	58
9.1	Breakdown of paid workforce in the sector	61
9.2	Breakdown of paid workforce by income band	61

9.3	Concentration of employees	62
9.4	Workforce profile by sub-sectors	63
9.5	Jobs levels by gender	64
9.6	Specific future skills needs	68
10.1	Type of organisation respondents volunteered with most	71
10.2	Activities undertaken by formal volunteers over a 12 month period with voluntary and community organisations	73
10.3	Volunteer profile by sub-sectors	74
11.1	General situation of organisations in ...	77
11.2	Potential improvements over the next 12 months	79
11.3	Potential changes over the next twelve months	81
11.4	Barriers to success	83
11.5	Barriers in attracting appropriate staff over the next 12 months	83

List of figures

4.1	Distribution of organisations by settlement size	16
5.1	Distribution of organisations by economic size for the period 1994/95 to 2006/07 (%)	23
5.2	Sources of income between 1996/97 and 2006/07	27
6.1	Methods of giving used by donors (%)	43
8.1	Assets and liabilities between 2000/01 and 2006/07	54
8.2	Reserves policy by income band (2006/07)	59
9.1	The voluntary and community sector workforce compared with the public and private sectors	65
9.2	Female and part-time employees in the voluntary and community sector compared with the private and public sectors	66
11.1	Possible fluctuations in paid staff and volunteers over the next 12 months (%)	78
11.2	Overall economic conditions in the UK and Northern Ireland voluntary and community sector (%)	79

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Finally, we would like to thank the various government departments, statutory bodies and funders which have very kindly provided us with information necessary to compile this publication.

State of the Sector V was compiled by Gordon McCullough, Andrea Thornbury Leeann Brady and Eileen Dornan.

Foreword

As Chair of NICVA's Executive Committee it gives me great pleasure to write the foreword for *State of the Sector V*. Now in its fifth edition its contribution towards our understanding of the voluntary and community sector is as relevant as ever. As is discussed throughout the report the sector that exists today is very different to the one that was first examined 12 years ago in the first *State of the Sector*. In many respects the sector finds itself at a critical juncture in its history. Resources are becoming scarcer, the role the sector fulfils is changing and wider events are posing some fundamental challenges for the sector.

State of the Sector V gives a snapshot of this diverse and dynamic environment within which the voluntary and community sector operates and attempts to develop a narrative against which future developments may be measured. Of course one report cannot have all the answers and at the time of publication the full effects of the current economic crisis have not been fully felt by the voluntary and community sector.

State of the Sector is not just for researchers and policy makers, but also fundraisers and senior managers in the voluntary and community sector. Importantly the sub-sectoral analysis, which was introduced in *State of the Sector IV*, has been further developed and gives a much more nuanced view of the entire voluntary and community sector. It is often said that the voluntary and community sector is unique because of its rich diversity. Thanks to the sub-sectoral analysis included in *State of the Sector V* that diversity is now shown in terms of how

particular sub-sectors are funded and how many people they employ.

As the sector enters uncharted waters, the need for a White Paper on relations between government and the voluntary and community sector in Northern Ireland has never been greater. I hope that *State of the Sector V* helps inform and shape the discussions that will take place during the drafting of the White Paper.

Bob Stronge
Chair
NICVA

Overview

There are an estimated 4,700 voluntary and community sector organisations in Northern Ireland.

The trend of an overall decline in the income of the voluntary and community sector has continued in 2006/07. Since 2003/04 income has fallen by 7.2% which reflects a reduction in the amount of funding available across a number of sources. Income in 2006/07 is estimated to be £570.1 million. Across some sub-sectors the reduction in funding has been more keenly felt. The most dramatic reduction was in the case of Peace II funding which now makes up just 1.9% of the overall income of the sector. For instance, in 2003/04 the community development sub-sector was dependent upon 21.2% of its funding from Europe, this figure is now 3.1%.

For the first time earned income has made up more than half of all incoming resources. Income from the sale of goods and services accounted for 50.8% of total income, up by 16.0% since 2003/04 as a proportion of total income. However, among the various sub-sectors there are significant variations in the nature of funding organisations receive. For instance, those organisations in the disability sector receive 82.5% of their total funding in the form of earned income (the sale of goods and services). However, organisations in the community development sub-sector are still very dependent upon voluntary income (80.0% of all funding is in the form of grants).

Income generated from donations made by the general public has fallen as has the number of people choosing to make donations to voluntary and community organisations (excluding donations made in a place of worship). The general public remains extremely generous and on average donates £14.22 per month. However the overall trends would suggest that the sector will experience greater volatility in relation to this source of funding as the economic environment continues to worsen. This potential loss or depletion of support from the general public may be felt most acutely in the health and wellbeing sub-sector where there are a number of organisations that are almost completely dependent upon the support of the general public.

Voluntary and community organisations spent an estimated £544.4 million in 2006/07. This figure is 95.4% of total income for the voluntary and community sector in 2006/07. There has been little fluctuation over the years in the amount of money spent by organisations as a proportion of overall income. This evidence suggests there is very little spare capacity in the sector in terms of generating reserves. However the rise in income derived from earned income means there is greater flexibility for organisations to generate modest reserves.

The amount of money organisations spend on generating funds has increased since 2003/04. The costs associated with generating funds represent 3.7% of total expenditure (£20.2 million). This is an increase from 2003/04 when

£10.76 million (1.8% of total expenditure) was attributed to the cost of generating funds. This could be as a consequence of falling income which gives rise to increased competition for funding and may result in organisations putting more effort and money into applying for funding, promoting fundraising campaigns or developing tradable activities.

Assets held by voluntary and community organisations in 2006/07

totalled £737.5 million, a decrease of 2.4% since 2003/04. The level of debt (liabilities) held by the voluntary and community sector in 2006/07 was estimated to be £214.7 million, an increase of 11.3% since 2003/04.

The amount of cash (in a bank or in hand) held by voluntary and community organisations decreased

by 7.5% between 2003/04 and 2006/07. Such decreases in the sector's current asset base could affect future liquidity if the trend of a shrinking and more competitive funding environment coupled with rising levels of debt continues.

There has been a decrease in the number of staff employed in the voluntary and community sector in Northern Ireland.

The sector now employs an estimated 26,737 individuals (this represents 3.7% of the total Northern Ireland workforce) compared with 28,932 in 2005. This decrease could be attributed to the reduced levels of funding available to the sector (ie the reduction in Peace II funding).

Raising or handling money is the most common activity for 43.9% of the 87,723 volunteers to be involved with a voluntary and community organisation.

Significant numbers of volunteers are also involved in organising and running events (25.8%) and serving on committees or other governing bodies (19.7%). Working with young people is also a popular activity for volunteers to undertake with voluntary and community organisations.

19.4% of organisations believe that the general health of their organisation will worsen over the next year.

Surprisingly however 46.8% of respondents have plans to increase services and 46.3% expect to increase expenditure over the next 12 months.

39.1% of respondents stated that they believe that mergers between voluntary and community organisations will increase over the next year.

61.2% stated that they will collaborate more with other organisations over the next 12 months. Interestingly 74.3% of respondents indicated that they believe the level of competitiveness in the sector will increase over the next 12 months. This indicates that organisations hope to work closely with each other because they realise that with increased competition collaborative working is prudent and may help them survive in the long term.

1. Introduction

In the 12 years since the first *State of the Sector* was published Northern Ireland has undergone radical change. It was timely that the first *State of the Sector* was published in the year and month that New Labour came to power with the assertion that the voluntary and community sector, along with the private sector, was central to the reform of public services. Here in Northern Ireland an avalanche of government documents, produced during the first incarnation of devolved power, feted the voluntary and community sector as an important partner in addressing many of the problems facing Northern Ireland in a post conflict environment. Indeed the voluntary and community sector can lay genuine claim to having helped shape many of the policies designed to make Northern Ireland a more equitable and trusting society. However, the voluntary and community sector in 1997 was a very different one compared with the one that exists in 2009.

Many of the challenges that faced organisations in 1997 are the same now, the most prominent of which is the issue of funding, but the ways in which these challenges manifest themselves are somewhat different. As this edition of *State of the Sector* will show, the funding environment has changed significantly and what was once a grant dominated model of funding has moved towards a model which places the delivery of services at its core. Some may argue that the old orthodoxy of grant giving has simply given way to a pseudo-contractual relationship based on annual service contracting which has too often produced unhealthy, short-term

horizons for funders and the voluntary and community sector alike. *State of the Sector V* will examine whether such a scenario is a reality in the sector and explore what the future may be like for voluntary and community organisations in Northern Ireland.

State of the Sector V covers a distinct period of time at the beginning of the current economic crisis that is currently driving the UK economy into recession. Based on the analysis in *State of the Sector V* it is too early to predict the impact of the recession on the income and the overall environment within which the voluntary and community sector in Northern Ireland operates. Nevertheless *State of the Sector V* does give some early indications of the potential impact on organisations in the future.

Set against a changing funding environment and a wider economy that is by all estimations entering a period of unprecedented turmoil, the voluntary and community sector is in a transitional stage in its development. There is no doubt that the sector will continue to play a vital role in society in Northern Ireland. However this edition of *State of the Sector* shows that there will have to be a change in how organisations, individually and collectively, deal with the challenges and opportunities that they will undoubtedly face during such a period of instability and change.

1.1 Structure of the report

As is now traditional *State of the Sector* begins with a short exploration of the various definitions used to classify the

voluntary and community sector. This discussion is followed by an outline of the different methodologies that have been employed to produce *State of the Sector V*.

Chapter 4 profiles the voluntary and community sector in its widest context and provides a breakdown of how the sector is structured in its activities and geographic remit.

Chapters 5 - 8 examine the economic resources of the voluntary and community sector. Chapter 5 presents data on the sector's income for 2006/07 and within this chapter each facet of the income mix will be examined. Income is the most used and best understood measure of the sector's scale, although it is worth noting that expenditure is a better guide to changes in activity levels. Chapter 6 looks at charitable giving in Northern Ireland and the ways in which the general public financially support the voluntary and community sector. This chapter is based on *the Northern Ireland Giving Survey 2008* (NICVA, 2008). Chapter 7 takes expenditure as its theme and is focused on the SORP^[1] categories of expenditure but additional analysis has been included of the amount spent on training, insurance and professional fees by the voluntary and community sector. Similarly a discussion of assets and liabilities in Chapter 8 presents a more detailed picture than in previous *State of the Sectors*.

Like any other sector (public or private) one of the most significant resources available

to an organisation is people. Chapter 9 focuses on the paid staff that organisations in the voluntary and community sector rely on. Chapter 10 looks at the scale of voluntary activity in sector. The analysis in Chapter 10 is drawn from the Volunteer Development Agency's *Its All About Time, Volunteering in Northern Ireland 2007* report.

Finally, Chapter 11 examines the results of a series of questions that were designed to test opinion and confidence across the sector against a range of issues. Organisations were asked what changes or fluctuations they expect to see in relation to staff and volunteers, the economic condition of the voluntary and community sector, collaborative working and mergers, competition within the sector and the political environment.

1 SORP: Statement of Recommended Practice, see www.charitycommission.gov.uk for further details.

2. Definitions

As mentioned in the introduction the act of defining the voluntary and community sector has yet to be fully resolved. There have been many attempts to develop a set of criteria that could be used to define the sector. Undoubtedly such criteria exclude certain activities and organisations (such as social enterprises and housing associations) that would otherwise believe themselves to be part of this diverse and expansive entity called the voluntary and community sector. Indeed this very report has been criticised in the past for excluding some types of organisations from the analysis. The ‘general charities’ definition that was used in the previous *State of the Sectors* was developed by the Office for National Statistics in the early 1990s in an attempt to define the voluntary sector in the UK (the definition used in National Accounts). Over the years this definition has been almost exclusively used in this type of research but there have been some adjustments to take account of the changing nature of the sector.

Despite the diversity of the sector and the lack of a universally accepted definition, there are certain criteria that can be applied to all voluntary and community organisations. In other words the similarities that bind them are greater than those which divide them. These criteria are:

Formality — people and their activities have an organisational form to exhibit this attribute. The organisation may have a recognisable structure with a constitution or a formal set of rules. However, any definition using this attribute only will exclude large numbers of informal,

community-based activities and temporary forms of activity.

Independence — organisations that are constitutionally and institutionally separate from the statutory and private sectors. This criterion excludes non-departmental public bodies and educational establishments, eg universities and voluntary aided schools. While these bodies can register as charities with the Inland Revenue, they are generally not perceived to be part of the voluntary and community sector.

Non-profit distribution — organisations that do not distribute profits to shareholders or owners. This criterion does not preclude undertaking activities such as trading to generate profit or surplus. However, proceeds should not be for the personal benefit of any individuals connected with the organisation and should be directed towards achieving the organisation’s charitable objectives.

Self-governance — organisations that are truly independent in determining their own course. This would exclude, for example, organisations that are charities within the National Health Service on the basis that they are ultimately controlled by a statutory body.

Voluntarism — organisations where there is a meaningful degree of voluntarism in terms of money or time. The donation of time includes that given by management committee members.

Private benefit versus public benefit — Organisations that exist solely for the benefit of their own members (such as friendly

societies or independent schools) are excluded. Organisations that benefit the wider public are included. This may include certain organisations that mainly benefit a specific group of people or even just their members. This would be the case when the objectives of the organisation provide a function that would otherwise need to be provided by the public sector, as is the case with disability organisations or community transport. Because of these criteria sacramental religious bodies and political parties are excluded. While some consider that their activities are solely for the benefit of their members, others would argue that their doctrine and action have wider public benefit (NCVO, 2004). However, activities that are undertaken by associated but separate entities of religious organisations, such as mother and toddler groups, are included in this analysis.

Although there is no perfect system by which the voluntary and community sector can be defined, the situation is exacerbated by the lack of any regulatory framework for the classification of voluntary and community organisations. However the application of the above criteria to NICVA's database continues to provide us with a consistent measure of what might be termed the core of the voluntary and community sector. Also the clear limits to the definition enable the production of robust, clearly defined estimates for both the number of organisations and their economic contribution which is comparable over time and with the rest of the UK.

3. Methodology

As mentioned in the previous chapter the compilation of an economic map of the voluntary and community sector in Northern Ireland is a complex and daunting task. Therefore the actual task of compiling *State of the Sector V* has been split into a number of distinct phases.

3.1 Surveying the sector

The largest and perhaps most complex phase of the *State of the Sector V* research programme was the generation of an accurate sample for the voluntary and community sector and the subsequent analysis of the accounts. With the continued absence of a centrally maintained register of charities in Northern Ireland the sample had to be drawn from NICVA's database.

In June 2008^[2] a total of 6,293 surveys was sent out to organisations to gather information on their activities, staff, organisational remit and their opinions about future developments in the sector. A total of 1,891 organisations responded. Of this number, 124 were either extinct or were not suitable for the purposes of this survey. In the end a total of 1,606 surveys was returned, which is a 25.5% response rate.

Organisations were asked to submit their annual accounts for 2006/07 or the most recent set of accounts available to them. A total of 530 sets of valid accounts was returned and analysed. This number is much less than the overall response rate as many organisations which are controlled outside Northern Ireland do not have a set of audited accounts for their operations in

Northern Ireland. In instances such as these the organisations were asked to estimate the total value of the income their office had generated in 2006/07. Although it was not possible to disaggregate where the funding came from, ie government or the general public for instance, this estimate proved invaluable in generating an estimate for total income. In addition a number of accounts were downloaded from the Companies Registry (www.secure.detini.gov.uk/crni).

3.2 Sub-sectoral analysis

In *State of the Sector IV* (NICVA, 2005) an analysis was undertaken to examine the different key sub-sectors that make up the voluntary and community sector. During this analysis organisations were assigned to a sub-sector depending upon their primary purpose or primary beneficiaries. However, for *State of the Sector V* the methodology was changed in order to allow organisations to self select which sub-sector best encapsulated the work of the organisation. For this reason comparison between 2008 and 2005 at a sub-sectoral level has not been possible.

This is an imperfect system of classification as we are very aware of the multiple roles and beneficiaries organisations have and some may argue it is a fairly arbitrary process. However, it does allow the relative size and scope of the key sub-sectors that make up a significant proportion of the voluntary and community sector in Northern Ireland to be analysed.

² It was necessary to conduct a second survey in August 2008 due to an inadequate response to the first wave of the survey.

3.3 Estimating the size of the sector

As mentioned above, 530 sets of accounts were analysed for this research. The accounts were examined in accordance with a funding matrix developed in conjunction with NCVO (see Appendix 1). In addition to the analysis of voluntary and community organisations' accounts, the major funders of the sector were approached and asked for the overall total funding they distributed to the sector in 2006/07.

In estimating overall income and expenditure the sample was weighted with respect to the overall population across each of the seven income bands. Estimates for each of the income sources were cross-referenced with the information provided by the funding bodies to produce a single overall figure. The same methodology was applied during the analysis of each of the sub-sectors, ie expenditure, assets and liabilities and the overall paid and volunteer workforce of the sector.

Included in the chapter on income there are assessments of the level of financial support from the general public. To examine the level of support from the general public NICVA commissioned Customer and Marketing Surveys (Ireland Ltd) to carry out a survey of individual charitable giving as part of its omnibus survey in November 2007. Using telephone interviews 1,008 individuals (aged 16 and over) were asked about their giving behaviour over the previous month. Respondents were drawn

from the Register of Electors by probability based stratified random sample which used probability proportionate to size (PPS). A sample of 1,008 was used to gain a picture of individual charitable giving in Northern Ireland by gender, age, social class and religion. Based on the results of this survey the estimates for the amount of income generated from donations made by the general public are produced.

Finally in the chapter on volunteers, the bulk of data is drawn from the Volunteer Development Agency's *It's All About Time, Volunteering in Northern Ireland 2007* report which surveyed 1,020 individuals across Northern Ireland about volunteering. The results were then grossed up based on the Northern Ireland population (aged 16 and over).

4. Profile

The data presented in this chapter is made up of estimates based on 1,606 returns to the *State of the Sector* survey and other organisational data held on the NICVA database.

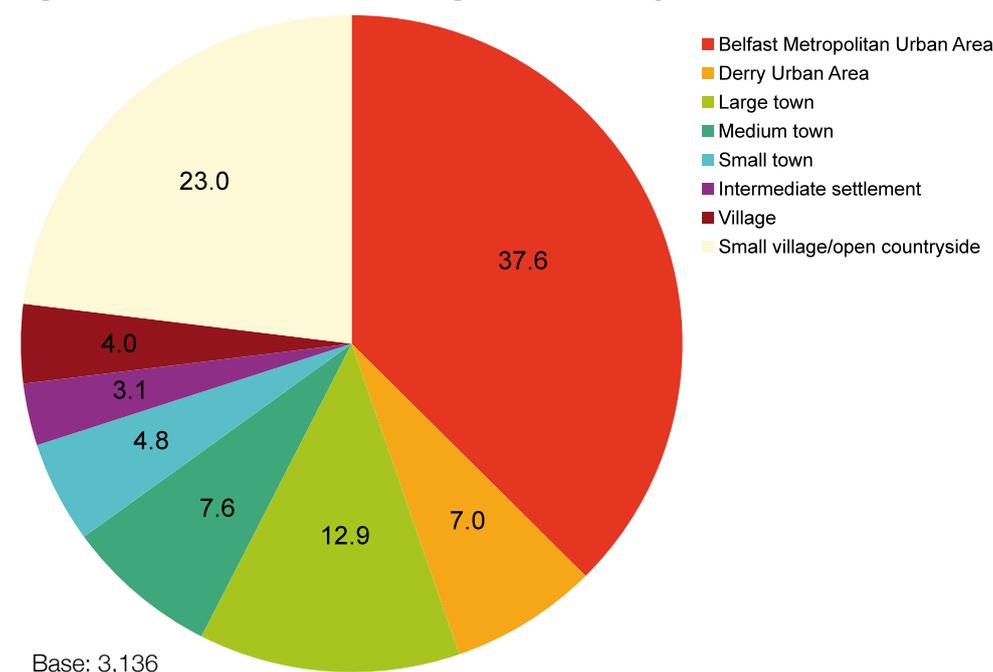
It is difficult to say with any accuracy if the actual size of the voluntary and community sector has grown or reduced since *State of the Sector IV*. This is due to a number of factors such as the lack of a centrally maintained register of organisations and the absence of any robust mechanism to record the closure of organisations. Nevertheless the information presented in this chapter gives an overview of the voluntary and community sector in Northern Ireland.

