

State of the Sector V

Introduction & Appendices



Acknowledgements

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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

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).

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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