

SCVO Research Briefing

State of the Sector pre-Coronavirus

June 2020

This briefing gives an overview of the financial profile of the regulated Scottish voluntary sector in 2018, giving us a baseline for understanding sector funding and assets pre- and post-Coronavirus. It covers Scottish charities, housing associations and credit unions. All the data in this briefing (and more) can be explored in detail via our searchable data hub: scvo.org.uk/policy/sector-stats.

Scottish voluntary sector in 2018: key facts

Annual income = £6.06 billion

Public Sector income = £2.1 billion

General public income = £1.5 billion

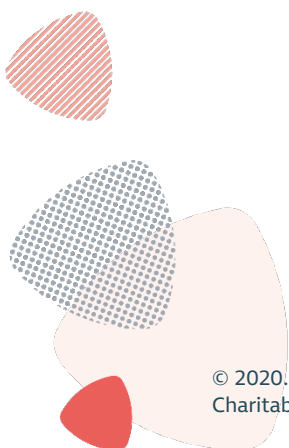
Annual spend = £5.75 billion

Total Funds = £17 billion

Cash assets = £3 billion

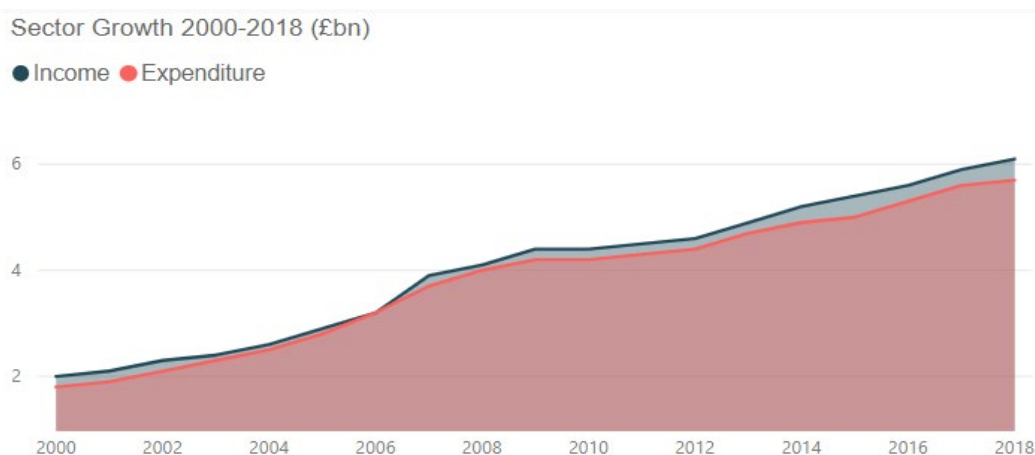
Paid staff = 108,000

Staff costs = £2.4 billion



Income

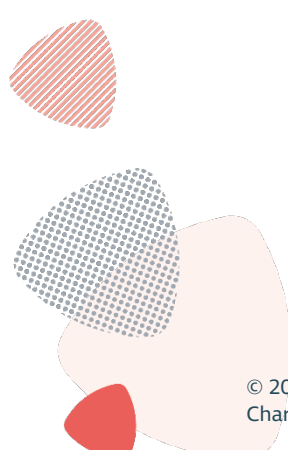
Total Scottish voluntary sector income has grown steadily over the last two decades, from £1.8bn in 1998 to £6.06 billion in 2018. Income increases can be seen in all sub-sectors, with housing and social care the most notable drivers of growth.