The best estimate we have for the overall size of the voluntary and community sector is approximately 4,700 active organisations. In addition to this figure there are approximately 500 local or branch offices and projects that are linked to voluntary and community organisations. All the analysis in this and subsequent chapters is based on the figure of 4,700 organisations (unless otherwise stated).

4.1 Geographic spread

This next section looks at where voluntary and community organisations are located and their organisational remit.

Figure 4.1 - Distribution of organisations by settlement size^[3]



³ Source: *Statistical classification and delineation of settlements* (NISRA, 2005). Rural areas are classified as intermediate settlement, village and small village/open countryside.

In terms of where voluntary and community organisations are located, a third (37.6%) is located in the Belfast Metropolitan Urban Area⁴. As can be seen in Figure 4.1, 12.9% of all voluntary and community organisations are based in large towns, such as Craigavon, Newry, Omagh and Antrim. Based on the NISRA classification of settlements, 30.1% of voluntary and community organisations are based in a rural area.

Table 4.1 - Estimated number of voluntary and community organisations by district council area

	%	Organisations per 1,000 head of population		%	Organisations per 1,000 head of population
Antrim	2.0	2	Dungannon	3.5	3
Ards	1.8	1	Fermanagh	5.2	4
Armagh	3.9	3	Larne	1.1	2
Ballymena	2.5	2	Limavady	1.1	2
Ballymoney	1.0	2	Lisburn	3.6	2
Banbridge	1.6	2	Magherafelt	2.0	2
Belfast	28.1	5	Moyle	0.8	2
Carrickfergus	1.3	2	Newry and Mourne	4.6	2
Castlereagh	2.1	2	Newtownabbey	1.8	1
Coleraine	4.2	3	North Down	2.3	1
Cookstown	1.9	3	Omagh	4.6	5
Craigavon	4.6	3	Strabane	2.9	4
Derry	8.4	4	Total	100	3
Down	3.1	2			

Base 3,136

4 Belfast Metropolitan Urban Area (BMUA) - includes Belfast Urban Area. BMUA also stretches around Belfast Lough to include Carrickfergus, Greenisland Urban Area, Newtownabbey Urban Area, Holywood Urban Area, Bangor and smaller settlements in between. In addition, BMUA includes parts of Carryduff and Castlereagh and Lisburn Urban Areas.

Table 4.1 shows that just over one quarter (28.1%) of all voluntary and community organisations in Northern Ireland are based in the Belfast City Council area. Derry City Council is the second most prominent place where voluntary and community organisations are based. Currently 8.4% of all voluntary and community organisations are based in this area. Belfast and Omagh district council areas have the highest number of voluntary and community organisations per head of population (five groups per 1,000 head of population).

As can be seen in Table 4.2 just over a fifth (21%) of all voluntary and community organisations operate in the 10% most deprived wards in Northern Ireland according to the *Northern Ireland Index of Multiple Deprivation* (NISRA, 2005).

Table 4.2 - Percentage of organisations operating in the most deprived wards

	%
10% of the most deprived wards	21
20% of the most deprived wards	33
30% of the most deprived wards	43

As can be seen in Table 4.3, the voluntary and community sector in Northern Ireland can be characterised as being self-contained in terms of organisational links and structures that extend outside Northern Ireland. Most voluntary and community organisations are based only in Northern Ireland. Only 16.7% of organisations within the voluntary and community sector in Northern Ireland are part of organisations which have a UK, all-Ireland or international structure.

Table 4.3 - Geographic remit of organisations

	%
Based only in Northern Ireland	83.3
Part of a UK wide organisation	11.7
Part of an all Ireland organisation	2.1
Part of an international organisation	2.9

Base: 2,909

4.2 Activities

The voluntary and community sector cannot be treated as a single homogenous entity but as a sector of great diversity and difference that is nevertheless connected by some fundamental similarities. Table 4.4 examines the size of the major sub-sectors that form the overall voluntary and community sector in Northern Ireland.

As can be seen in Table 4.4, just over a quarter of organisations (27.0%) are classified as being in the community development sub-sector. The next most significant sub-sector, in terms of size, is the young people and children's sub-sector which makes up 19.4% of the voluntary and community sector. There are some interesting variations between the sub-sectors when it comes to the proportion which are based in Belfast. For instance, only 12.4% of organisations in the older people's sub-sector are based in the Belfast City Council area. 18.7% of organisations in the environment/conservation sub-sector and 18.4% of organisations in the community development sub-sector are based in the Belfast City Council area.

Table 4.4 - Profile of sub-sectors

	% organisations	% based in Belfast City Council area	% based only in Northern Ireland
Advice and information	8.9	39.4	74.9
Arts/cultural/heritage	8.3	33.2	95.9
Community development	27.0	18.4	97.4
Disability	7.4	24.5	70.5
Education/training	6.5	37.7	92.1
Environment/conservation	2.9	18.7	80.2
Health and wellbeing	7.3	33.2	73.3
Housing/homelessness	1.1	51.7	74.5
Older people	4.7	12.4	79.0
Volunteer development	0.9	27.3	95.8
Women	5.6	24.3	86.8
Young people and children	19.4	26.3	82.1
Overall		28.1	83.3

Base: 2,578

There are also some variations in terms of the geographic remit of organisations in each of the sub-sectors. For instance, organisations in the disability (70.5%), health and wellbeing (73.3%), housing/homelessness (74.5%) and advice and information (74.9%) sub-sectors are more likely to have a wider geographic remit than just Northern Ireland (ie part of UK wide, international or all-Ireland structures). Whereas sub-sectors such as community development (97.4%), arts/cultural/heritage (95.9%) and volunteer development (95.8%) are more likely to contain organisations that are solely based and operate in Northern Ireland.

Examining the primary purpose of organisations it is evident from Table 4.5 below that community development (20.0%) is the most common purpose across the sector. The second most common activity is advice/advocacy/information (10.6%). It is worth noting that Table 4.5 refers only to the primary purpose of the organisation, ie the purpose the organisation ranked as being its number one role. Therefore organisations which fulfil multiple roles have only been classified in one category in Table 4.5.

Table 4.5 - Primary purpose of organisations (%)

	%		%
Community development	20.0	Religious activities	1.4
Advice/advocacy/information	10.6	Overseas aid/famine relief	1.1
Disability	9.1	Volunteering development	1.1
Education/training	8.4	Rural development	1.0
Playgroup/after schools	6.3	Relief of poverty	0.7
Medical/health/sickness	6.0	Economic development	0.7
Youth work/development	5.0	Community transport	0.6
Arts	4.7	Community enterprise	0.6
Counselling/support	4.4	Gender	0.5
General charitable purposes	3.1	Criminal justice	0.5
Environment/conservation	3.0	Animal welfare	0.4
Sport/recreation	2.5	Human rights/equality	0.4
Cross-border/cross-community	2.4	Welfare/benevolent	0.3
Accommodation/housing	1.9	Search and rescue	0.1
Heritage/historical	1.6	Research/evaluation	0.1
Cultural	1.5		

Base: 3,030

As can be seen in Table 4.6 the most common primary beneficiary of voluntary and community organisations is the general public or local communities (31.4%).

Table 4.6 - Primary beneficiaries of organisations (%)

	%		%
General public/local communities	31.4	Homelessness	1.2
Preschool (0-5 year olds)	7.4	Sensory disabilities	1.1
Youth (14-25 year olds)	6.8	Carers	1.1
Children (5-13 year olds)	6.2	Community safety	1.1
Older people	5.5	Specific areas of deprivation	1.0
Women	5.4	Unemployed/low income	1.0
Voluntary and community sector	4.3	Ex-offenders and prisoners	0.9
People with disabilities	3.7	Ethnic minorities	0.9
Adult training	3.2	Interface communities	0.7
Mental health	2.8	Language community	0.5
Learning disabilities	2.7	Sexual orientation	0.5
Parents	2.0	Men	0.4
Addictions (drug/alcohol abuse)	1.8	Asylum seekers/refugees	0.3
Physical disabilities	1.6	Tenants	0.2
Victim support	1.5	Travellers	0.1
Volunteers	1.4	HIV/Aids	0.1
Overseas/developing countries	1.2		

Base: 2,995

5. Income

The data presented here relates to the financial year 2006/07. Where it is appropriate direct comparisons have been made with previous *State of the Sector* reports. The data presented in this chapter is made up of estimates based on the analysis of 530 sets of accounts and information sourced directly from funders and the general public. Information related to giving by the general public is based on a survey of 1,008 members of the general public in November 2007.

The trend of an overall decline in the income of the voluntary and community sector has continued in 2006/07. Since 2003/04 income has fallen by 7.2% which reflects a reduction in the amount of funding available across a number of sources. Income in 2006/07 is estimated to be £570.1 million. Across some sub-sectors the reduction in funding has been more keenly felt. The most dramatic reduction was in the case of Peace II funding which now makes up just 1.9% of the overall income of the sector. For instance, in 2003/04 the community development sub-sector was dependent upon 21.2% of its funding from Europe, this figure is now 3.1%.

For the first time earned income has made up more than half of all incoming resources. Income from the sale of goods and services accounted for 50.8% of total income, up by 16.0% since 2003/04 as a proportion of total income. However, among the various sub-sectors there are significant variations in the nature of

funding organisations receive. For instance, organisations in the disability sector receive 82.5% of their total funding in the form of earned income (the sale of goods and services). Whereas, organisations which are in the community development sub-sector are still very dependent upon voluntary income (80.0% of all funding is in the form of grants).

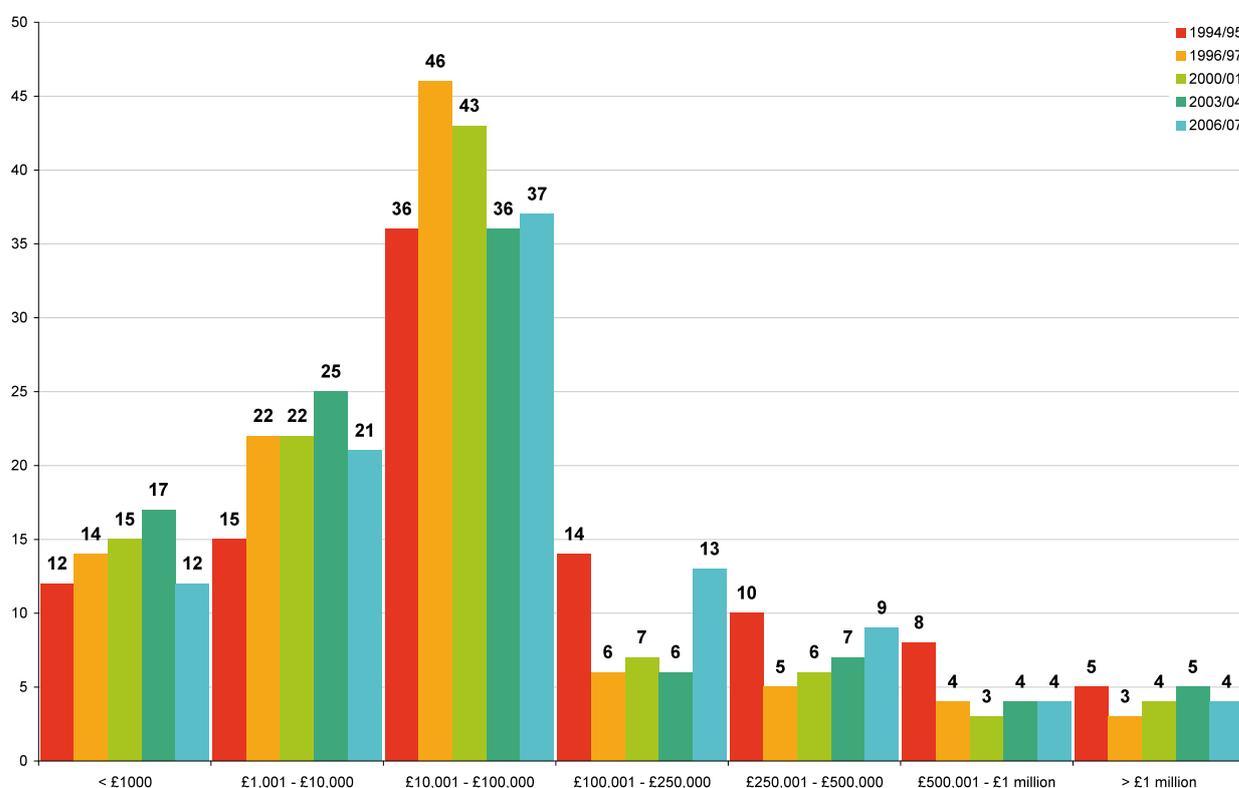
Income generated from donations made by the general public has fallen as has the number of people choosing to make donations to voluntary and community organisations. The general public remains extremely generous and on average donates £14.22 per month. However the overall trends would suggest that the sector will experience greater volatility in relation to this source of funding as the economic environment continues to worsen. This potential loss or depletion of support from the general public may be felt most acutely in the health and wellbeing sub-sector where there are a number of organisations that are almost completely dependent upon the support of the general public.

Only organisations with an income of over £1 million per annum have seen an increase in their annual average income. Compared with 2003/04 figures, average income in this band has increased by 27.8%. In all other income bands organisations have experienced a decrease in their annual average income. The decreases in the average income compared with 2003/04 are most prominent in small to medium sized organisations.

5.1 Income profile

Estimating the economic size of the voluntary and community sector in Northern Ireland is a complicated task and one that is determined by the availability and accessibility of data from a wide range of sources. However the *State of the State* research programme has produced a body of evidence that allows an assessment of the sector's finances to be made over a significant period of time. The analysis presented in this chapter will examine the current funding environment (based on 2006/07 accounts) and how the current situation compares to the findings from previous *State of the Sector* reports.

Figure 5.1 - Distribution of organisations by economic size for the period 1994/95 to 2006/07^[5] (%)



Base: 450 (1996), 780 (1998), 851 (2002), 1,838 (2005), 2,280 (2008)

5 The proportion of £1 million plus and £500,001-£1 million organisations in Figure 5.1 and Table 5.1 represents the total population for each income strata.

Figure 5.1 shows how the voluntary and community sector, in terms of the economic profile, has changed over the past 12 years. However some caution must be exercised as the data in Figure 5.1 is based on survey data and as such it is impossible to control the extent to which organisations respond. Equally it is impossible to track organisations in terms of increases or decreases in income. Therefore any movement between income bands can only be viewed at a global level and an assessment as to the reasons for a growth in one area compared with another cannot be made. However in 2006/07 the number of organisations in the £100,001-£250,000 income strata has more than doubled (6% in 2003/04 compared with 13% in 2006/07). A steady growth in the number of organisations in the £250,001 to £500,000 income band has also been seen since 1996/97. It is difficult to speculate whether the number of larger organisations is reducing or there are smaller organisations which have exhibited modest growth. Whichever way the movement is taking place, there seems to be a trend developing that is pointing towards the expansion in the number of medium-sized organisations. This is perhaps best exemplified in Table 5.1 below which examines average annual income by income band.

Table 5.1 - Average annual income by income band (2006/07)

	2006/07 average income	% of total income	% of sector	2003/04 average income	% of total income	% change
<£1,000	£413	0.0	12.7	£637	0.0	-35.1
£1,001-£10,000	£3,842	0.7	21.9	£5,233	0.3	-26.5
£10,001-£100,000	£28,209	8.4	36.2	£44,528	6.6	-36.6
£100,001-£250,000	£122,211	12.2	12.3	£158,827	12.2	-23.0
£250,001-£500,000	£277,129	20.4	9.0	£324,770	13.4	-14.6
£500,001-£1 million	£558,682	8.3	4.0	£655,493	16.9	-14.7
> £1 million	£2,904,332	50.0	3.9	£2,272,206	50.6	27.8
Total income (£ million)	£570.1	100	100	£614.5		-7.2

As can be seen in Table 5.1, only those organisations with an income of over £1 million per annum have seen an increase in their annual average income. Compared with 2003/04 figures, income in this band has increased by 27.8%. In all other income bands organisations have experienced a decrease in their annual average income. The decreases

in the average income compared with 2003/04 are most prominent in small to medium-sized organisations. Based on the analysis in Table 5.1 it can be seen that half (50.0%) of total income is generated by those organisations with an income of £1 million or more despite the fact that these organisations only make up 3.9% of the entire sector.

5.2 Sources of income

Voluntary and community organisations generate income from a variety of sources by undertaking a range of activities. Understanding the relationship between these sources and activities can help us understand the changing dynamics of the voluntary and community sector economy. Before examining where the sector receives its funding from it is necessary to provide some definitions which relate to how the accounts are disaggregated.

- **Earned income** — from the sales of goods and services (although the sale may not be at market value).
- **Voluntary income** — income freely given, usually as a grant or donation for which little or no benefit is received by the donor.
- **Investment income** — the proceeds generated from investments and cash balances.

For a more detailed description of the different sources and types of income analysed in this chapter see Appendix 1.

Table 5.2 attempts to show the nature and type of funding the sector received in 2006/07.

Table 5.2 - Sources of income (2006/07)

	Earned £ million	%	Voluntary £ million	%	Investment £ million	%	Total £ million	%
Government	166.7	64.3	92.4	35.7			259.1	45.4
General public	100.6	55.9	79.5	44.1			180.1 ^[*]	31.6
Voluntary	15.1	28.0	38.9	72.0			54.0	9.5
Europe	-	-	10.6	100			10.6	1.9
Lottery	0.9	3.1	28.1	96.9			29.0	5.1
Business	2.5	21.7	9.0	78.3			11.5	2.0
Internal	-	-	-	-	17.1	100	17.1	3.0
Other	4.2	48.3	4.5	51.7			8.7	1.5
Total (2006/07)	290.0	50.8	263.0	46.2	17.1	3.0	570.1	100
Total (2003/04)	213.1	34.8	392.2	63.8	8.4	1.4	614.5	

As can be seen in Table 5.2 the trend of an overall decline in the income of the voluntary and community sector has continued in 2006/07. Since 2003/04 income has fallen by 7.2% which reflects the contraction or reduction in the amount of funding available across a number of sources. Income in 2006/07 is estimated to be £570.1 million (in 2003/04 income was estimated to be £614.5 million).

For the first time, earned income has made up over half of all the income. The largest portion of income comes from government sources which is a clear indication of the increased role of the sector in the delivery of public services. However as is shown later on in this section, this increase in earned income is largely confined to organisations which operate in certain sub-sectors although the processes through which these services are procured are not yet understood. For instance, the extent of service level agreements or contested public procurement processes is not known and without such knowledge the true impact of the rise of earned income (from a government perspective) cannot be fully assessed.

[*] The estimate for the amount of money donated by the general public excludes donations made at places of worship. For more information on charitable giving see Chapter 6.

Nevertheless the increased role of the voluntary and community sector in terms of service provision has undoubtedly changed the funding landscape. However, for a great deal of organisations there remains a dependency on grants from government and non-government sources. This will be explored in more detail throughout this chapter.

Donations from the general public still make up a significant part of the voluntary and community sector's income (31.9% in 2006/07 compared with 32.5% in 2003/04). As a proportion of total income little has changed since 2003/04, but there have been significant changes in how the general public makes donations to the voluntary and community sector. This will be discussed in more detail in Chapter 6.

Figure 5.2 - Sources of income between 1996/97 and 2006/07

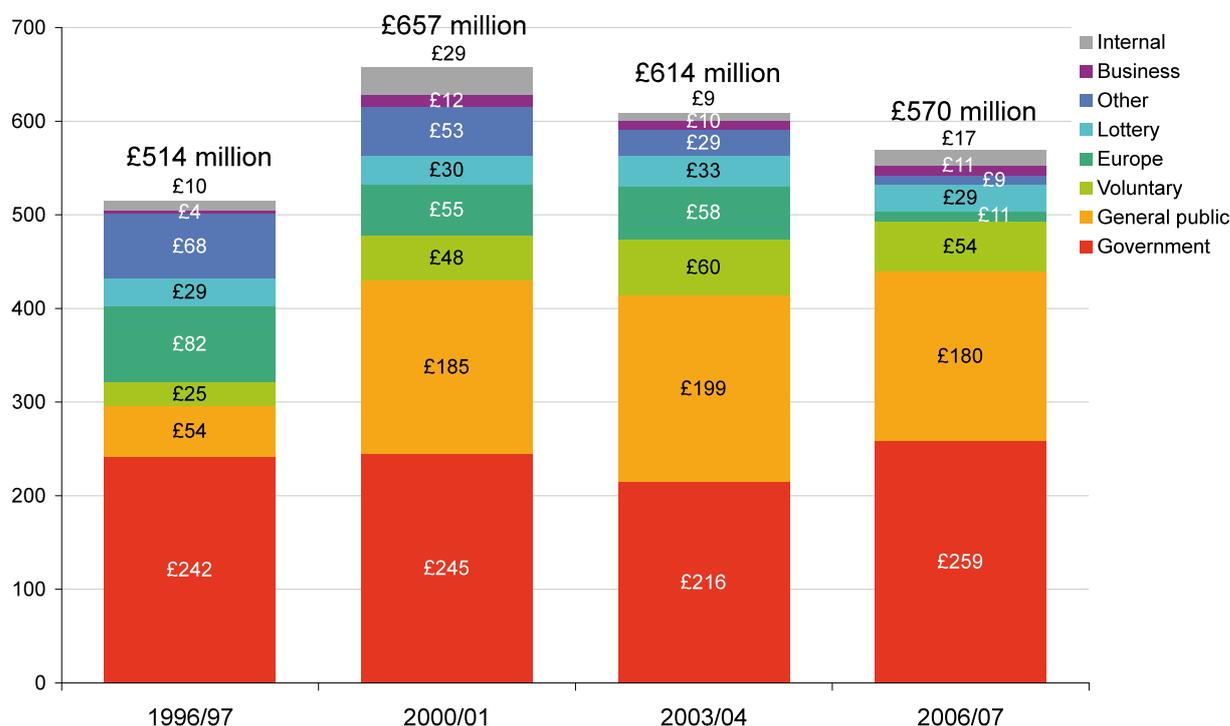


Figure 5.2 shows the level of funding distributed to the voluntary and community sector since 1996/97. The amounts expressed in Figure 5.2 are actual amounts and have not been adjusted to take account of inflation. What is clear from Figure 5.2 is the relative stability of funding from government sources. There has been movement in the amount distributed but this may be as a consequence of how government figures were calculated. Prior to 2003/04 the figure for government funding was entirely estimated but since then government has been able to provide its own assessment of funding levels. Given this change in methodology and

improvements in reporting systems, it is difficult to assess accurately whether government funding has increased or decreased. The same is true for the assessment of the levels of income derived from the general public. As the methodologies have improved the level of accuracy of the estimates has become more reliable. Nevertheless the amount of money donated to the voluntary and community sector is at its lowest level since 2000/01 (excluding 1996/97 when a different methodology was employed).

Across each of the other sources of income there has been some relative volatility but nothing has compared with the diminution of European funding since 1996/97. European funding, but more specifically Peace funding, peaked in 1996/97 at £82 million but this figure fell to £11 million in 2006/07.

Examining Figure 5.2 it is reasonable to say that despite the overall peaks and troughs in terms of funding, a relatively stable level of funding has been available to the sector. It is clear that external events such as the coming to power of New Labour, the devolution of power to Northern Ireland, the Millennium and the ebb and flow of the economy have all directly impacted on the funding environment. The next section will examine in a little more detail each of the funding sources from which the voluntary and community sector derives its income.

5.2.1 Government

Determining what government spends on the voluntary and community sector has become a much easier task over the years. The advent of the Government Funding Database (<http://www.volcomgrantsni.gov.uk/>) and the publication of the Office for the Third Sector's report into *Central Government Funding to the Voluntary and Community Sector (2007)* have helped shed some light on a very complicated and diverse funding base. Government funding made up 45.4% (£259.1 million) of the sector's total funding in 2006/07. This figure breaks down as follows:

Table 5.3 - Government funding to the voluntary and community sector (2006/07)

	Earned £ million	%	Voluntary £ million	%	Total £ million	%
Central government	14.3	26.5	39.6	73.5	53.9	20.8
Non-departmental public bodies/statutory agencies	149.8	79.6	38.4	20.4	188.2	72.6
Local government	2.6	15.3	14.4	84.7	17.0	6.6
Total	166.7	64.3	92.4	35.7	259.1	100

Collectively government funding continues to be the single largest source of funding for the voluntary and community sector. Within overall government expenditure, non-departmental public bodies and statutory agencies are the biggest funders accounting for 72.6% of the £259.1 million expended by government. As a proportion of total funding the levels of funding from government have increased since 2003/04 (government funding made up 35.1% of total income). This can be attributed to the reduction in the size of some funding sources, such as Europe (Peace II), which has increased the overall proportion of government funding distributed to the sector. There have also been some significant increases in funding from certain agencies and departments.

In the case of **central government departments** the single largest increase in funding was in the Department for Social Development (DSD). In 2003 DSD funding to the voluntary and community sector totalled £8,101,663. Based on information gathered from the Government Funding Database (presented in Table 5.4), funding from DSD in 2006/07 totalled £21,049,110.

Table 5.4 – Central government funding by department (2006/07)^[6]

		%			%
DARD	£239,420	0.4	DOE	£2,923,251	5.4
DCAL ^[§]	£53,707	0.2	DRD	£1,957,597	3.6
DE	£2,073,345	3.8	DSD	£21,049,110	39.0
DEL	£3,626,500	6.7	NIO	£7,157,350	13.3
DETI	£25,834	0.1	OFMDFM	£3,629,483	6.7
DHSSPS	£11,223,529	20.8	Total	£53,959,126	

As can be seen in Table 5.3 **non-departmental public bodies and statutory agencies** are the biggest funders in terms of government funding sources, accounting for 72.6% of all government funding. The estimated £188.2 million which comes from this source is predominantly through the purchasing of goods and services (£149.8 million, 79.6%). Approximately £114.8 million is distributed by health and social services trusts and education and library boards. Although it is not possible to estimate how much of this funding is provided under contracts or service level agreements, evidence from an analysis of the accounts would suggest that it is a significant proportion.

6 Source: Government funding database – personal communication with DSD August 2008. Totals relate to the amount of funding awarded in 2006/07. Where appropriate, funding to district councils, housing associations and other organisations which fall outside the general charities definition used in this report have been excluded (www.volcomgrantsni.gov.uk/).

[§] Excludes funding to sports clubs/associations

For the remaining non-departmental public bodies the estimated funding distributed to the voluntary and community sector is £73,407,128. Of this total the majority comes from the Northern Ireland Housing Executive (NIHE) via the Supporting People⁷ programme. The estimate for Supporting People funding in 2006/07 was approximately £56 million. This represents a significant increase from 2003/04 when funding from the NIHE stood at £39 million and £1 million in 2002/03 (Office for the Third Sector, 2007).

Estimates place the amount of money spent by **local government** on the voluntary and community sector at £17,000,000. As is shown in Table 5.3, 84.7% of this funding is in the form of grants and is characterised by small to medium-sized grants.

5.2.2 Voluntary

Income from other voluntary organisations and charitable trusts is another not insubstantial source of income for the voluntary and community sector. Income from this source, in either the form of grants or the purchasing of goods and services, represents 9.5% of total income (£54 million). This decrease from £60.4 million in 2003/04 can in part be explained by the reduction in some sources of funding particularly from American charitable foundations. As can be seen in Table 5.2, 72.0% of funding from this source is in the form of grants, which tend to be project specific and generally do not cover core costs.

Interestingly there appears to be a developing trend which sees an increase in income derived from the sales of goods and services from voluntary sources. What this suggests is an increase in voluntary and community organisations buying services from other voluntary and community organisations. This is perhaps reflective of the need for organisations to diversify their funding base and adopt a more entrepreneurial attitude towards the delivery of goods and services. In 2003/04 earned income from the voluntary sector made up 19.9% of all income from this source. The latest figures in 2006/07 estimate this has increased to 28.0%. It will be interesting to see if this trend becomes a more pronounced characteristic of the sector's financial landscape over the next few years.

5.2.3 Europe

This section looks exclusively at Peace II and Interreg IIA funding. The change in European funding has perhaps been the most dramatic change in the funding environment since 2003/04. Funding under the Peace II and Interreg IIA programmes in 2006/07 stood at £10.6 million (1.9% of total funding), whereas in 2003/04 European funding was £57.9 million and represented 9.4% of total funding. This dramatic reduction in European funding has accounted for a substantial part of the drop in overall income in 2006/07.

7 Supporting People funds a range of services which provide housing related support to vulnerable people to improve their quality of life and attain independence (http://www.nihe.gov.uk/index/wwu_home/supporting_people-3.htm).

Table 5.5 shows how European funding was broken down in 2006/07.

Table 5.5 – European funding by programme (2006/07)^[8]

	2006/07
Peace II	£9,204,124
Interreg IIA	£1,415,475
Total	£10,619,599
Peace II 2000-2004	£4,716,592
Peace II extension	£4,487,532

The level of dependency upon European funding for the voluntary and community sector has diminished as a result of the relatively small amount of funding from this source now available. Table 5.8 shows that among those organisations in receipt of European funding, only a very small proportion are reliant on it for more than 75% of their total funding (2.1%). However the vast majority of organisations (92.8%) are dependent upon less than 25% of their total funding from Europe. Although difficult to speculate on the true impact of the complete cessation of Peace II funding, it is reasonable to assume that the impact will be significant but ultimately confined to a reduction in staff posts as opposed to the closure of organisations.

8 Data supplied by SEUPB from a download of the CSF Central Database on 30 June 2008. The download contained a list of projects which have incurred expenditure in 2006-07 and which are classified as voluntary and community organisations under the 'Organisation Type' field on the database.

5.2.4 Lottery

As can be seen in Figure 5.2, income from the Lottery since its inception has remained relatively static over the period of analysis for *State of the Sector*. In 2006/07 funding from all the various agencies which distribute Lottery funds totalled an estimated £29 million^[9] (which is equivalent to the amount distributed in 1996/97).

As can be seen in Table 5.8, 92.8% of organisations which receive Lottery funding depend upon it for less than 25% of their total funding base. The level to which organisations depend upon funding from the Lottery is relatively small but it is the type and nature of the organisations that are funded by the Lottery which is the more important feature of funding from this source (see Table 5.9).

5.2.5 Business

Income in the form of grants or sponsorship from the private sector has never been a key source of income for the voluntary and community sector in Northern Ireland. As can be seen in Figure 5.2 funding from the private sector has remained relatively static, ranging between £10 and £12 million per annum. In 2006/07 financial support from the private sector represented 2% of total income (£11.5 million). This compares to £10.4 million in 2003/04 (1.7%) and £12.4 million in 2000/01 (1.8%).

9 The BIG Lottery awarded £22.1 million to voluntary and community organisations in 2006/07. This represents 89% of all funding awarded in 2006/07 (source: personal communication with The BIG Lottery on 08 July 2008).

This analysis only represents the financial contribution made by the private sector and does not take into account other gifts in kind such as employee volunteering schemes or the donation of equipment or expertise.

5.2.6 Internal

Income generated from investments, interest payable from banks and rents from properties have always made up a relatively small proportion of overall total funding for the voluntary and community sector in Northern Ireland. Income of this nature is often impacted upon by wider economic conditions and although there has been a slight increase in the income derived from this source, the impact of the current economic crisis is not reflected in these figures. Internally generated income in 2006/07 was estimated to be £17.1 million (3% of total income) which is an increase from £8.4 million in 2003/04. This increase may be reflective of the relatively benign economic conditions that have existed up to 2008 resulting in relatively high returns from investments.

5.3 Sub-sectoral income profile

As mentioned throughout this chapter there are significant variations in the sources of income depending on which sub-sector an organisation operates within. Table 5.6 presents estimates for the level of funding received by each of the major sub-sectors.

The health and wellbeing sector is the largest sub-sector (in terms of financial size) with an estimated income of £120.2 million in 2006/07. Of this figure 75.6% comes from the general public (this represents the most money donated by the general public to any sub-sector). The sub-sector which receives the most money from government sources is the disability sector, which in 2006/07 received £73.7 million (81.6% of total income for this sub-sector).

Of all the sub-sectors it is perhaps the young people and children's sector which appears to have the most diverse funding base. Estimates suggest that 47.9% (£40.2 million) comes from government, 30.4% (£25.5 million) from the general public and 13.9% (£11.6 million) comes from voluntary and charitable trusts.

Table 5.6 - Sources of income by sub-sector (2006/07)

Sub-sector	Government %	General public %	Europe %	Lottery %	Voluntary %	Total £ million
Advice and information	48.5	8.2	3.8	12.3	27.2	29.3
Arts/cultural/heritage	23.3	37.5	0.0	13.4	25.8	12.0
Community development	31.5	42.2	3.1	11.3	11.9	57.3
Disability	81.6	12.2	1.9	2.2	2.1	90.3
Education/training	83.1	5.8	2.9	2.2	6.0	27.8
Environment/conservation	28.0	70.7	0.0	0.0	1.3	7.5
Health and wellbeing	13.8	75.6	1.2	5.6	3.8	120.2
Housing/homelessness	75.8	22.0	0.4	0.0	1.8	26.4
Older people	74.4	24.8	0.0	0.4	0.4	23.8
Volunteer development	59.6	4.3	0.0	17.0	19.1	9.4
Women	60.6	9.8	9.1	7.6	12.9	13.2
Young people and children	47.9	30.4	2.3	5.5	13.9	84.0
Total (£ million)	242.0	178.8	10.0	28.4	42.0	501.2^[*]

The winding up of the Peace II funding programme has changed the funding landscape for some sub-sectors. For instance, in 2003/04 the community development sub-sector was dependent upon Europe for 21.2% of its funding, this figure is now 3.1%. This represents an 82.5% decrease in funding from Europe since 2003/04 for this sub-sector (£9.7 million in 2003/04 compared with £1.7 million in 2006/07). The women's sub-sector has seen a similar change in the level of funding from European sources. In 2003/04 the women's sub-sector received £2.72 million from Europe (19.5% of total income). This figure has fallen to £1.2 million in 2006/07 which represents 9.1% of the total income for this sub-sector.

Table 5.7 examines the nature of the funding which each of the sub-sectors receives. As mentioned earlier in this chapter, earned income (the sale of goods and services) is not applicable to all organisations and the findings in Table 5.7 support this view. For instance,

[*] Totals do not add up to £570.1 million (overall income for the sector) as some organisations did not classify themselves under any of the sub-sectors in the SOSV questionnaire.

organisations in the disability sector receive 82.5% of their total funding in the form of earned income (the sale of goods and services). Organisations in the housing/homelessness sub-sector also receive significant amounts of funding in the form of earned income (76.3%). Whereas, organisations which are in the older people, volunteer development, community development, arts, advice and information sub-sectors all receive 80% or more of their funding in the form of voluntary income (grants). So despite the overall increase in earned income (sales of goods and services) for the entire voluntary and community sector, this growth (albeit significant) is confined to one or two sub-sectors. On the surface it would appear that the overall trend is a reduction in the dependency on grants in the voluntary and community sector, Table 5.7 however would suggest this is not entirely the case and grants remain an important and widespread form of funding.

Table 5.7 - Nature of income by sub-sector (2006/07)

Sub-sector	% Earned income	% Voluntary Income	Total income £ million
Advice and information	18.0	82.0	29.3
Arts/cultural/heritage	15.7	84.3	12.0
Community development	20.0	80.0	57.3
Disability	82.5	17.5	90.3
Education/training	62.0	38.0	27.8
Environment/conservation	20.9	79.1	7.5
Health and wellbeing	33.5	66.5	120.2
Housing/homelessness	76.3	23.7	26.4
Older people	7.2	92.8	23.8
Volunteer development	7.1	92.9	9.4
Women	34.8	65.2	13.2
Young people and children	55.8	44.2	84.0

5.4 Dependency on sources of funding

Looking at these global figures for income only tells half of the story in relation to how the sector is funded. This next section looks at the levels of dependency that exist in terms of organisations relying on a single source of funding. This is a very pertinent issue in the voluntary and community sector as there is a reduction in the levels of funding available. Problems begin to arise when organisations depend upon a single source of funding for the bulk of their income. This can obviously put the organisation in a very precarious position if the funding ends or the funding programme is reduced (as witnessed with Peace II).

In an attempt to look at this issue in more detail, Table 5.8 examines how dependent or otherwise organisations are on a single source of funding.

Table 5.8 - Dependency profile by income source (%) (2006/07)

	Government	General public	Europe	Lottery	Voluntary
0-25% of total income	47.3	63.6	92.8	92.8	85.2
25-50% of total income	11.9	6.8	2.8	3.8	6.3
50-75% of total income	13.3	7.0	2.3	1.5	4.5
75% plus of total income	27.5	22.5	2.1	1.9	4.0
	100	100	100	100	100

Although this is a somewhat rudimentary analysis (different government sources of funding have not been disaggregated) it does demonstrate the relative dependence of the sector on government funding and donations from the general public. Over a quarter of organisations (27.5%) that receive government funding are dependent on that single source for 75% or more of their income. Among organisations which receive funding from the general public just over one in five (22.5%) rely on this source of income for 75% or more of their total income. At the other extreme is funding from Europe and the Lottery where the level of dependency on each of these sources as part of the organisation's total income is much less. In both cases 92.8% of all organisations which receive funding from these sources are dependent upon these sources for less than 25% of total income. This is reflective of the relatively small size of the overall amounts distributed, the nature of the funding (voluntary rather than earned income) and the relatively small size of awards made.

Table 5.9 takes this analysis one step further and looks at the levels of dependency (over 75% or more of income from one source) by sub-sector. This is an important analysis as it begins to develop our understanding of the effect on different sub-sectors if funding programmes are reduced or stopped altogether.

In relation to levels of dependency upon government sources of funding, over 70% of organisations which receive funding from government and operate in the education/training, environment/conservation and

the housing/homelessness sub-sectors receive 75% or more of their funding from this source. The least reliant sub-sector on government funding is the arts/cultural/heritage sub-sector in which only 19.2% of organisations rely on 75% or more of their income from this source. This is perhaps not surprising since estimates show that government only distributed £2.7 million to organisations in this sub-sector in 2006/07 (23% of total income for this sub-sector). Interestingly Table 5.9 shows relatively high levels of dependency upon what are now small streams of funding. For instance

Table 5.9 - Dependency on sources of income by sub-sector (2006/07)

75-100% of total income	Government %	General public %	Europe %	Lottery %	Voluntary %	Total £ million
Advice and information	40.6	23.8	7.6	-	3.7	29.3
Arts/cultural/heritage	19.2	42.1	-	8.3	-	12.0
Community development	30.7	16.0	19.3	25.0	11.1	57.3
Disability	59.2	29.4	-	-	4.7	90.3
Education/training	70.8	23.5	-	-	6.2	27.8
Environment/conservation	75.0	54.5	-	-	-	7.5
Health and well being	28.0	48.7	-	16.6	4.7	120.2
Housing/homelessness	75.0	25.0	-	-	-	26.4
Older people	27.2	50.0	-	40.0	22.2	23.8
Volunteer development	25.0	-	-	-	33.3	9.4
Women	36.8	17.6	15.3	-	5.8	13.2
Young people and children	44.0	25.6	5.8	-	8.5	84.0

19.3% of organisations in the community development sector which receive funding from Europe are dependent upon this source for 75% or more of their income. Given the winding up of Peace II this could have far reaching consequences for some organisations in this sub-sector.