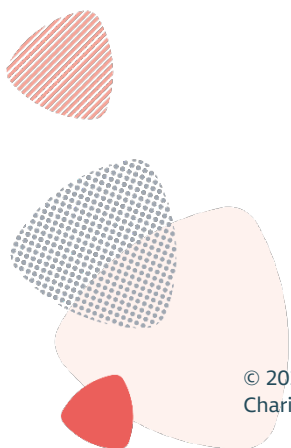
Income sources

Most charities source funding from a range of sources, shaped by the organisation's size and purpose as well as financial strategies to diversify income streams and maximise sustainability. The main sources of sector income in 2018 were

- Income from the Public sector (£2,120m)
- Income from the general public (£1,458m)
- Housing associations rents (£1,397m)
- Income from trusts, other voluntary organisations, lottery, private sector, investments and rental income make up the rest (£1,080m)



| Income sources | 2018 (£) | % |
|---------------------------------|----------------|---------------|
| Donations | £654m | 10.8% |
| Legacies | £126m | 2.1% |
| Fundraising | £72m | 1.2% |
| Trading to raise funds | £223m | 3.7% |
| Fees and charges | £383m | 6.3% |
| General public | £1,458m | 24.1% |
| Local Authorities | £1,098m | 18.1% |
| Scottish Government | £460m | 7.6% |
| NHS / Health and Social care | £205m | 3.4% |
| European | £58m | 1.0% |
| Other public sector | £299m | 4.9% |
| Public sector | £2,120m | 35.0% |
| Trusts and foundations | £253m | 4.2% |
| National Lottery | £73m | 1.2% |
| Private sector | £91m | 1.5% |
| Investment income | £225m | 3.7% |
| Trading subsidiaries | £165m | 2.7% |
| Rental income (excl. housing) | £182m | 3.0% |
| Housing association rents etc | £1,397m | 23.1% |
| Credit Unions | £35m | 0.6% |
| Other | £57m | 0.9% |
| TOTAL SECTOR INCOME 2018 | £6,055m | 100.0% |

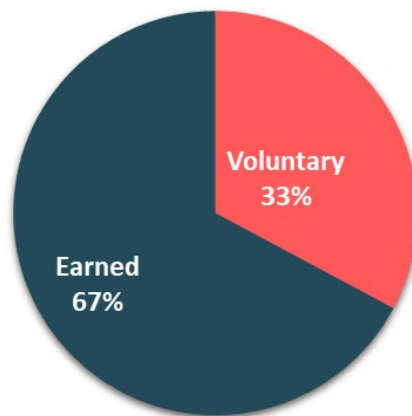


Income types

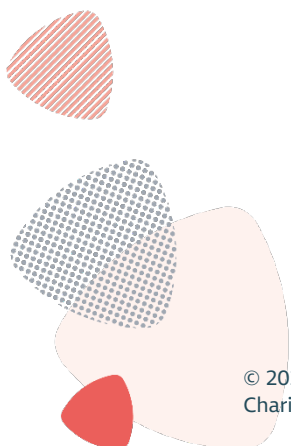
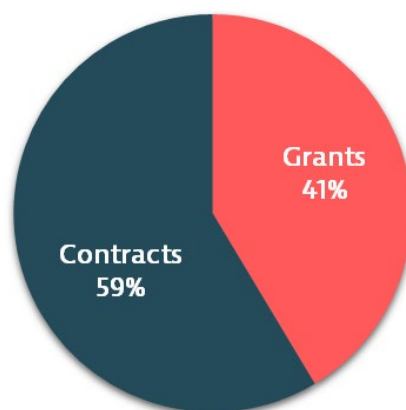
Only a third of the voluntary sector's income comes from voluntary sources such as donations and grants. The voluntary sector now earns two-thirds of its income from sales, trading, fees, government contracts and rents.

More than half of public sector income is now earned income in the form of contracts (59% in 2018 = £1.24bn), with Local Authority contracts to large organisations such as care providers making up the biggest slice. Grants make up the other 41% of public sector income (£0.87bn in 2018) and are used by organisations of all sizes.