A similar situation is to be found in the women's sub-sector. In relation to funding from the Lottery, organisations which receive funding from this source in the older people and the community development sub-sectors show relatively high levels of reliance. For example 40.0% of organisations in the older people's sector, which receive Lottery funding, rely on it for over 75% of their total income. The situation in the community development sector is less pronounced but nevertheless 25% of organisations which receive Lottery funding rely on this source for 75% or more of their income. A reduction in any of these smaller funding sources could have far reaching consequences for these organisations in both an operational and strategic context.

Other sources of information on funding to the voluntary and community sector:

Office of the Third Sector publishes reports into central and local government funding to the voluntary and community sector in the UK (www.cabinetoffice.gov.uk/third_sector).

NCVO publishes *The UK Civil Society Almanac* which details funding to the voluntary and community sector throughout the UK (www.ncvo-vol.org.uk).

The **Department for Social Development** maintains the Government Funding Database which lists all government funding to the voluntary and community sector in Northern Ireland (www.volcomgrantsni.gov.uk/).

6. Giving

The data presented in this chapter is taken from the *Northern Ireland Giving Survey 2008* (NICVA, 2008). The survey was conducted in November 2007 and involved a total of 1,008 telephone interviews with a representative sample of the general public. Where it is appropriate direct comparisons have been made with previous research into charitable giving in Northern Ireland.

In 2008 there was a fall in the percentage of individuals who gave to charity but the overall amount donated to voluntary and community organisations increased. In 2008 83.8% of those surveyed had donated in the previous month – down from 2005, when 93.8% of those surveyed had done so. Overall donations increased by 4%, from £310 million in 2005 to £324 million in 2008.

Charitable donations, other than those made in a place of worship, fell by 10% between 2005 and 2008. The overall amount donated fell from £199 million in 2005 to £180 million in 2008. The average monthly donation, excluding those made in a place of worship, is £14.22 compared with £22.69 when religious donations are included.

One of the biggest challenges to fundraisers in the voluntary sector is to encourage planned, long-term donors. Many fundraisers use on-street fundraising to recruit direct debit donors. *The Northern Ireland Giving Survey 2008* found that 18.2% of donors use this method of giving,

a marginal increase from 2005 when 17.1% of individuals used this method of giving.

There is a more widespread use of Gift Aid but there are still large sums of money going unclaimed. In 2008 29.6% of all eligible donations were gift-aided, this is a significant increase from 2005 when 22% of all suitable donations were gift-aided. The increase in donations that are gift-aided is certainly a positive development. However 70.4% donations that qualify to be gift-aided are not. This is an estimated annual loss of £48.2 million to charities in Northern Ireland. This raises a challenge to the sector: what can be done to encourage better use of the gift aid scheme?

Out of all individuals that had made a will only 4.5% had left a bequest for a charitable purpose. Of those individuals who had no will 29.3% may consider making a charitable bequest when making a will and a further 8.2% stated that they would make such a bequest when they made a will.

6.1 Giving in Northern Ireland

The Northern Ireland Giving Survey 2008^[10] (NICVA, 2008) found that 83.8% of respondents surveyed had made a donation in the last four weeks ^[11] (91.0% stated they had made a donation over the last 12 months). These figures represent a decrease since 2005 when 93.8% of individuals stated they had made a charitable donation in the previous four weeks (NICVA, 2005). *The UK Giving Survey 2007* found that 54% of respondents had made a charitable donation in the last four weeks, a decrease from 57% in the previous year.

The Northern Ireland Giving Survey 2008 found a 4% growth in the financial yield of charitable donations compared with 2005 (the estimated value of donations was £310 million in 2005 compared with £324 million in 2008). This would suggest that despite the indication that in the rest of the UK giving is stagnating, giving in Northern Ireland is continuing to grow. However cash donations made in a place of worship have a considerable effect on the picture of giving. When cash donations made in a place of worship are excluded from analysis, it actually reveals that in terms of actual revenue, giving in Northern Ireland declined by 10% between 2005 and 2008 (£199.6 million in 2005 compared with £180.1 million in 2008).

10 A detailed picture of charitable giving in Northern Ireland is available in the *Northern Ireland Giving Survey 2008*, (NICVA, 2008).

11 *The Northern Ireland Giving Survey 2008* was conducted in November 2007.

Table 6.1 examines how much individuals donate to voluntary and community organisations on a monthly basis.

Table 6.1 - Monthly charitable donations

	All donations including those made in a place of worship	All donations excluding those made in a place of worship
Average ^[§]	£22.69	£14.22
Median	£14.00	£10.00

As can be seen in Table 6.1 *the Northern Ireland Giving Survey 2008* found the average monthly donation of donors in Northern Ireland is £22.69. This figure represents the total sum of all donations divided by the number of donors. For this reason this statistic is at risk of being skewed by particularly low and high level donations. In this survey, the lowest monthly donation made by a donor was 20p and the highest monthly donation made was £181.00. The median average monthly donation represents the exact middle donation in the sample. For this reason the median is less sensitive to extreme donations than the mean. The median monthly donation in Northern Ireland is £14.00. This can be compared with 2005 when the average (mean) donation was £12.76 and the median donation was £7.67. These statistics would indicate that individual giving is continuing to increase in Northern Ireland. The actual breakdown of the amounts donated will be discussed later.

[§] This represents the average amount donated if only people who donate are included and not all members of the public

As stated before the average monthly donation made in Northern Ireland is £22.69. However analysis of the data set revealed that cash donations made in a place of worship have a significant impact on the overall picture of giving in Northern Ireland. When donations made in a place of worship are removed from analysis it reveals a very different picture of giving with the average monthly donation substantially lower, as shown in Table 6.2. The exclusion of donations made in a place of worship decreases the average donation by 37.3% to an average (mean) donation of £14.22. The difference between the means of charitable donations when places of worship are included indicates that people who donate in places of worship tend to donate higher amounts. In addition, the higher median indicates that charitable donations in a place of worship generally attract higher average donations.

6.2 Distribution of giving

Analysis of the distribution of giving in Northern Ireland gives more of an insight into giving patterns in Northern Ireland. Table 6.2 illustrates the distribution of giving.

Table 6.2 - Distribution of charitable giving and financial share of all donations (including monthly donations made in places of worship)

	Average donation (£)	% of donors	% share of total donations
1p-£1.00	0.95	3.2	0.1
£1.01-£2.00	1.98	7.8	0.7
£2.01-£5.00	4.25	14.6	2.7
£5.01-£10.00	8.13	16.7	5.9
£10.01-£20.00	15.33	19.6	13.3
£20.01-£50.00	32.79	28.2	40.7
£50.01-£100.00	67.75	7.2	21.6
£100.01 plus	124.52	2.7	15.0

As can be seen in Table 6.2 four out of every ten donations (42.3%) made were £10.00 or less a month, compared with 2005 when 63.6% of all donations made were less than £10.00 a month. Analysis of donors who made donations of over £20.00 a month reveals a changed picture from the previous survey. In 2005, 13.7% of donors made charitable donations of between £20.01 and £50.00 a month. In 2008 the proportion of all donors making a donation of between £20.01 and £50.00 a month has more than doubled to 28.2%.

From Table 6.2 it can be seen that individuals who donate between £20.01 and £50.00 per month account for the largest share of total donations made (40.7%). This is a small increase from 36.1% in 2005. In 2005 only 2.3% of donors made charitable donations over £50.00 (accounting for 15.6% of the total financial share of donations). In 2008 this figure has risen to 9.9% which comprises 36.6% of the total financial share of donations.

On the surface, these figures indicate that there has been a change in giving patterns in Northern Ireland, with a move away from the small change donations, towards larger donations. As is shown in Table 6.2, 77.3% of the total financial share of charitable donations were made by individuals who donate more than £20.00 a month. This represents a significant increase compared with 2005, when 51.6% of the financial share of donations was made by individuals who donated more than £20.00 a month to charity.

Closer examination of the data reveals that charitable donations made in a place of worship have a significant impact on the results. For this reason, Table 6.3 demonstrates the distribution of giving in Northern Ireland excluding donations made in a place of worship.

As can be seen in Table 6.3 removing charitable donations made in a place of worship from the analysis shows that a high percentage of remaining donors donate small amounts with over one third of remaining donors (37.6%) giving £5.00 or less per month. This figure falls to 25.6% when cash donations in places of worship are included in the analysis (see Table 6.3). Over half of all charitable donations (57.3%) made outside of a place of worship in a month are £10.00 or less. This can be compared with 42.3% when charitable donations in a place of worship are included.

The influence of places of worship on

Table 6.3 - Distribution of charitable giving and financial share of all donations (excluding monthly donations made in places of worship)

	Average donation (£)	% of donors	% share of total donations
1p-£1.00	0.97	7.1	0.5
£1.01-£2.00	1.97	11.3	1.6
£2.01-£5.00	4.18	19.2	5.7
£5.01-£10.00	8.53	19.7	11.8
£10.01-£20.00	15.91	20.9	23.4
£20.01-£50.00	29.98	18.5	39.0
£50.01-£100.00	64.54	2.9	13.1
£100.01 plus	146.00	0.4	4.9

charitable giving is particularly apparent when you analyse monthly donations of over £50.00. When charitable donations made in a place of worship are excluded from analysis, it reveals that individuals who donate over £50 per month represent a very small minority of donors in Northern Ireland (3.3%). This represents 18.0% of the financial share of all charitable donations made, whereas including charitable donations made in a place of worship in the analysis of giving reveals that almost one in every ten donors (9.9%) donate £50.00 or more a month to charity, representing over a third (36.3%) of the financial share of charitable donations made.

6.3 Causes

Table 6.4 examines the causes which attract the most donors and the average amounts donated on a monthly basis. Overall there has been an increase in the number of donors making donations to religious charitable causes (a trend witnessed in *The UK Giving Survey 2007* as well, but to a lesser extent). Outside of religious causes the popularity of the other main causes remains constant with health being the second most popular charitable cause, representing 14.4% of all donations. As can be seen in Table 6.4 one in every ten donors (10.0%) did not notice the cause to which they made a charitable donation.

Table 6.4 – Monthly donations made to each charitable cause

	% of all donations	Average donation (£)		% of all donations	Average donation (£)
Religious organisations	20.4	14.33	Older people	3.1	8.78
Health	14.4	10.75	Disabled	2.8	12.49
Children	11.1	9.20	Physical/mental	2.6	11.22
Medical research	10.8	12.34	Human rights	2.5	9.63
Didn't notice	10.0	7.44	Sports/ recreation	1.7	5.44
Disaster	5.9	22.04	Schools	1.2	2.11
Hospitals/ hospices	4.8	9.81	Animal welfare	1.2	12.33
Other	3.4	1.71	Conservation	0.7	3.31
Homeless	3.3	10.38	Arts	0.1	4.60

6.4 Methods of giving

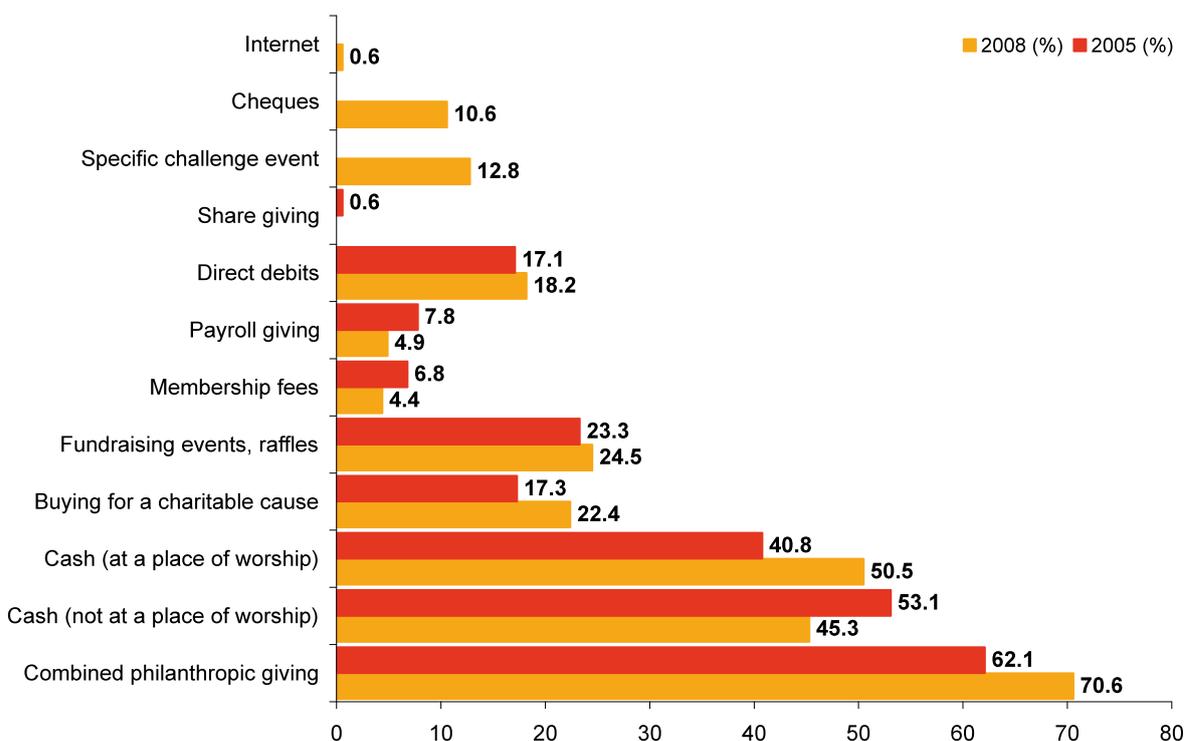
Among the 83.8% of individuals in Northern Ireland who stated they had made a charitable donation over a one month period, there is much variation in the methods by which donations are made.

Figure 6.1 shows that the most popular form of giving in Northern Ireland is combined philanthropic giving^[12] which has witnessed a growth in donors from 62.1% in 2005 to 70.6% in 2008. Both types of philanthropic giving witnessed a growth from 2005. Cash donations made by donors not in a place of

worship increased by 7.8% to 53.1% and donors who made cash donations in a place of worship increased by 9.7% to 50.5%

One of the biggest challenges to fundraisers in the voluntary and community sector is to encourage planned, long-term donors. Many fundraisers use on-street fundraising to recruit direct debit donors. *The Northern Ireland Giving Survey 2008* found that 18.2% of donors use this method of giving, a marginal increase from the previous survey in 2005 where 17.1% of individuals used this method of giving.

Figure 6.1 - Methods of giving used by donors (%)



12 Combined philanthropic giving includes cash donations in a place of worship and cash donations not made in a place of worship.

Payroll giving is an important type of planned giving. *The Northern Ireland Giving Survey 2008* saw a decline in individuals using this form of giving from 7.8% in 2005 to 4.9% of donors in 2008.

6.5 Gift Aid

Gift Aid is a tax relief scheme that was introduced by the government in 2000 to encourage planned giving. The scheme enables organisations (registered with HM Revenue and Customs as charities for tax purposes) to claim back the basic rate of income tax on a donation made by a tax paying donor from HM Revenue and Customs. Gift Aid has provided significant extra financial income for charities and it was estimated to be worth £830 million to UK charities in 2007/2008 (HM Treasury, 2008). The Budget 2007 announced a consultation with the voluntary and community sector on measures to increase take-up of the relief. In response to the consultation the government introduced a package of measures aimed at increasing the uptake of Gift Aid. *The Northern Ireland Giving Survey 2008* found that 29.6% of all eligible donations were gift-aided, a significant increase from 2005 when 22% of all suitable donations were gift-aided. The increase in donations that are gift-aided is certainly a positive development. However seven in every ten donations (70.4%) that qualify to be gift-aided are not. This is an estimated annual loss of £48.2 million to the voluntary and community sector in Northern Ireland if all eligible donations were gift-aided.

The majority of donors surveyed are aware of the Gift Aid scheme, with only 14.5% of donors stating that they were unaware of the scheme. Approximately one third of all donors did not gift-aid their donation(s) because it was not offered by the charity. This raises a challenge to the sector: what can be done to encourage better use of the Gift Aid scheme?

6.6 Legacy giving

Beyond the traditional methods of giving, legacy giving offers donors the opportunity to make a donation in their will. A bequest from a donor's will is one of the more traditional forms of giving to charity and remains a very important one. A donor can leave bequests in two ways, either through residuary bequests or pecuniary bequests. A residuary bequest is one where once family and loved ones have been provided for, the remainder or a proportion of the deceased's estate is pledged to one or more charities. A pecuniary bequest is where the deceased pledges a specific sum of money to a particular charity.

The Northern Ireland Giving Survey 2008 found that 85.7% of individuals surveyed responded to the questions on legacy giving, revealing that 4.5% of these individuals had set up a will where they had left a bequest for a charitable purpose.

Table 6.5 reveals that of the remaining respondents just over half (52.3%) stated they would not set up a charitable bequest. However it is interesting that 29.3% of individuals may consider it when making

Table 6.5 - Would you consider setting up a bequest if and when you make a will?

	% of respondents
Yes	8.2
No	52.3
Don't have a will	10.2
May consider it when making a will	29.3

Base 825

a will and a further 8.2% of individuals stated they would when they are making a will. This indicates that there is potential to develop the pool of legacy givers.

6.7 Motivations for giving

Research carried out on individual giving has revealed that donors often make donations for a mixture of both altruistic and egotistic reasons. The decision to make a charitable donation is often a very personal one.

The Northern Ireland Giving Survey 2008 found that for approximately three quarters of donors (73.5%) the act of donating to charity gives them a sense of fulfilment.

22.2% of all donors make a spontaneous decision to make a charitable donation while 16% of donors donate because they are asked by a charity representative. In addition, a further 14% of donors stated that they made a charitable donation because they were asked by a friend or family member.

The Northern Ireland Giving Survey 2008 also found that approximately seven in every ten individuals (67.5%) continue to make donations because they want to improve things or they feel it is their moral duty to help others. A further 18.8% of donors continue to make donations because the cause is important to them.

While it is very important to understand why people make donations it is equally important to consider why individuals do not. 14.6% of all individuals surveyed did not make a charitable donation, with over half of all these individuals (57.6%) stating they have never thought about it. This may suggest that there is a proportion of people that may consider giving to a charitable cause if they were asked in the correct way. The second most common reason for an individual not making a charitable donation is an inability to afford it.

6.8 Attitudes towards giving

As the sector relies on the general public for 31.6% of its income, it is important for organisations to have some understanding of attitudes of the general public towards the voluntary and community sector and its fundraising activities. In the *Northern Ireland Giving Survey 2008*:

- 77.0% of respondents to *the Northern Ireland Giving Survey 2008* believed it is very important or important that people in Northern Ireland benefit from a charitable donation.

- 54.1% of respondents felt they are either very well informed or reasonably well informed about how charitable donations are spent. Three in every ten respondents (31.9%) were either not sure or did not feel well informed about how charitable donations are spent.
- Two thirds of respondents were very or fairly confident (66.6%) about the management and regulation of charities in Northern Ireland.
- Approximately one in every five respondents (19.0%) knew where to report a fraudulent charity.
- Over half of respondents (54.3%) believed there are adequate controls over fundraising activities in Northern Ireland.

Other sources of information on charitable giving:

The Centre for Charitable Giving and Philanthropy aims to build a better understanding of charitable giving and philanthropy for donors, charities and policy-makers. The Centre aims to promote the strategic role of philanthropy in meeting today's social needs (www.cass.city.ac.uk/philanthropy/index.html).

NCVO in conjunction with the Charities Aid Foundation, publishes the *UK Giving Survey 2008* which is an annual publication providing an overview of the latest estimates and long-term trends in individual charitable giving (www.ncvo-vol.org.uk).

nfp Synergy produces a wide range of reports into attitudes towards charitable giving in the UK (www.nfpsynergy.net).

7. Expenditure

This chapter looks at the voluntary and community sector's total expenditure. The data is for the financial year 2006/07, the latest available. The data presented in this chapter is made up of estimates based on the analysis of 530 sets of accounts. Where possible, comparisons have been made with previous years.