2018 Income by Type



Public Sector Income by Type



Income by sub-sector

Looking next at the voluntary sector's main fields of work or sub-sectors, social care and housing dominate the sector's financial picture. These two sectors accounted for more than half of the sector's total income in 2018 (£3.3 billion out of £6.06bn).

total turnover
in 2018

£6,055.2 m

Education
and research
£443.7 m



Law, advocacy and
civic organisations
£145.2 m



General
charitable
purposes

£284.6 m



Housing
£1,703.5 m



Culture
and sport
£726.6 m



Environment
and animals
£154.1 m



Community,
social and
economic
development
£477.7 m



Social Care
£1,569.7 m



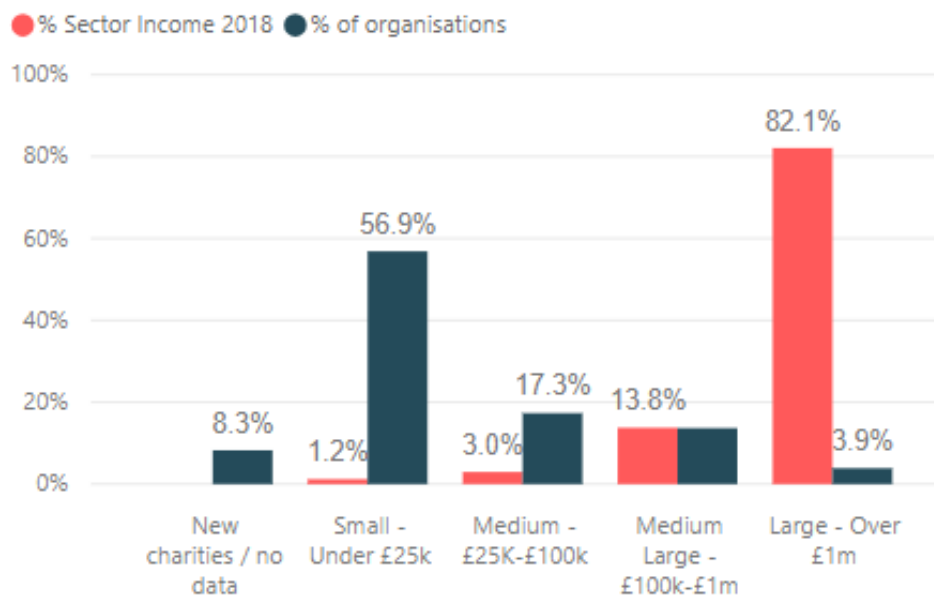
Health
£452.9 m



Not known
£70.4 m

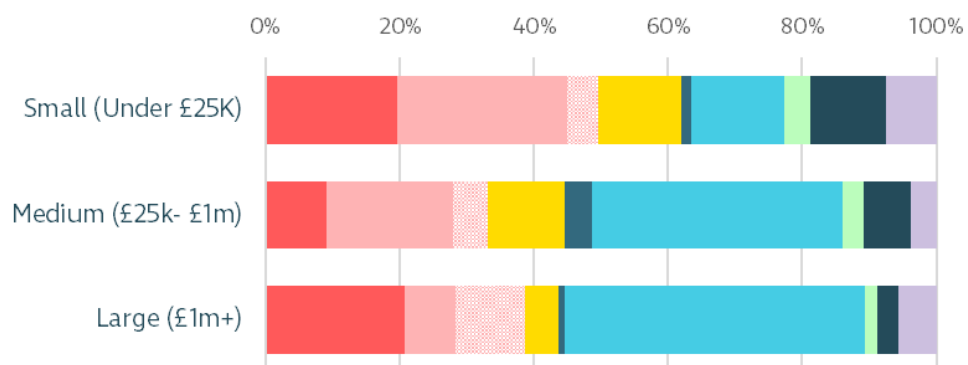
Income by organisation size

Large charities with incomes over £1m make up only 4% of the sector but account for 81% of the sector's annual income (£4.7bn). Smaller charities (Under £100k turnover) make up 75% of the voluntary sector but accounted for only 4% of sector income in 2018 - they have huge impact, but only a small financial footprint.