Voluntary and community organisations spent an estimated £544.4 million in 2006/07. This figure is 95.4% of total income for the voluntary and community sector in 2006/07. There has been little fluctuation over the years in the amount of money spent by organisations as a proportion of overall income. This evidence suggests there is very little spare capacity in the sector in terms of generating reserves. However the rise in income derived from earned income (as reported in Chapter 5) means there is greater flexibility for organisations to generate modest reserves.

The amount of money organisations spend on generating funds has increased since 2003/04. The costs associated with generating funds represent 3.7% of total expenditure (£20.2 million). This is an increase from 2003/04 when £10.76 million (1.8% of total expenditure) was attributed to the cost of generating funds. This could be as a consequence of falling income which gives rise to increased competition for funding and may result in organisations putting more effort and money into applying for funding, promoting fundraising campaigns or developing tradable activities.

The amount spent on generating funds varies greatly across different sub-sectors. The sub-sector with the highest proportion of expenditure going towards generating funds is the health and wellbeing sub-sector with 10.6% of total expenditure in this sub-sector spent on generating funds. This is as a consequence of this sub-sector receiving 75.6% of its total income (£90.8 million) from the general public which necessitates the expenditure of considerable sums on fundraising and publicity.

Expenditure on training for staff in the voluntary and community sector continues to fall. In 2006/07 estimates based on the accounts of 530 organisations suggest that £3.6 million was spent on training staff (0.7% of total expenditure). The level of expenditure on training has fallen from 2003/04 when £5.2 million was spent on training (0.9% of total expenditure).

Over the next 12 months 46.3% of organisations believe that they will increase their expenditure. Nearly one in three believes that expenditure will remain unchanged, while 12% believe that it will decrease within the next year.

Expenditure is often believed to be a better indicator of the health of voluntary and community organisations than the more unpredictable flows in income. The other reason expenditure is a good barometer of the economic size of the sector is that it is arguably subject to more scrutiny than the incoming resources discussed previously.

The analysis of expenditure uses the SORP^[13] expenditure headings that are required in the accounts of voluntary and community organisations. SORP 2005 amended how management and administration costs were recorded and introduced a section for governance costs^[14]. Therefore direct comparison with previous *State of the Sector* reports is only possible at a global level.

However, a number of sub-categories in the accounts have been extracted to provide a more detailed overview of expenditure. These categories include areas such as training, insurance costs, depreciation, audit and professional fees and staff costs.

7.1 Expenditure profile

It is estimated that the annual gross expenditure of the voluntary and community sector in Northern Ireland for the financial year 2006/07 was £544.4 million. This

13 A SORP is a Statement of Recommended Practice. SORPs provide recommendations for accounting and reporting, in particular, how accounting standards should be applied in the context of particular sectors and how to account for sector specific transactions.

14 Governance costs include the cost of governance arrangements which relate to the general running of the charity as opposed to direct management functions, inherent in generating funds, service delivery and programme or project work (www.charitycommission.gov.uk).

Table 7.1 - Breakdown of overall expenditure (2006/07)

	Expenditure £ million	%
Cost of generating funds	20.3	3.7
Charitable activities	467.6	85.9
Governance costs	11.4	2.2
Support costs	29.6	5.4
Grants and donations	14.3	2.6
Other	1.2	0.2
Total	544.4	100
% of expenditure	95.4	

equates to 95.4% of total income.

As can be seen in Table 7.1 the single largest item of expenditure relates to the charitable activities of voluntary and community organisations (86.9%). Changes to the SORP have meant that direct comparison with 2003/04 is not possible. The next most significant item of expenditure is on the cost of generating funds. This represents 3.7% of total expenditure and shows all the funds spent by organisations to generate resources. This is an increase from 2003/04 when £10.76 million (1.8% of total expenditure) was attributed to the cost of generating funds. This does not however suggest that organisations are now spending more on generating income than ever before. It may be as a consequence of a number of issues such as better reporting or a wider application of the SORP across the sector.

That aside, the evidence presented in Chapter 5 would suggest that as income falls, competition for funding increases and therefore organisations need to put more effort into applying for funding, promoting fundraising campaigns or developing tradable activities. In the final analysis it is difficult to state with any confidence why the costs of generating funds have increased.

One area where there has been a significant decrease is in the levels of money spent on grant giving. In 2003/04 organisations distributed £30 million (5.1% of total expenditure) compared with £13.7 million in 2006/07 (2.6% of total expenditure). This fall in grants and donations made by voluntary and community organisations is partly reflected in the overall decline of income from voluntary organisations and charitable trusts. However the figure of grants and donations made by voluntary and community organisations does not correspond with the level of income reported in Chapter 5. This apparent lack of correlation between the income and expenditure figures in relation to grant giving is explained by the fact that the analysis for this chapter focused only on organisations based in Northern Ireland and as such does not take into account the high number of UK and international trusts and foundations that fund activities in Northern Ireland.

As mentioned in the introduction to this chapter the analysis conducted to estimate overall expenditure also examined some sub-categories of what organisations spend their money on.

The following categories were examined:

- **Staff costs** – includes salaries for paid staff and associated costs such as pensions and National Insurance contributions.
- **Interest/bank payments** – this category attempts to determine how much money voluntary and community organisations spend on bank charges and interest payments.
- **Audit and professional fees** – this category looks at the amount of money spent by voluntary and community organisations on conducting audits and on fulfilling other financial and legal requirements.
- **Depreciation** – relates to expenditure associated with the depreciation of capital assets.
- **Training** – covers the amount spent by organisations on providing staff training and development.
- **Insurance** – is the amount spent by voluntary and community organisations to ensure the activities they undertake are adequately covered.

As is shown in Table 7.2 the categories included in this analysis, with the exception of staff costs and depreciation, are all relatively small components of overall expenditure. It should be noted that these figures should be viewed with some caution as not all the sets of accounts analysed directly reported these categories.

Table 7.2 - Expenditure by sub-category

	Expenditure £ million	%
Staff costs	£280.4	51.5
Interest/bank payments	£0.8	0.1
Audit and professional fees	£1.3	0.2
Depreciation	£9.8	1.8
Training	£3.6	0.7
Insurance	£1.9	0.3
Total expenditure	£544.4	

As can be seen in Table 7.2 expenditure on employing staff in the voluntary and community sector totalled £280.4 million in 2006/07 (51.5% of total expenditure). This represents a decrease from £312.3 million (52.9% of total expenditure) in 2003/04. As is shown in Chapter 9 the number of individuals employed in the voluntary and community sector has fallen and this is reflected in the decrease in overall staff costs.

One area of interest is the amount of money spent on staff training. In Chapter 9 the average size of training budgets is discussed. It was estimated that the average annual training budget in voluntary and community organisations is approximately £4,258. This equates to an average of £145 per employee^[15]. As shown in Table 7.2, £3.6 million in 2006/07 was spent on training staff (0.7% of total expenditure). As mentioned before this figure should be treated with some caution

as not all the sets of accounts analysed for this report listed staff training as a heading. Nevertheless the figures in Table 7.2 and Chapter 9 would point to a very low level of expenditure in relation to staff training. The level of expenditure has fallen from 2003/04 when £5.2 million was spent on training (0.9% of total expenditure). It has been widely reported and commented upon that when funding becomes more competitive and efficiencies have to be sought it is often the training budget that is the first to suffer. The analysis presented here would suggest that we are seeing this trend developing.

Despite a reduction in the overall level of expenditure in the sector, when organisations were asked to predict future levels of expenditure a more positive view was articulated. According to the *State of the Sector V* survey over the next 12 months 46.3% of organisations believed expenditure will increase. Nearly one in three believed that expenditure will remain unchanged while 12% believed that it will decrease within the next year. This is of course a generalised view of how much money organisations are planning to spend over the next 12 months but it nevertheless gives an idea of the confidence, or otherwise, organisations have in their future.

As would be expected there is a variation across the voluntary and community sector in relation to how much organisations spend and what they spend their money on. Table 7.3 examines expenditure levels for each of the main sub-sectors.

As can be seen in Table 7.3, the level of expenditure as a percentage of total income varies

Table 7.3 - Expenditure by sub-sector (2006/07)

Sub-sector	Expenditure £ million	%	% of income	% charitable activities	% cost of generating funds	% staff costs
Advice and information	30.0	6.3	102.5	85.8	0.7	51.5
Arts/cultural/heritage	11.4	2.4	94.8	82.4	6.5	38.4
Community development	57.2	12.0	99.8	76.2	3.1	33.7
Disability	86.7	18.2	96.0	96.3	0.6	68.8
Education/training	25.6	5.4	92.0	81.0	1.0	57.2
Environment/conservation	6.4	1.3	85.1	87.1	3.2	36.1
Health and wellbeing	114.8	24.1	95.5	78.2	10.6	37.6
Housing/homelessness	25.7	5.4	97.2	92.7	3.0	45.8
Older people	23.0	4.8	96.7	91.3	4.2	53.4
Volunteer development	9.8	2.0	104.1	34.1	0.8	30.1
Women	12.3	2.6	93.4	94.3	0.4	55.4
Young people and children	74.0	15.5	88.0	87.8	1.5	47.7
Total (£ million)	476.9	100	95.4	85.9	3.7	51.5

quite a lot across each of the sub-sectors. For instance, there are two sub-sectors (advice and information and volunteer development) where expenditure exceeds total income. It should be noted that the analysis of expenditure and income does not take into account movement of funds from reserves, etc, so although it looks like organisations are running at a deficit, it may not actually be the case. It is also worth noting that organisations in both these sub-sectors are very reliant on voluntary income (82.0% and 92.9% of income respectively

is in the form of grants) and this could be a contributing factor to expenditure exceeding income.

Another area of expenditure that exhibits signs of significant variation is in relation to the costs associated with generating funds. The sub-sector with the highest proportion of expenditure going towards the costs of generating funds is the health and wellbeing sub-sector. As can be seen in Table 7.3, 10.6% of total expenditure (£12.2 million) is spent on generating funds. This figure

seems disproportionate compared with the other sub-sectors but a few factors have to be taken into consideration. For instance, the health and wellbeing sub-sector receives 75.6% of its total income (£90.8 million) from the general public and therefore organisations in this sub-sector have to spend considerable sums of money on fundraising and publicity. Another sub-sector which reports relatively high levels of expenditure in relation to generating funds is the arts/cultural/heritage sub-sector. Organisations in this sub-sector spend an estimated 6.5% of total expenditure on generating funds which could be a result of the costs of administering events or producing materials as part of wider fundraising activities.

Finally, Table 7.3 examines the percentage of total income spent on staff costs. The sub-sector with the highest staff costs is the disability sub-sector where 68.8% of total expenditure goes towards salaries, national insurance and pension contributions. The disability sector is also the largest employer in the voluntary and community sector and accounts for 21.3% of the voluntary and community sector's overall workforce (see Chapter 9). Organisations in the disability sub-sector also receive 82.5% of their income in the form of earned income (sales of goods and services) which is often unrestricted which gives the organisation more flexibility as to how the funds are spent and allows them to direct funds to areas deemed most appropriate by the organisation to deliver a service. Interestingly there are a number of sub-sectors that display relatively low levels of

expenditure on staff costs. The sub-sectors with the lowest expenditure on staff costs are volunteer development (30.1% of total expenditure), community development (33.7% of total expenditure) and environment/conservation (36.1% of total expenditure). All these sectors have a few things in common, they rely on substantial amounts of their funding in the form of voluntary income (92.9%, 80.0% and 79.1% respectively) and each sub-sector has a relatively low proportion of total staff. For instance, the community development sub-sector accounts for 27.0% of all organisations in the voluntary and community sector but these organisations employ only 10.2% of the sector's overall workforce. Therefore organisations in this sub-sector are small in terms of the number of staff and therefore the salary bill is relatively low. Organisations in these sub-sectors also have an income base that is almost entirely grant based, therefore generally restricted in nature, so the scope to pay salaries that have not already been negotiated with the funder may be limited.

This is a generalisation but the analysis in this chapter points to a clear link between levels of expenditure, the nature and type of funding an organisation receives and the activities it undertakes.

8. Assets

This chapter looks at the voluntary and community sector's total assets and liabilities. The data is for the financial year 2006/07, the latest available. The data presented in this chapter is made up of estimates based on the analysis of 530 sets of accounts. Where possible, comparisons have been made with previous years.

Assets held by voluntary and community organisations in 2006/07 totalled £737.5 million, a decrease of 2.4% since 2003/04. The level of debt (liabilities) held by the voluntary and community sector in 2006/07 was estimated to be £214.7 million, an increase of 11.3% since 2003/04.

The amount of cash (in a bank or in hand) held by voluntary and community organisations decreased by 7.5% between 2003/04 and 2006/07. Such decreases in the sector's current asset base could affect future liquidity if the trend of a shrinking and more competitive funding environment coupled with rising levels of debt continues.

As the value of assets held by organisations falls, the level of debt accrued by organisations increased. However there has been a turn around in the levels of short-term and long-term debt. For instance in 2006/07, 56.8% of creditors were payment due within one year (money owed and due within a year), compared with 46.8% in 2003/04.

The majority of funds held by organisations are unrestricted in nature (67.2%) which means that organisations in times of financial difficulty can use these funds to cover any shortfalls and continue to operate for a specified period of time. Organisations with an income of over £1 million per annum hold the bulk of funds in the voluntary and community sector, with 69.5% of all funds being held by just 4% of all organisations.

Just over one third of all organisations with an income of over £1 million per annum do not have a reserves policy. As the size of the organisation increases the likelihood also increases that they will have a reserves policy clearly set out in their accounts.

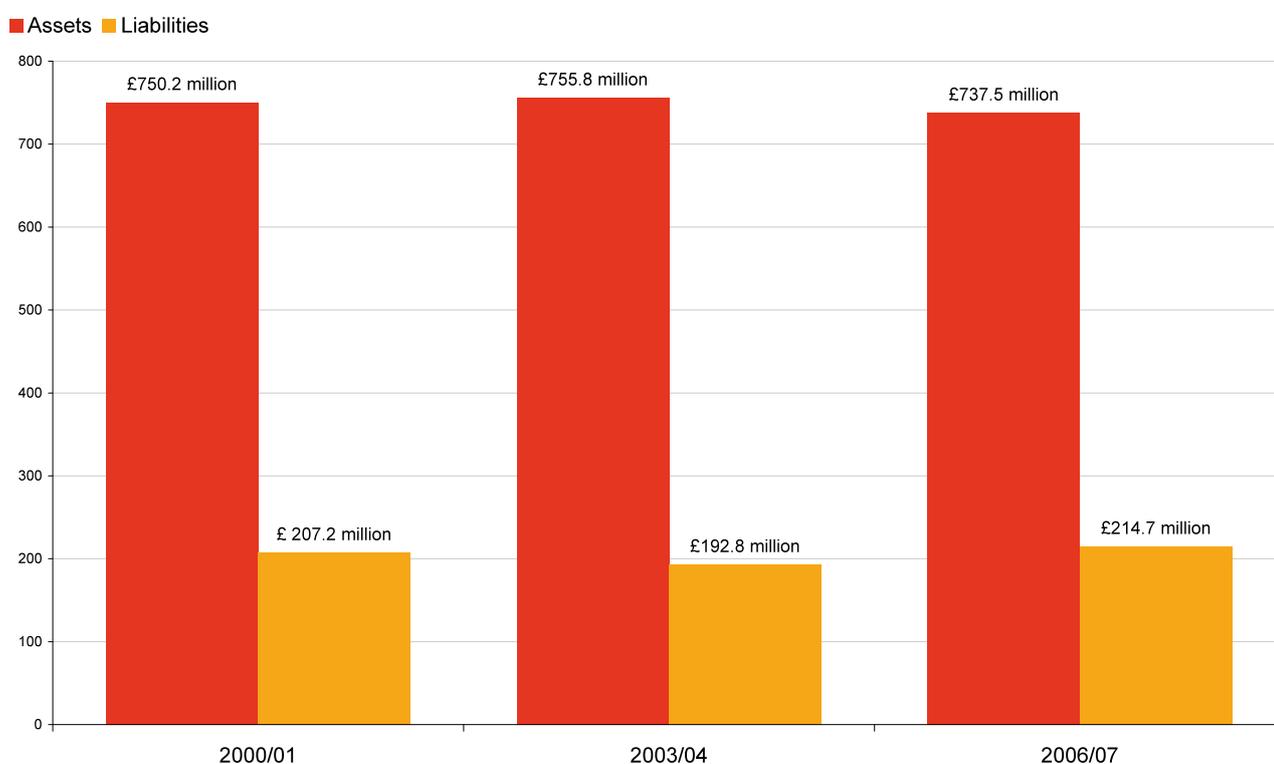
The development of an asset base, whether in the form of buildings or investments, is fundamental to the long term viability of many voluntary and community organisations. Set against a decreasing and less diverse funding base and wider economic instability, the need for a strong asset base has never been greater.

This chapter provides a summary analysis of assets and liabilities. However, as has been mentioned in Chapter 7, the application of SORP across the sector has meant there is still some variation in how accounts are presented therefore making comparison only possible at a global level.

8.1 Asset profile

The total assets of voluntary and community organisations in 2006/07 were an estimated £737.5 million, a decrease of 2.4% since 2003/04. The level of debt (liabilities) in the sector for 2006/07 was estimated to be £214.7 million, an increase of 11.3% since 2003/04.

Figure 8.1 - Assets and liabilities between 2000/01 and 2006/07



As can be seen in Figure 8.1 there has been relatively little variation in the asset base of the voluntary and community sector since 2000/01. However, these headline figures do not show the full picture in terms of the types of assets held by organisations, the nature of the debt and total funds available to organisations.

Table 8.1 below shows in more detail the overall figures for assets and liabilities for the voluntary and community sector.

Table 8.1 - Breakdown of assets (2006/07 and 2003/04)

	2006/07 £ million	%	2003/04 £ million	%	% change
Fixed assets ^[*]	382.3	51.8	388.1	51.3	-1.4
Cash	183.1	24.8	198.1	26.2	-7.5
Investments	80.4	10.9	82.4	10.9	-2.4
Debtors	80.9	11.0	77.8	10.3	3.9
Stock	2.9	0.4	7.3	1.0	-60.2
Other	7.9	1.1	2.1	0.3	276.1
Total current assets ^[§]	355.3		367.7		-3.3
Total assets	737.5		755.8		-2.4
Creditors (within 1 year)	121.9		90.2		35.1
Net current assets	233.4		277.5		-15.8
Total assets less current liabilities	615.7		665.6		-7.4
Creditors (outside 1 year)	92.8		102.6		-9.5
Net total assets	522.8		563.0		-7.1

As can be seen in Table 8.1 there has been a 2.4% decrease in the total assets of the voluntary and community sector between 2003/04 and 2006/07. Underpinning this decrease are some developments that could have future implications for the sector. For instance, the amount of cash held in a bank or in hand by voluntary and community organisations decreased by 7.5% between 2003/04 and 2006/07. Such decreases in the sector's current asset base could affect future liquidity^[16] if the trend of a shrinking and more competitive funding environment coupled with rising levels of debt continues.

16 Money, or cash in hand, is the most liquid asset.

[*] Fixed assets are assets which continue to be of value to the organisation year after year. They are made up of tangible fixed assets (such as office furniture and equipment, including computers and cars), buildings and investments.

[§] Current assets are available to organisations to be spent in the near future. They include short-term deposits, cash at the bank and in hand and debtors.

Table 8.2 - Breakdown of assets by income band (2006/07)

	Fixed assets £ million	%	Current assets £ million	%	Total assets £ million	%
<£1,000	0.0	0.0	0.1	100	0.1	0.0
£1,001-£10,000	2.6	90.7	0.3	9.3	2.9	0.4
£10,001-£100,000	42.5	61.4	26.8	38.6	69.3	9.4
£100,001-£250,000	47.0	48.2	50.6	51.8	97.6	13.2
£250,001-£500,000	112.7	63.7	64.2	36.3	176.9	24.0
£500,001-£1 million	25.1	49.3	25.8	50.7	50.9	6.9
> £1 million	152.4	44.9	187.4	55.1	339.8	46.1
Total	382.3	51.8	355.2	48.2	737.5	100

As can be seen in Table 8.2 the sector's assets are held by a relatively small number of organisations, predominantly organisations with an income of £1 million per annum (46.1% of all assets are held by just 3.9% of all organisations – see Chapter 5).