The chart below shows how the importance of different income sources varies depending on the organisation size:

Income sources by organisation size



- General Public - Donations & Legacies
- General Public - Sales and trading
- Trading (other)
- Voluntary sector, inc Trusts
- Lottery
- Public Sector
- Private Sector
- Rental income
- Investments and interest

Small voluntary organisations typically receive over half of their income from the general public, either through donations or sales. Another important source is income from grant-making trusts. They also generate income through rent (eg village halls) and from interest on bank accounts and investments.

Medium-sized organisations tend to receive more public sector funding but also rely heavily on sales to the public, plus grants from trusts and the lottery.

Large organisations receive almost half (45%) of their funding from the public sector, often in the form of contracts. Donations from the public make up a key source of income for many large household-name charities, while other large charities rely heavily on income from trading subsidiaries.

Expenditure

- The voluntary sector spent £5.7 billion on its causes in 2018, a £4billion increase from two decades ago.

Most money was spent on directly providing charitable activities, with the rest invested in generating funds, ensuring strong governance, or passed on to other organisations and individuals in the form of grants.

- The sector employs around 108,000 paid staff.
- The sector spent £2.4billion on staffing in 2018

Just over a quarter (28%) of Scottish charities employ paid staff, and staff costs make up two-fifths of the sector's total expenditure. While 42% of the sector's overall expenditure goes towards paid staff costs, this is skewed towards the sector's larger organisations. Three-quarters of organisations have no paid staff, while at the other end of the scale staff costs make up around 70-90% of the expenditure of large care organisations.

| Expenditure | 2018 (£) | % |
|--------------------------|----------------|-------------|
| Charitable activities | £4,679m | 81.4% |
| Grant Expenditure | £604m | 10.5% |
| Governance Costs | £50m | 0.9% |
| Generating Funds | £412m | 7.2% |
| TOTAL EXPENDITURE | £5,745m | 100% |
| Staffing costs | £2,383m | 41.5% |
| Other expenditure | £3,362m | 58.5% |
| TOTAL EXPENDITURE | £5,745m | 100% |

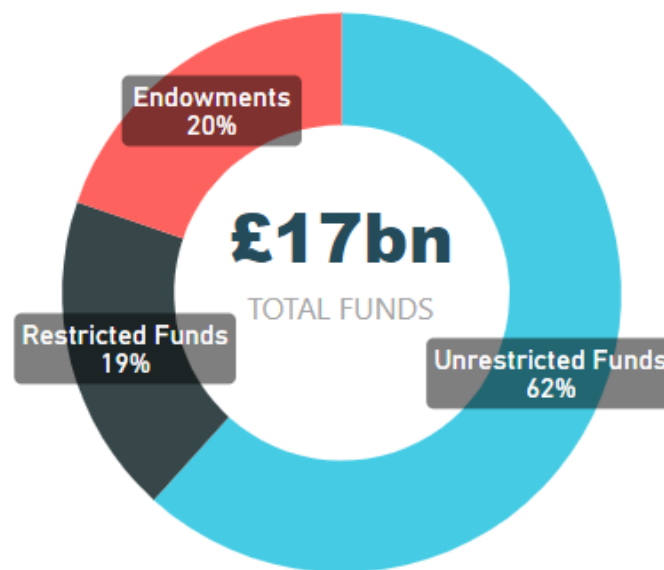
Assets and Funds

The voluntary sector looks after Total Assets of around £30billion. When we take liabilities into account, the sector manages Net Assets or Funds of £17 billion. The bulk of these assets are held by just a small percentage of the sector.

While the sector can appear asset rich, it is cash poor:

- only £3bn of the sector's £30bn assets are in the form of quickly and easily accessible cash assets.
- Assets of about £25bn are tied up in the form of fixed assets such as housing, offices, community facilities, heritage assets, and long-term investments, while another £1bn are payments still owed by debtors.