8.2 Liabilities

A liability is a financial claim on an organisation's assets. For the purposes of this report liabilities have been sub-divided into two categories: short-term liabilities (payments due within one year) and long-term liabilities (payment due after one year). Liabilities can be further broken down into creditors and accruals (loans, prepayments, income tax and other paid expenses), deferred income (monies received in the current financial year) and other liabilities (loans on secured assets, trade creditors, bank overdrafts and accrued changes). The estimated level of liabilities in the

voluntary and community sector in 2006/07 was £214.7 million. This compares to £192.8 million in 2003/04. As the value of assets held by organisations falls, the level of debt accrued by organisations has increased. However as can be seen in Table 8.3, there has been a shift in the levels of short-term and long-term debt with short term debt increasing and long term debt decreasing. For instance in 2006/07, 56.8% of creditors were due payment within one year, compared with 46.8% in 2003/04 (NICVA, 2005).

As is shown in Table 8.3 there is very little variation in the nature of the debt held by organisations. Across all income bands organisations are more likely to have short-term debt (with the exception of organisations in the £10,001-£100,000 income band). Despite the higher levels of debt, organisations are generally not exposed to as much long-term

Table 8.3 - Liabilities by income band (2006/07)

	Creditors due within one year £ million	%	Creditors due after one year £ million	%	Total liabilities £ million	%
<£1,000	-		-		-	-
£1,001-£10,000	-	-	0.7	100	0.7	0.3
£10,001-£100,000	2.7	31.5	6.0	68.5	8.7	4.1
£100,001-£250,000	12.5	59.2	8.5	40.8	21.0	9.8
£250,001-£500,000	25.9	71.0	10.6	29.0	36.5	17.0
£500,001-£1 million	13.2	68.1	6.2	31.9	19.4	9.0
> £1 million	67.6	52.7	60.8	47.3	128.4	59.8
Total	121.9	56.8	92.8	43.2	214.7	100.0

risk. However as the value of assets falls and liquidity within organisations is compromised, this positive outlook associated with the sector's debt profile may be negated. It is too early to speculate on the risks organisations may be exposed to in terms of debt but set against the wider financial environment in the sector, there is perhaps some cause for concern. For instance, organisations which lack the financial knowledge or the funds to pay for financial advice, could face difficult times in trying to service any debts they may have. Organisations may also be at greater risk as they do not have the income (which is reducing as discussed in Chapter 5) that enables them to service any debt that they may accrue.

8.3 Funds

This section looks at the total estimated funds available to voluntary and community sector organisations in 2006/07. There is no comparison with 2003/04 as this analysis was not carried out for that period. There are two types of funds that have been analysed in Table 8.4:

Unrestricted – these are funds which are available for the organisation to use to further its objects as set out in its governing document. The organisation may allocate part of its unrestricted funds to be used for specific projects in the future; such sums are described as 'designated funds'.

Restricted – these funds are subject to specific stipulations as laid down by the donor or funder. An organisation has no authority to expend these monies for any other purpose. These funds usually relate to

Table 8.4 - Breakdown of funds by income band (2006/07)

	Unrestricted funds £ million	%	Restricted funds £ million	%	Total funds £ million	%
<£1,000	-	-	-	-	-	-
£1,001-£10,000	0.4	100	-	-	0.4	0.1
£10,001-£100,000	17.1	72.1	6.6	27.9	23.7	3.6
£100,001-£250,000	32.4	73.6	11.6	26.4	44.0	6.7
£250,001-£500,000	36.6	41.4	51.8	58.6	88.4	13.4
£500,001-£1 million	24.1	54.2	20.4	45.8	44.5	6.8
> £1 million	332.3	72.7	124.8	27.3	457.1	69.5
Total	442.9	67.3	215.2	32.7	658.1	100

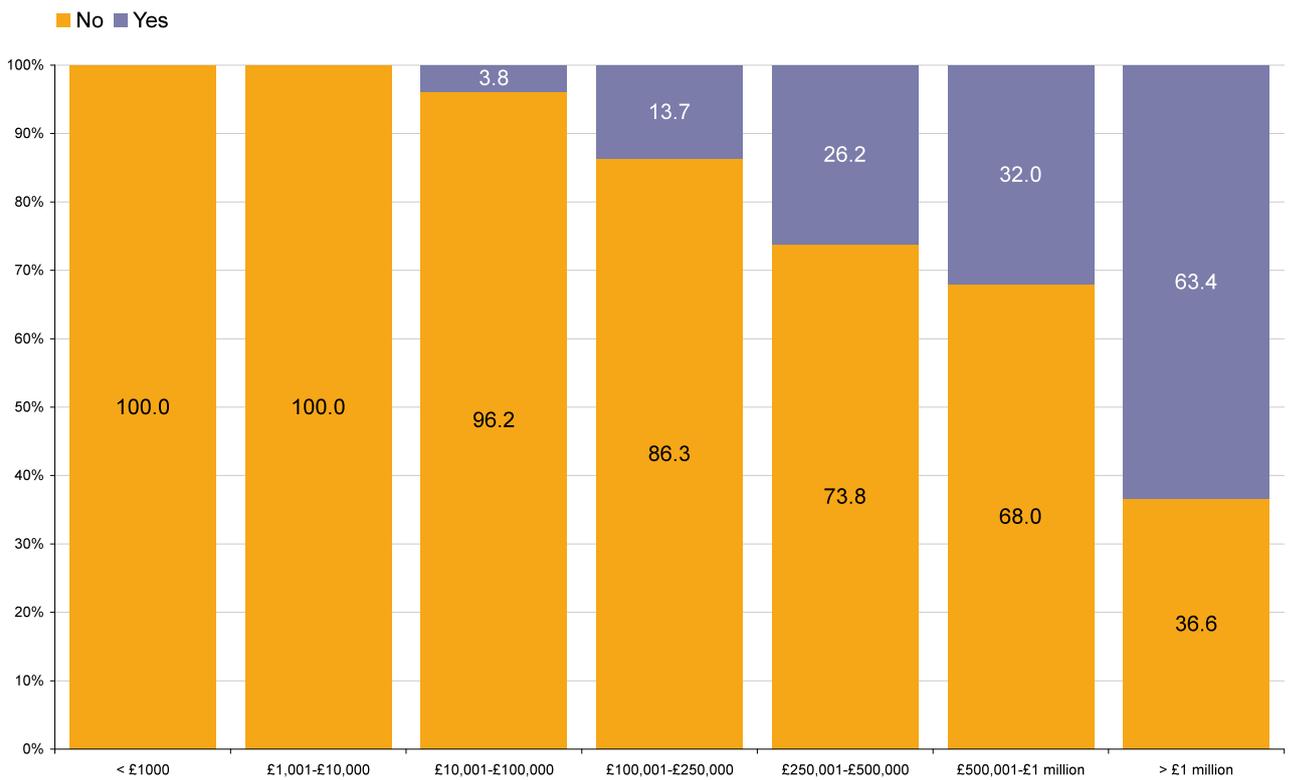
specific grant funding received in advance or gifts with restrictions attached.

As can be seen in Table 8.4 the majority of funds held by organisations are unrestricted in nature (67.3%) which means that organisations in times of financial difficulty can use these funds to cover any shortfalls and continue to operate for a specified period of time. Organisations with an income of over £1 million per annum hold the bulk of the funds in the voluntary and community sector, with 69.5% of all funds being held by just 3.9% of all organisations.

However, the organisations may have the funds but based on the analysis of the accounts of voluntary and community organisations, very few have a clearly articulated reserves policy which stipulates the level of funds required to maintain the operations of the organisation for a specified length of time.

It can be clearly seen in Figure 8.2 that as the size of the organisation increases the likelihood also increases that the organisation will have a reserves policy clearly set out in its accounts. However, based on the analysis of the accounts of organisations with an income of more than £1 million per annum, 36.6% do not appear to have a reserves policy. Given the sums of money and staff involved in organisations of this size, the absence of a clearly defined reserves policy is the source of some concern and would point to the need for better risk management and financial planning structures to be put in place. A reserves policy is important to show donors, funders etc that the level of reserves held is justified and based on a realistic assessment of the organisation's needs. Although Figure 8.2 shows the percentage of organisations which have a reserves policy, it does not show whether the organisation has sufficient levels of reserves, regardless of the existence or otherwise of a reserves policy.

Figure 8.2 - Reserves policy by income band (2006/07)



9. Workforce

The data presented in this chapter illustrates the size and characteristics of the workforce in the voluntary and community sector in Northern Ireland. Where it is appropriate direct comparisons have been made with previous *State of the Sector* reports. The data presented in this section is based on information received from organisations in relation to this research and other research completed by NICVA over the past three years.

There has been a decrease in the number of staff employed in the voluntary and community sector in Northern Ireland. The sector now employs an estimated 26,737 individuals (this represents 3.7% of the total Northern Ireland workforce) compared with 28,932 in 2005. This decrease could be attributed to the reduced levels of funding available to the sector (ie the reduction in Peace II funding). Nevertheless the sector still employs more individuals than in the financial intermediation sector, agriculture, hunting, forestry and fishing sector and the electricity, gas and water supply sector.

The predominance of females in the workforce continues to be a feature of the voluntary and community sector. Seven out of ten employees are female (74.7%). This is slightly higher than the female composition in the public sector where 64.7% of employees are female, however it is significantly higher than the private sector where less than half of employees are female (45.2%). Although

females dominate the overall workforce, almost two out of every three chief executives in the Northern Ireland voluntary and community sector are male.

Just over half of the entire voluntary and community sector's workforce (52.6%) is employed by organisations with an income of £1 million plus.

However there has been a 16.9% decrease in the estimated number of employees who work for organisations in this income band since 2005.

42.6% of employees work in organisations that fall either within the disability or young people and children sub-sectors (both sub-sectors have 21.3% of the overall workforce). An estimated 12.9% of employees fall within the health and wellbeing sub-sector, while 10.2% of employees work in the community development sector.

26.6% of organisations stated that they intend to increase their staff levels over the next 12 months. Over half of respondents (55.0%) believe that staff numbers will remain static while 5.6% believe that staff numbers will decrease. Despite this positive assessment, many organisations in the sector report that they have often faced challenges in relation to recruiting new staff.

9.1 Workforce profile

The voluntary and community sector is an important employer in Northern Ireland. The latest estimate is that the sector employs 26,737 individuals. This figure represents 3.7% of the total Northern Ireland workforce¹⁷. This is a decrease of 7.6% since 2005 when it was estimated that 28,932 staff were employed in the sector.

Table 9.1 - Breakdown of paid workforce in the sector

	Full-time	%	Part-time	%	Total	%
Males	5,073	75.0	1,692	25.0	6,765	25.3
Females	11,124	55.7	8,848	44.3	19,972	74.7
Overall	16,197	60.5	10,540	39.5	26,737	100

As can be seen in Table 9.1 the workforce in the voluntary and community sector in Northern Ireland is predominantly female, with nearly three quarters of all employees being female (74.7%). Proportionally more males have full-time posts than females (75.0% of males work full time, whereas 55.7% of females work full-time).

Table 9.2 - Breakdown of paid workforce by income band

	2008	%	2005	%
<£1,000	-	-	-	-
£1,001- £10,000	97	0.4	203	0.7
£10,001-£100,000	2,945	11.0	1,591	5.5
£100,001-£250,000	3,313	12.4	2,054	7.1
£250,001-£500,000	3,665	13.7	2,893	10.0
£500,001-£1 million	2,635	9.9	5,237	18.1
£1 million plus	14,082	52.6	16,954	58.6
Total	26,737	100	28,932	100

Table 9.2 demonstrates that more than half of the sector's workforce (52.6%) continues to be employed in organisations with an income of more than £1 million. However there has been a 16.9% decrease in the estimated number of employees who work for organisations in this income bracket since 2005 (16,954 employees in 2005 compared with 14,082 in 2008). This decrease could be attributed to the end of funding streams such as Peace II which ran from 2000 to 2004.

Overall the distribution of paid staff is consistent with the distribution of income. However there have been some changes in the division of employees within the different income brackets. For example in 2005, 5.5% of employees worked in organisations with an income of between £10,001 and £100,000. In 2008 this increased to 11.0%. A similar trend can be seen when looking at the £100,001 to £250,000 and £250,001 to £500,000 income brackets where the percentage of overall employees has increased since 2005. These findings are consistent with the changes that were witnessed in the overall economic profile of the sector since the number of organisations in these income brackets also increased.

Table 9.3 - Concentration of employees

	Count of organisations	%
1-5 employees	664	56.2
6-10 employees	228	19.3
11-15 employees	99	8.4
16-20 employees	53	4.5
21-25 employees	28	2.3
26 or more employees	110	9.3
Total	1,182	100

Base: 1,182

Table 9.3 shows that the majority of voluntary and community sector organisations employ a relatively small number of people. This has obvious

implications in terms of employment policies and providing sufficient support and development opportunities for staff. At the other end of the scale are those organisations which employ 26 or more employees. These account for almost one in ten organisations in the voluntary and community sector (9.3%). Based on the results of the *State of the Sector V* survey the single largest employer in the voluntary and community sector has a workforce of 1,000 individuals. Obviously such large employers face a number of different challenges in terms of increased administration and human resource provision compared with small employers.

Table 9.4 looks at the breakdown of employees by different sub-sector. One fifth (21.3%) of employees work in the young people and children sub-sector which is an estimated 5,399 staff. A further 5,420 individuals are employed in the disability sub-sector. A significant number of individuals are also employed in the community development (2,597 individuals) and health and wellbeing (3,286 individuals) sub-sectors.

Examining the number of female and part-time workers in each of the sub-sectors reveals considerable variations. As perhaps would be expected the women's sub-sector is almost entirely made up of female employees (97.5%). The older people's sub-sector also displays a similar gender composition with 90.0% of employees being females. At the other end of the scale the environment/conservation sub-sector is approximately 50:50 in terms of male and

Table 9.4 - Workforce profile by sub-sectors

	Paid workforce	%	% female	% part-time
Advice and information	1,382	5.4	69.1	25.2
Arts/cultural/heritage	502	2.0	59.8	44.0
Community development	2,597	10.2	69.7	46.7
Disability	5,420	21.3	72.3	32.7
Education/training	2,085	8.2	72.2	32.9
Environment/conservation	1,196	4.7	49.1	44.0
Health and wellbeing	3,286	12.9	83.5	52.4
Housing/homelessness	1,139	4.5	61.4	15.3
Older people	1,514	6.0	90.0	54.3
Volunteer development	130	0.5	80.5	23.3
Women	752	3.0	97.5	44.4
Young people and children	5,399	21.3	77.4	46.3
Total [*]	25,402	100	74.7	39.5

female employees (49.1% are females). Such differences can be attributed to the nature of the beneficiaries of these organisations and the type of work undertaken.

There are also variations in the number of part-time staff employed across each of the sub-sectors. The sub-sector with the highest proportion of part-time workers is the older people's sub-sector (54.3%) which also has a very high proportion of female staff. The health and wellbeing sub-sector also has a significant number of part-time staff with 52.4% of all employees being employed on a part-time basis. The

sub-sector with the fewest number of part-time staff is the housing/homelessness sub-sector which has only 15.3% of its workforce employed on a part-time basis.

9.2 Workforce composition

The voluntary and community sector is characterised by a largely female workforce and the results of the *State of the Sector V* survey and other research conducted by NICVA have consistently found that approximately 75% of the workforce is female. These results are similar to those found in NCVO's *UK Voluntary Sector Workforce Almanac 2007* which found that

[*] Totals do not add up to 26,737 (overall workforce in the sector) as some organisations did not classify themselves under any of the sub-sectors in the *State of the Sector V* survey.

69.0% of employees in the voluntary sector workforce are female. This high proportion of females has implications for the sector's employment policies and practices, such as maternity leave, part-time working and flexible working practices. As new technologies have developed it has become easier for people to work more flexibly and from home. This presents many opportunities for voluntary and community sector organisations that are willing to think strategically about how these new working practices can benefit them and their workforce (*UK Voluntary Sector Workforce Almanac 2007*, NCVO).

The *NICVA Salary Survey 2006* examined the different job levels that exist within voluntary and community organisations and the gender of the individuals who fill these posts.

Table 9.5 - Jobs levels by gender

	Male %	Female %	Count ^[*]	Total %
Chief executive	62.9	37.1	70	2.1
Director	39.0	61.0	90	2.7
Senior function head	41.5	58.5	195	5.7
Functional manager	33.1	66.9	308	9.1
Specialist/professional	32.7	67.3	694	20.4
Clerical supervisor/training	15.8	84.2	367	10.8
Admin officers/care officers	15.0	85.0	1,256	37.1
PA/secretary	3.6	96.4	84	2.5
Junior/trainee staff	23.1	76.9	325	9.6
Total employees	24.0	76.0	3,389	100

Base: Males (814); Females (2,575); Overall (3,335)

The *NICVA Salary Survey 2006* found that the sector is numerically dominated by females but proportionally very few females are employed as chief executives, to the extent where almost two out of every three chief executives in the sector are male. However there are signs that this dominance of males in the most senior management positions is beginning to change. Previously males dominated the director position, however in the *NICVA Salary Survey 2006* 61% of directors are female.

Part-time employment is also a characteristic of the voluntary and community sector with 39.5% of employees working on a part-time basis (84% are female). This represents a slight increase from 2005 when part-time employees made up 36% of the sector's workforce.

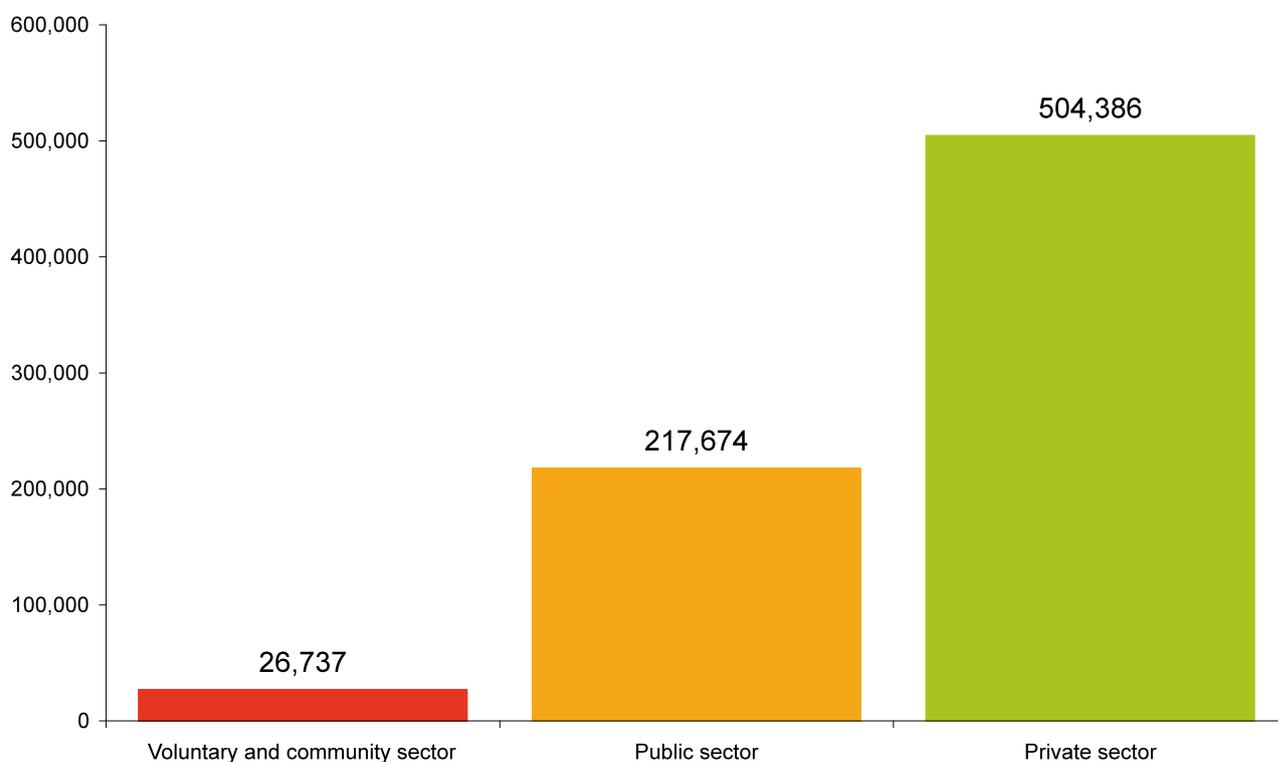
[*] This column shows the number of individuals in each of the defined job levels based on the responses of 329 organisations (*NICVA Salary Survey 2006*).

9.3 Comparisons with the overall Northern Ireland workforce

Despite the decrease in the number of employees in the voluntary and community sector since 2005, the sector remains a significant employer in Northern Ireland. When compared with the rest of the Northern Ireland workforce the voluntary and community sector employs more individuals than in the financial intermediation sector (18,416 employee jobs), agriculture, hunting and forestry and the fishing sector (12,016 employee jobs) and the electricity, gas and water supply sector (2,805 employee jobs), (DETI, 2008).

The Northern Ireland voluntary and community sector employs 4.4% of the overall UK voluntary and community sector workforce. Latest figures estimate that 611,000 people work in the UK voluntary and community sector, which accounts for 2.2% of all UK employees (*UK Voluntary Sector Workforce Almanac 2007*, NCVO).

Figure 9.1 - The voluntary and community sector workforce compared with the public and private sectors^[1]

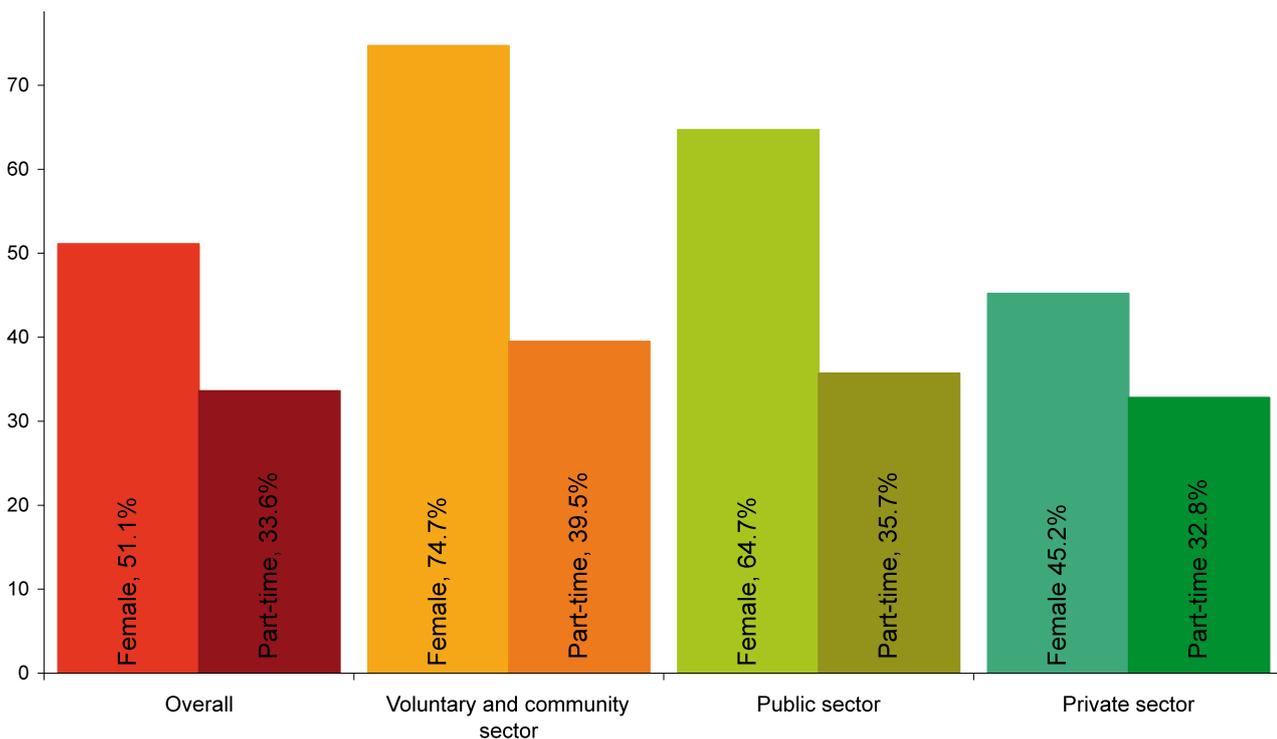


1 Northern Ireland Census of Employment, September 2007, DETI (19 December 2008)

As Figure 9.1 indicates the private sector employs a significant proportion of the workforce in Northern Ireland with a total of 504,386 employees (69.8%). The public sector employs 217,674 employees (30.1%), while the voluntary and community sector employs an estimated 26,737 staff. Although this figure is significantly smaller than the other two sectors, the Northern Ireland voluntary and community sector is a not insignificant employer in Northern Ireland with 3.7% of the total workforce working in the sector.

As Figure 9.2 illustrates females make up a higher proportion of the workforce in the voluntary and community sector (74.7%) compared with any other sector in Northern Ireland. This can be clearly seen in relation to the private sector where females make up less than half of the workforce (45.2%). The public sector is more comparable with the voluntary and community sector with females making up 64.7% of the workforce (DETI, 2008). The proportion of females employed in the voluntary and community sector is significantly higher than the overall figure for the Northern Ireland workforce which is 51.1%. A possible reason for this could be that females are attracted to working in a sector which has flexible working practices and good employment policies and practices, such as maternity leave and part-time working.

Figure 9.2 - Female and part-time employees in the voluntary and community sector compared with the private and public sectors



As Figure 9.2 illustrates 33.6% of the overall workforce in Northern Ireland works part-time. In the public sector, 35.7% of the workforce is part time, whereas 32.8% of the workforce in the private sector is part time. The composition of the workforce in the voluntary and community sector is similar to these other sectors. For instance, 39.5% of the workforce in the voluntary and community sector work part-time.

Looking at the composition of part-time employees for each of the sectors produces some interesting comparisons. For instance, in the overall Northern Ireland workforce 74.2% of part time posts are filled by a female. In the voluntary and community sector, 84.0% of part-time posts are filled by females. This is slightly lower than the public sector, where 85.3% of the part-time workforce are female. In the private sector females make up 68.9% of all part-time posts.

9.4 Challenges facing employers and employees

The figures presented in this section only paint part of the picture of the voluntary and community sector workforce in Northern Ireland. This section examines the difficulties that organisations have in relation to the recruitment and retention of employees and challenges faced in maintaining a skilled and motivated workforce.

9.4.1 Recruitment

Voluntary and community organisations face a range of challenges including funding, changes in clients' needs, heavy and complex administrative auditing processes and competition and collaborative working, to name a few. The funding for the sector is often short term or project specific in nature which can be a challenge when it comes to the recruitment and the development of staff and volunteers.

Based on the responses to the *State of the Sector V* questionnaire 26.6% of respondents stated that they hoped to increase staff numbers over the next 12 months. This suggests that the sector is in a position to expand its workforce. Over half of respondents (55.0%) believe that staff numbers will remain static while 5.6% believe that staff numbers will decrease. Despite this positive assessment, many organisations in the sector report that they have often faced challenges in relation to recruiting new staff. Recruitment of new staff appears to be a particularly pronounced problem in voluntary and community organisations. In the *Northern Ireland Voluntary and Community Sector Skills Survey 2008* (Skills for Justice, 2008), 48.2% of organisations with one or more vacancies stated that they have had difficulty filling them (overall 28.6% of organisations reported having at least one vacancy). Just over one third of organisations (34.5%) predict that the recruitment of fundraisers will become more difficult in the future. This is followed by perceived recruitment difficulties relating

to campaigners and individuals working in finance (27.6% and 27.4% respectively). Across all the other functions there is a general consensus among approximately a fifth of all organisations (21.7%) that they are going to find recruitment more difficult in the future.

9.4.2 Skills

The voluntary and community sector is a demanding, complicated and evolving sector with increasing challenges placed on the individuals who work and volunteer in it. As organisations develop new services and projects and apply for new funding, the skills required within organisations are likely to change. It is likely therefore that there are skills gaps among paid staff which may not currently be an issue but which may become an issue for organisations in the future. Investing in relevant training and increasing the experience of staff and volunteers can ensure that organisations are fit for purpose.

In the *Northern Ireland Voluntary and Community Sector Skills Survey 2008* it was found that skills gaps exist across the voluntary and community sector. Just over one in ten organisations (12%) reported that there was a skills gap in at least one function in their organisation. The report also examined the future skills needs of organisations.

As can be seen in Table 9.6, the most frequently cited future skills needs relate to legal knowledge, strategic planning and forward thinking, and fundraising (24.3%,

Table 9.6 - Specific future skills needs^[18]

	%
Legal knowledge	24.3
Fundraising	20.4
Strategic planning/forward thinking	20.4
HR/Personnel	19.4
Strategic use of IT	19.4

20.4% and 20.4% respectively). It may be that these areas are indicative of increased regulation and higher levels of accountability within the sector, added to the uncertainty over future sources of funding and the direction of future service delivery mechanisms and processes.

9.4.3 Training

The *Northern Ireland Voluntary and Community Sector Skills Survey 2008* found that organisations take training and development seriously, as is proven by the fact that the policies and procedures to identify current and future training needs are common among voluntary and community organisations. However, the research found that the finances are not always in place to translate these policies into action. The average annual training budget is approximately £4,258. This equates to an average of £145 per employee. This figure is substantiated by the relatively low level of expenditure on training as identified in Chapter 7 of this report.

18 Table 9.6 lists the top five future skills needs as reported in the *Northern Ireland Voluntary and Community Sector Skills Survey 2008*.

Other sources of information on workforce issues:

NCVO published the *UK Voluntary Sector Workforce Almanac 2007* in October 2007 and has a wider programme of research which looks into skills and workforce development for paid workers, volunteers and trustees and provides statistics and facts about the sector (www.ncvo-vol.org.uk).

The Northern Ireland Voluntary and Community Sector Skills Survey 2008 (published June 2008) was managed by a group of nine **Sector Skills Councils (SSC)**, led by Skills for Justice, and prepared by the Northern Ireland Council for Voluntary Action. The report enables the skills needs and workforce development issues of these organisations to be analysed, and to be broken down by SSC footprint, in a way that has not previously been possible (www.skillsforjustice.com).

Communityskillsni.org is a website that highlights skills development issues in the voluntary and community sector in Northern Ireland including: National Occupational Standards, Sector Skills Councils, management, leadership, training opportunities, best practice, and more.

10. Volunteers

This chapter examines the levels of volunteering in the voluntary and community sector. The data presented in this section is based on information derived from the Volunteer Development Agency's *It's All About Time, Volunteering in Northern Ireland 2007* report and information received from organisations in relation to *State of the Sector V*. Where it is possible direct comparisons have been made with previous *State of the Sector* reports.

Current estimates indicate that there are approximately 87,723 individuals who volunteer with a voluntary and community sector organisation. This represents a third of all formal volunteers in Northern Ireland. The number of formal volunteers has remained relatively static over the past 12 years. Between 1995 and 2007 the proportion of formal volunteers of the entire population has only increased by 3%.

50.3% of respondents to the *State of the Sector V* survey indicated that they intend to increase volunteer numbers over the next 12 months. A further 37.0% stated that the level of volunteering in their organisation is likely to remain static while 1.9% indicated that the number of volunteers is likely to decrease. This intention to increase volunteer numbers could be in direct response to an overall decrease in the funding available to the sector.

Raising or handling money is the most common activity for volunteers to undertake with a voluntary and community organisation (43.9% of all volunteers). Significant numbers of volunteers are also involved in organising and running events (25.8%) and serving on committees or other governing bodies (19.7%). Working with young people is also a popular activity for volunteers to undertake with voluntary and community organisations.

The economic value of formal volunteering is estimated to be £504 million per year. This equates to an average of 13.4 hours given by formal volunteers each month.

An estimated 45,000 individuals are involved in the governance of voluntary and community organisations. This figure does not take into account the fact that some individuals may serve on more than one committee. This level of commitment by individuals in terms of the governance of organisations reinforces one of the key strengths of the voluntary and community sector.

27.3% of individuals volunteer in the young people and children sub-sector (22,452 individuals). Just over 18% of individuals volunteer with organisations in the community development sub-sector and 13.3% volunteer in the disability sub-sector.

10.1 Volunteer profile

It's All About Time, Volunteering in Northern Ireland 2007^[19] (Volunteer Development Agency, 2007) found that 21% of respondents had engaged in formal volunteering^[20] over a 12 month period (an estimated 282,607 individuals). Just under one third of all formal volunteers (31.1%) are engaged with a voluntary or community organisation which equates to an estimated 87,723 individuals.

There has been considerable variation in the level of formal and informal volunteering since 1995. Between 1995 and 2001, the proportion of formal volunteers increased by 10%. While it is difficult to attribute any one factor to this increase, changes in the wider social and cultural landscape in Northern Ireland, the influence of the Millennium and a more co-ordinated approach to promoting volunteering may have all contributed to this increase. It is also difficult to discern why the levels of volunteering reported in 2001 have not been maintained in 2007 (the number of volunteers fell by 21.3% between 2001 and 2007). The pressures of time and other commitments on individuals or a wider cultural shift in Northern Irish society, which may be indicative of a wider apathy towards volunteering or civic participation, could be impacting upon the overall number of volunteers. Table 10.1 provides an analysis of the estimated number of formal volunteers and the types of organisations they volunteer with.

Table 10.1 - Type of organisation respondents volunteered with most^[21]

	%	Estimate of volunteers
Voluntary and community sector	31.1	87,723
Church/religious body	25.1	70,799
Sports club	13.2	37,233
Other	12.7	35,823
Public sector (eg hospital, nursing home, etc)	10.4	29,335
Private sector	4.2	11,847
Don't know	2.4	6,769
Political party	0.9	2,538
Total	100	282,067

Source: *It's All About Time: Volunteering in Northern Ireland 2007*

19 This research is based on the responses of a representative sample of 1,020 individuals aged 16 and over across Northern Ireland in January 2007.

20 Formal volunteering is unpaid voluntary work carried out with, or under the auspices of, an organisation.

21 Respondents were asked to describe the nature of the organisation they volunteer for the most (if they volunteered for more than one organisation).

Just under one third of all formal volunteers (31.1%) is engaged with a voluntary or community organisation which equates to an estimated 87,723 individuals. The next most common type of organisation volunteers are engaged with is the church or religious bodies (70,799). One quarter of all formal volunteers describes this as the type of organisation they volunteer with most. This is followed by sports clubs which have an estimated 37,233 individuals who have formally volunteered with them over the previous 12 months.

Looking to the future, 50.3% of respondents to the *State of the Sector V* survey indicated that they intend to increase volunteer numbers over the next 12 months. A further 37% stated that the level of volunteering in their organisation is likely to remain static while 1.9% indicated that their number of volunteers is likely to decrease. Although the figures for volunteering are derived from a different source^[22] and use a different methodology to produce them, there is an indication, amongst voluntary and community organisations at least, that volunteering levels are increasing. The estimated number of individuals who volunteered with a voluntary and community organisation in 2005 was 75,780 (NICVA, 2005). When compared with the Volunteer Development Agency's 2007 figures, there has been a 15.7% increase in the number of volunteers since 2005. This is not necessarily reflective of the overall picture

22 The figures from *It's All About Time* (Volunteer Development Agency, 2008) are based on interviews with the general public, whereas volunteering figures in previous *State of the Sector* reports have been based on responses from voluntary and community sector organisations.

for volunteering in Northern Ireland and methodological differences could in part account for this difference. Nevertheless, organisations themselves are stating their intention to increase volunteer numbers which could be in direct response to an overall decrease in the funding available to the sector.

The economic value of volunteering is an area that, although difficult to quantify accurately, demonstrates the impact and value of volunteering in Northern Ireland. The average hourly wage in Northern Ireland (£11.49)^[23] is used to estimate the economic value of formal volunteering. In 2007 the overall economic value of formal volunteers, based on the average hourly wage, was £504 million per year. This equates to an average of 13.4 hours volunteered by formal volunteers each month. This is a small decrease compared with the average hours volunteered in 2001 which was 15 hours per month. So despite the fact that there are fewer formal volunteers in 2007 compared with 2001, individuals are more or less committing the same amount of time each month to voluntary activities (Volunteer Development Agency, 2007).

Table 10.2 examines the various roles that these 87,723 volunteers undertake with voluntary and community organisations.

As is shown in Table 10.2 the most common activity for volunteers to undertake for a voluntary and community organisation

23 Source: *Annual Survey of Hours and Earnings* (ASHE): www.detini.gov.uk/ (DETI NI).

is raising or handling money (43.9% of all volunteers). Significant numbers of volunteers are involved in organising and running events (25.8%) and serving on committees or other governing bodies (19.7%). Working with young people is

also a popular activity for volunteers to undertake with voluntary and community organisations. As will be seen later in this section, organisations in the young people and children's sub-sector involve the highest number of volunteers.

Table 10.2 - Activities undertaken by formal volunteers over a 12 month period with voluntary and community organisations

	%
Raising or handling money	43.9
Organising or helping to run an activity or event	25.8
Leading the group/member of a committee/trustees	19.7
Working with young people	16.7
Visiting people	16.7
Selling tickets	15.2
Secretarial, administrative or clerical work	12.1
Collecting/making things to be sold for charity	9.1
Other	9.1
Befriending or mentoring people	7.9
Teaching or training	7.6
Working in a charity shop	7.6
Representing	7.6
Providing transport/driving	7.6
Promotion	7.6
Giving advice/information/counselling	4.5
Helping in church or religious organisation	3.0
Coaching	3.0
Other practical help (eg shopping, gardening)	3.0
Campaigning	1.5

Source: *It's All About Time: Volunteering in Northern Ireland 2007*
 Responses exceed 100% as this was a multiple response question

10.1.1 Governance

A significant way in which individuals can volunteer in Northern Ireland is by serving on voluntary management committees. *The Volunteering in Northern Ireland Report 2007* asked voluntary and community organisations how many volunteers were involved in the governance of the organisation. The estimated number of volunteers involved in governance is 45,000 (which equates to an average of nine volunteers per committee). This estimate does not take into account individuals who serve on more than one committee.

In 2003 the Volunteer Development Agency published *Committee Matters* which examined governance in voluntary and community organisations. The *Committee Matters* report found that there were an estimated 42,315 places on voluntary management committees in Northern Ireland (this translates into an estimated total of 33,519 individuals). This suggests that figures derived from both surveys support one another and the number of individuals involved in the governance of organisations is somewhere between 30,000 and 35,000.

10.2 Sub-sectoral volunteer profile

Table 10.3 examines the profile of volunteers by sub-sectors. The data for this section is taken from the responses provided by voluntary and community organisations to the *State of the Sector V* survey.

Table 10.3 - Volunteer profile by sub-sectors

	Estimate	%
Advice and information	4,574	5.6
Arts/cultural/heritage	3,623	4.4
Community development	15,109	18.3
Disability	10,985	13.3
Education/training	2,383	2.9
Environment/conservation	10,442	12.7
Health and wellbeing	5,857	7.1
Housing/homelessness	344	0.4
Older people	2,825	3.4
Volunteer development	1,867	2.3
Women	1,915	2.3
Young people and children	22,452	27.3
Total	82,376	100

Table 10.3 illustrates that significantly more individuals volunteer in the young people and children's sub-sector than any other sub-sector in the voluntary and community sector in Northern Ireland. Just over a quarter of individuals (27.3%) volunteer in this area. The areas of community development and disability are also popular in terms of volunteering. 18.3% of individuals volunteer within the community development sub-sector and 13.3% of individuals volunteer in the disability sub-sector. Organisations in the environment/conservation sub-sector also benefit from a large number of volunteers, with an estimated 10,442 individuals volunteering with an environmental organisation (12.7% of all volunteers).