Funds and reserves

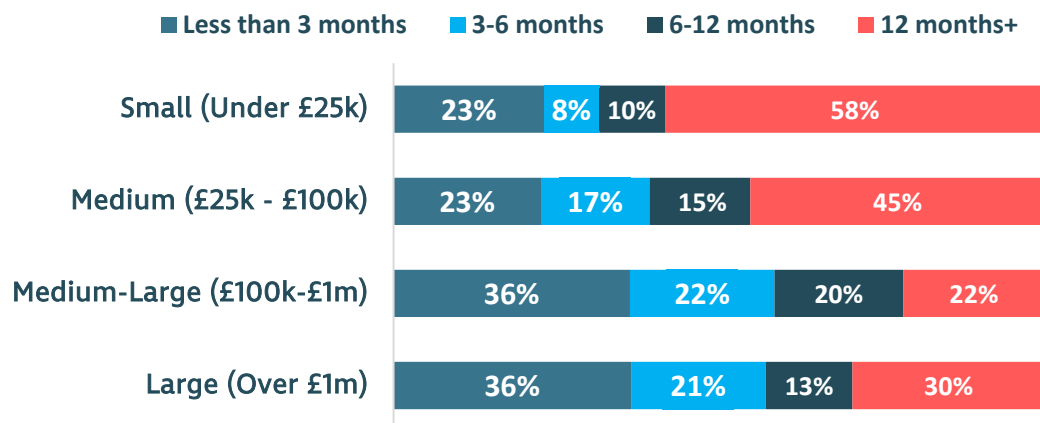


It is therefore often more meaningful to look at the sector's Funds, in particular the Unrestricted Funds. When people talk about 'Reserves' it is often these Unrestricted Funds that are meant. However, while 'Unrestricted Funds' in accounting terms refer to assets/funds which can technically or legally be sold off, this can include things like a charity's

offices or a community hall – sales that would realistically impact significantly on a charity’s ability to deliver aims and its ability to carry on as a functioning entity. The Charity Commission therefore recommends that only the unrestricted funds of a charity readily available for spending – i.e. Cash Reserves - are included in Reserves, while items such as investments and fixed assets should be excluded¹.

- Restricted Funds (funds given for a specific, restricted purpose like a new hospice building or specific project) and Endowment Funds (money left for a specific purpose) make up around two-fifths (39%) of the sector’s Funds.
- Unrestricted Funds made up the remaining Funds.
- **Almost one third** of the 700+ charities analysed by SCVO have **less than 3 months** expenditure in unrestricted funds, with larger charities tending to have lower asset to expenditure ratios.
- If only ‘Cash Reserves’ are considered, we are looking at half of all charities having less than 3 months expenditure held in readily available cash reserves.

Months of expenditure in unrestricted reserves, by org size (2018)



¹ Charity Commission <https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves>

Appendix – data tables

Please contact research@scvo.org.uk for data in an alternative format.

Table 1: Income source breakdown

| Income sources | 2018 (£) | 2018 % |
|-----------------------------------|----------------|---------------|
| Donations | £654m | 10.8% |
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| Public sector | £2,120m | 35.0% |
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| Housing associations rents etc | £1,397m | 23.1% |
| Credit Unions | £35m | 0.6% |
| Other | £57m | 0.9% |
| Total sector income 2018 | £6,055m | 100.0% |

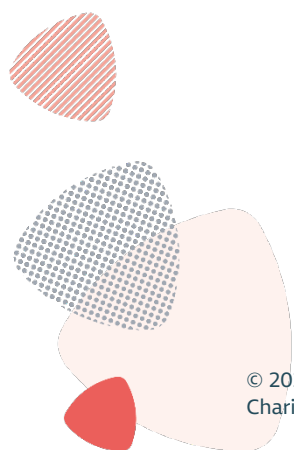


Table 2: Income breakdown by sub-sector

| Sector | Income in 2018 |
|--|-------------------|
| Housing | £1,730.5 m |
| Social Care | £1,569.7 m |
| Culture and sport | £726.6 m |
| Health | £452.9 m |
| Community, social and economic development | £477.7 m |
| Education and research | £443.7 m |
| General Charitable Purposes | £284.6 m |
| Environment and animals | £154.1 m |
| Law, Advocacy and Civic Organisations | £145.2 m |
| Not Known | £70.4 m |
| Total turnover in 2018 | £6,055.2 m |