Other sources of information on volunteering:

The Volunteer Development Agency

has published a number of important reports examining volunteering in Northern Ireland. *It's All About Time, Volunteering in Northern Ireland 2007* is the most recent but many other research reports and information about volunteering can be accessed at www.volunteering-ni.org.

The Office of the Third Sector

publishes reports into volunteering and provides information on a number of volunteering initiatives across the UK (www.cabinetoffice.gov.uk/third_sector).

Institute of Volunteering Research

conducts a wide range of research into volunteering issues and also publishes volunteering statistics for England (www.ivr.org.uk/).

11. Forecasts

As part of the *State of the Sector* research, organisations were asked to give their views on a number of areas which may have an impact on the sector and their organisations over the next 12 months and the next three years (the survey was conducted in June 2008). The data presented in this section illustrates organisations' views on what changes or fluctuations they expect to see in relation to staff and volunteers, the economic condition of the voluntary and community sector, collaborative working and mergers, competition within the sector and the political environment. Many of these questions were taken from NCVO's *Quarterly Charity Confidence Survey*. A total of 1,606 organisations responded to these questions on the *State of the Sector V* survey.

Most voluntary and community organisations believe that the economic conditions in the UK and more specifically in the Northern Ireland voluntary and community sector will deteriorate over the next 12 months.

Three quarters of respondents believe that the overall economic conditions in the UK will have a negative impact on their organisation over the next 12 months. Two thirds of organisations believe that the economic conditions in the sector will have a negative impact on their operations over the next 12 months.

19.4% of organisations believe that the general health of their organisation will worsen over the next year. Surprisingly however 46.8% of respondents have plans to increase services and 46.3% expect to increase expenditure over the next 12 months.

The general view is that the levels of volunteers and staff will increase over the next 12 months. 50.3% of organisations believe that in the next 12 months they will have a greater number of volunteers while 26.6% believe that staffing levels will also increase.

39.1% of respondents stated that they believe that mergers between voluntary and community organisations will increase over the next year. 61.2% stated that they will collaborate more with other organisations over the next 12 months. Interestingly 74.3% of respondents indicated that they believe the level of competitiveness in the sector will increase over the next 12 months. This indicates that organisations hope to work closely with each other because they realise that with increased competition, collaborative working is prudent and may help them survive in the long term.

Economic barriers are considered to be the biggest obstacle for organisations in terms of achieving success. 71.9% of respondents stated that funding was the main barrier to achieving more success.

11.1 General outlook

Organisations are positive about the general situation or health of their organisation over the next 12 months. Table 11.1 shows that over one third of respondents (38.1%) believe there will be an improvement in their organisation's situation while 42.5% believe that there will be no change. 19.4% of respondents believe the general health of their organisation will worsen over this period. In addition respondents were asked about the general situation of their organisation over the next three years. 10.9% more organisations believe that the general situation of their organisation will improve over the next three years than in the next 12 months. The percentage of respondents that believe their situation will worsen also increases to 25.4%. It is important to mention at this point that this survey was completed prior to the economic downturn unfolding in the UK. It is quite plausible would not be as positive in their

Table 11.1 - General situation of organisations in ...

	12 months	Three years
Improve	38.1	49.0
No change	42.5	25.6
Worsen	19.4	25.4
Total	100	100

Base: 1,529 (77 missing), 1,348 (258 missing)

forecasts for the next 12 months to three years if they had been aware of the scale of the current financial crisis.

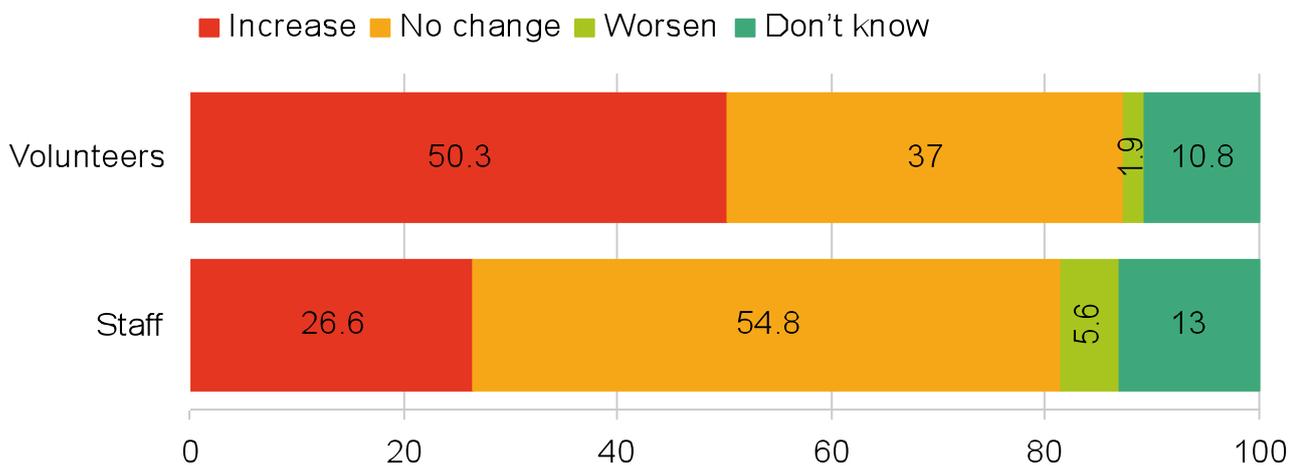
11.2 Staff and volunteers

In the NCVO *Quarterly Charity Confidence Survey* (August 2008), charity leaders were asked if they expect to experience an increase in the number of volunteers over the coming months. Charity leaders reported that they did expect to increase volunteer numbers and have no plans to decrease numbers. A similar result was found in *State of the Sector V* with just over 50.0% of respondents indicating that they intend to increase volunteer numbers over the next 12 months. A further 37.0% stated that the level of volunteering in their organisation is likely to remain static while 1.9% indicated that their number of volunteers is likely to decrease. Although it is difficult to speculate what these views about volunteering actually mean they may be indicative of wider trends which are developing as a result of the changing economic conditions in the sector and the economy at large. On one hand the intention to increase the levels of volunteers could be an indication of organisations wanting to lower costs. On the other hand it could be a consequence of an increased demand among individuals who want to volunteer and develop more skills and experiences

As can be seen in Figure 11.1, 26.6% of respondents stated that they hope to increase staff numbers over the next 12 months. This suggests that more than a quarter of the sector is in a position to

expand its workforce. A further 54.8% of respondents believe that staff numbers will not change while 5.6% believe that the situation in relation to staff numbers will worsen. In the current financial climate there is a real possibility of job losses in the wider employment market and the voluntary and community sector is likely to be affected by this.

Figure 11.1- Possible fluctuations in paid staff and volunteers over the next 12 months (%)



Base: 1,351 (255 missing); 1,546 (60 missing)

11.3 Economic conditions

It is clear from Figure 11.2 that a significant number of respondents believe that the overall economic conditions in the UK will have a negative impact on their organisation in the next 12 months. Nearly three quarters of respondents (74.4%) believe that conditions will deteriorate while only 4.0% believe conditions will improve. Similar results were found in NCVO's *Quarterly Charity Confidence Survey* where only 2.0% of charity leaders believe that the economic conditions of the UK will have a positive impact in the next year while 74.0% believe that the impact will be negative. Again it must be noted that in this survey organisations were unaware of the full implications of the financial crisis, however the general view expressed is that the financial conditions in the UK will worsen.

It is clear that respondents believe that the economic conditions in the voluntary and community sector in Northern Ireland will deteriorate over the next year although respondents felt that the deterioration would not be as extensive as that in the UK generally. Two thirds of organisations believe that the economic conditions within the sector will have a

Figure 11.2 - Overall economic conditions in the UK and Northern Ireland voluntary and community sector (%)



Base: 1,583 (23 missing); 1,578 (28 missing)

negative impact over the next 12 months. This is compared with 74.4% of respondents who believe the same of the economic conditions in the UK. 12.3% believe that the economic conditions will have a neutral impact while only 3.7% stated that it will have a positive impact. These findings are again supported by recent research conducted by NCVO which found that the majority of organisations (61%) in the voluntary and community sector in England believe that the effects of the economic conditions in the sector will be negative over the next year.

Table 11.2 - Potential improvements over the next 12 months

%	Improve	No change	Worsen	Don't know
Financial situation	24.1	31.0	30.0	14.9
Competitiveness	74.3	10.2	3.9	11.6
Community relations	50.7	29.0	5.8	14.5
Impact of government policies	18.3	31.7	25.0	25.0

Base: 1,606

11.4 Financial situation

In relation to their own financial situation organisations were asked if they believe it will improve or worsen over the next 12 months. Nearly one quarter of organisations (24.1%) stated that the financial situation of their organisation will improve however 31.0% believe that there will be no change and one in three believes that the financial situation of their organisation will worsen over the forthcoming year.

11.5 Competitiveness

There is a general recognition across the sector of the importance of being competitive to ensure the sustainability of organisations. Nearly three quarters of respondents (74.3%) indicated that they believe the level of competitiveness within the sector will increase over the next 12 months. 10.2% of respondents believe that the level of competitiveness with other organisations will not change while 3.9% believe that the level of competitiveness will decrease. Competitiveness can create barriers to the sharing of resources between organisations but what is interesting about these results is that the majority of organisations believes that the voluntary and community sector is going to become more competitive over the next 12 months. However many also believe that collaborative working and mergers will increase. This indicates that while organisations hope to work closely with each other over the next year they will also be in direct competition with each other which could result in a complicated working environment.

11.6 Community relations

Northern Ireland has been known as a divided and contested society. Over the years, the voluntary and community sector has been fundamental in building bridges, addressing complex and controversial issues and developing new skills for conflict resolution, cultural diversity and civic partnership (Acheson, 2007). The general view is that relations between the two main communities in Northern Ireland has improved over the past five years and

will continue to improve over the next five years (ARK, 2007). The feedback from respondents in relation to community relations is very positive. Just over half of respondents (50.7%) believe that community relations will improve in Northern Ireland over the next 12 months. A further 29.0% believe that there will be no change while only 5.8% of respondents believe that community relations in Northern Ireland will deteriorate.

11.7 The impact of government policies

One quarter of respondents expect government policies to have a negative impact on the operating environment of their organisation over the next 12 months. A further 25.0% stated they were unsure of the impact government policies will have while 18.3% of respondents believe that in the next year government policies will have a positive impact on the operational environment of their organisation. 31.7% stated that they believe that government policies will not change their operational environment at all. These results show a lack of confidence in government policies and the impact of them on the operating environment of organisations. It could be suggested here that in addition to unpopular policies, organisations are frustrated by government's failure to fully implement policies relevant to the sector. This was clearly witnessed in relation to *Positive Steps* where government is perceived to have failed to fully implement all the recommendations agreed with the voluntary and community sector (NICVA, 2008).

Table 11.3 - Potential changes over the next twelve months

%	Increase	No change	Decrease	Don't know
Expenditure	46.3	29.2	12.0	12.5
Possible mergers	39.1	22.7	1.4	36.8
Services	46.8	38.4	5.9	8.9
Campaigning and advocacy	41.3	41.3	2.4	15.0

Base: 1,606

11.8 Expenditure

This research has revealed that over the next 12 months 46.3% of organisations believe that they will increase their expenditure. Nearly one in three believe that their expenditure will remain unchanged while 12.0% believe that it will decrease within the next year. Similar results were found in NCVO's Quarterly Charity Confidence Survey (2008) where charity leaders indicated that they expect to increase expenditure over the next 12 months despite falling levels of confidence in their own organisation's financial situation.

11.9 Mergers

Organisations were asked to indicate if they believe that the number of mergers between voluntary and community organisations in Northern Ireland would increase or decrease over the next 12 months. 39.1% of respondents stated that they believe that mergers between voluntary and community organisations will increase over the next year. A further 22.7% believe there will be no change while 1.4% stated that there will be a decrease in the number of mergers. Significantly

over one third of organisations (36.8%) were unsure of what trends will emerge in relation to mergers over the next year.

11.10 Services

NCVO in their *Quarterly Charity Confidence Survey* (August 2008) found that the view across the voluntary and community sector in England is that conditions are going to worsen for the sector over the next 12 months, and the general fear is that this will have an impact on services. In this research however 46.8% of respondents have plans to increase services over the next 12 months. 38.4% of respondents believe that there will be no change in relation to the extent of their services while 5.9% believe that they may have to reduce services over the next year. However the economic pressures brought on by the current financial crisis has increased uncertainty among UK charity leaders about the future of their own sector and the financial security of the wider UK economy. The full extent of the economic downturn in the UK's financial sector was not realised until after this survey was circulated. Had organisations been fully aware of the extent of the downturn, these results may have been very different.

11.11 Campaign and advocacy

This survey also sought the view of respondents in relation to future campaigning and advocacy activities. 41.3% of respondents indicated that they hope to increase their campaigning and advocacy activities over the next 12 months. Only 2.4% of respondents believe that these activities will decrease while 41.3% believe that they will remain unchanged over the next year. These results indicate that a large percentage of respondents are planning to increase campaigning and advocacy activities and that current funding issues within the sector have not deterred organisations from expanding these activities.

11.12 Collaboration

This research found that organisations have a positive attitude towards collaborative working, with 61.2% of respondents stating that they will collaborate more with other organisations over the next 12 months (1.7% stated that they will reduce the level of collaboration). 30.1% stated the level of collaboration with other organisations will remain static over the next year.

11.13 Political

In 2005 devolution was viewed as the largest single event that has impacted upon the voluntary and community sector in Northern Ireland. It provided the opportunity for voluntary and community organisations to engage directly with the institutions of government and to have a stronger voice in the development of policies.

In this research organisations were asked if they thought that the continued devolution of power to the Northern Ireland Assembly will be negative, neutral or positive for the voluntary and community sector over the next 12 months. 31.7% of respondents stated that they believe that continued devolution will be positive for the sector while 23.9% believe that the impact will be neutral. The general view therefore is that respondents prefer policy and financial decisions relating to the sector to be made on a local basis. This may be a consequence of the continued efforts by the sector and local government to build strong relationships through a range of partnership bodies. Many organisations may feel these partnerships have been beneficial to the sector and hope that with continued devolution strong partnership working will continue. However it is important to mention that 28.0% of respondents are still unclear about what impact continued devolution will have and 16.4% believe the impact will be negative. This could be a result of the failure of local government to implement the recommendations of *Positive Steps*. Organisations generally remain unhappy about the impact of *Positive Steps* and were disappointed that it hasn't achieved more over the past three years (NICVA, 2008).

11.14 Barriers

This section looks at what voluntary and community organisations believe the barriers to future success will be.

Table 11.4 - Barriers to success

	Count	%
Funding	1,102	71.9
Political	134	8.7
Other	87	5.7
Social	81	5.3
Internal factors	59	3.9
Economic (other)	58	3.8
Technology	11	0.7

Base: 1,532

Unsurprisingly the majority of respondents view economic barriers as their biggest hurdle in terms of success. 71.9% of respondents stated that funding was their main barrier to success. Many organisations are finding it a challenge to secure or increase funding. A further 8.7% stated that the political environment is also one of the barriers to success they face, while 5.3% mentioned social factors.

Table 11.5- Barriers in attracting appropriate staff over the next 12 months

	Count	%
Contract/funding security	492	37.8
Location	372	28.6
Wage affordability	224	17.2
Others	110	8.5
No barriers	60	4.6
Lack of skills/qualifications/experience	33	2.5
Lack of flexible employment policies	10	0.8
Total	1,301	100

Base: 1,301 (305 missing)

As Table 11.5 illustrates, financial security is perceived to be the greatest barrier in attracting appropriate staff to organisations over the next year. 37.8% of respondents stated that contract and funding security will be their biggest barrier as they will be unable to offer long-term employment or job security to potential staff. This is unsurprising as the funding environment in the sector continues to be volatile and competitive, especially for smaller organisations. The location of organisations is seen to be a barrier also with 28.6% of respondents stating that the location of their organisation will be a barrier in attracting appropriate staff over the next year. This is probably more significant for rural organisations which are away from the catchment area of large towns or cities. Wage affordability is seen as a barrier by 17.2% of respondents.

Some respondents highlighted other barriers they face in relation to staff recruitment. These include competition with other charities (5.6%), rising costs (4.1%), terms and conditions (4.1%), and bureaucracy (4.1%). Lack of interest, the reputation of organisations and an uncertain future were mentioned by 2.7% of respondents.

Appendix 1

Sources and types of income

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

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

- The general public
- The public sector (government and its agencies, local government and statutory bodies and some European funding)
- The voluntary sector (such as trusts and grant-making foundations)
- The Lottery
- Europe (primarily Peace II and Intereg IIA programmes)
- The private sector (excluding payments from charitable foundations set up by businesses)
- Internal (proceeds from investments)

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

- Earned income from the sales of goods and services (although the sale may not be at market value).

- Voluntary income (income freely given, usually as a grant or donation for which little or no benefit is received by the donor).
- Investment income (the proceeds generated from investments and cash balances)

A typology of income sources and types is displayed in Table 1. Implementing this approach in the analysis of income is not without problems. In particular, the distinction between earned income and voluntary income is open to interpretation. For a proportion of income it has not been possible to identify the source.

Table 1 - Typology of income sources

	Type of income		
Source of income	Earned income	Voluntary income	Investment income
Government	Public sector fees Payments for contracted services	Grants for core funding and project activities from all forms of government. All other European sources, for example Building Sustainable Prosperity	
General public	Fees for goods and services Membership subscriptions with significant benefits	Individual donations including fundraising efforts	
Voluntary	Services provided under contract	Grants from charitable trusts and foundations	
Europe		Grants provided under Peace II and Intereg IIA	
Lottery		Grants provided by the Big Lottery Fund (BIG) and other lottery funders	
Business	Sponsorship Services provided under contract	Corporate grants and gifts	
Internal			Dividends Interest payments Rent from property

Source: *The UK Civil Society Almanac 2008*, NCVO

Appendix 2

Definitions of expenditure^[24]

Charitable activities

Resources expended on charitable activities comprise all the resources applied by the charity in undertaking its work to meet its charitable objectives, as opposed to the costs of raising the funds to finance these activities and governance costs.

Charitable activities are all the resources expended by the charity in the delivery of goods and services, including its programme and project work that is directed at the achievement of its charitable aims and objectives. Such costs include the direct costs of the charitable activities together with those costs incurred that enable these activities to be undertaken.

Governance costs

Governance costs include the cost of governance arrangements which relate to the general running of the charity as opposed to direct management functions, inherent in generating funds, service delivery and programme or project work. These activities provide the governance infrastructure which allows the charity to operate and to generate the information required for public accountability. They include the strategic planning processes that contribute to the future development of the charity.

Cost of generating funds

These are the costs associated with generating incoming resources from all sources other than from charitable activities. The main components of costs within this category are:

- Costs of generating voluntary income (all fundraising costs, including agents' costs, should be included in this category).
- Costs of fundraising trading, including cost of goods sold and other associated costs.
- Costs of managing investments for both income generation and capital maintenance.

²⁴ Source: *Accounting and Reporting by Charities: State of Recommended Practice (revised 2005)*, Charity Commission.

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Notes

Notes

State of the Sector V is the latest edition in the *State of the Sector* research programme. The previous *State of the Sector* reports have developed the only comprehensive picture of the scale and scope of the economic activities of the Northern Ireland voluntary and community sector. The publication of each *State of the Sector* report represents another step in the evolution of this type of statistical analysis and as such adds to the already broad and in depth knowledge of the sector, by examining many of the key issues currently affecting and shaping it.

State of the Sector V provides high level statistics on the various types of resources available to the sector and the relationship between voluntary and community organisations, government, funders and the general public.

State of the Sector V is invaluable to all those who need an up-to-date and reliable source of statistics and commentary on the voluntary and community sector in Northern Ireland. People working in the sector — academics, decision-makers, social science students and journalists — will all find this publication useful.



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