Table 3: Income sources, by organisation size

| Income Source | Small (Under £25K) | Medium (£25k- £1m) | Large (£1m+) |
|---------------------------------------|-----------------------|-----------------------|-----------------|
| General Public - Donations & Legacies | 19.39% | 9.08% | 20.65% |
| General Public - Sales and trading | 25.19% | 18.65% | 7.61% |
| Trading (other) | 4.57% | 5.23% | 10.20% |
| Voluntary sector, inc Trusts | 12.28% | 11.39% | 4.93% |
| Lottery | 1.53% | 4.01% | 0.96% |
| Public Sector | 13.87% | 37.28% | 44.67% |
| Private Sector | 3.70% | 2.99% | 1.79% |
| Rental income | 11.29% | 7.03% | 3.18% |
| Investments and interest | 7.41% | 3.82% | 5.54% |
| Other | 0.78% | 0.51% | 0.47% |

Table 4: Public sector income 2004-2018: grants v contracts, and public sector income as a percentage of total sector income

| YEAR | Contracts | Grants | Total Public Sector | Total Income | Public sector as % |
|------|-----------|--------|---------------------|--------------|--------------------|
| 2018 | £1,243 m | £878 m | £2,121 m | £6,055 m | 35.0% |
| 2013 | £1,173 m | £512 m | £1,685 m | £4,905 m | 34.3% |
| 2012 | £1,167 m | £483 m | £1,650 m | £4,603 m | 35.8% |
| 2010 | £1,026 m | £840 m | £1,866 m | £4,359 m | 42.8% |
| 2007 | £576 m | £672 m | £1,248 m | £3,210 m | 38.9% |
| 2004 | £208 m | £780 m | £988 m | £2,600 m | 38.0% |

Table 5: Sector expenditure

| Expenditure | 2018 (£) | 2018 % |
|--------------------------|----------------|-------------|
| Charitable activities | £4,679m | 81.40% |
| Grant Expenditure | £604m | 10.50% |
| Governance Costs | £50m | 0.90% |
| Generating Funds | £412m | 7.20% |
| Total Expenditure | £5,745m | 100% |
| | | |
| Staffing costs | £2,383m | 41.50% |
| Other expenditure | £3,362m | 58.50% |
| Total expenditure | £5,745m | 100% |

Table 6: Sector Assets in 2018

(PTO)

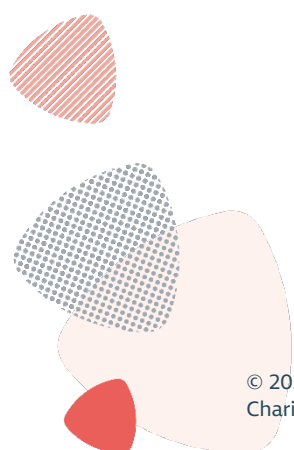


Table 6: Sector Assets in 2018

| Assets | Total Assets | Voluntary Sector | Housing Associations | Credit Unions |
|------------------------------|--------------|------------------|----------------------|---------------|
| Intangible Assets | £190 m | £187 m | £3 m | £0 m |
| Tangible Fixed Assets | £15,971 m | £3,766 m | £12,194 m | £11 m |
| Investments | £9,034 m | £8,631 m | £134 m | £269 m |
| Stock | £82 m | £40 m | £42 m | £0 m |
| Debtors | £1,238 m | £607 m | £288 m | £343 m |
| Cash | £3,317 m | £2,647 m | £666 m | £5 m |
| Liabilities within 1 year | -£1,683 m | -£929 m | -£748 m | -£6 m |
| Liabilities more than 1 year | -£10,499 m | -£481 m | -£9,395 m | -£623 m |
| Pension Liabilities | -£855 m | -£209 m | -£17 m | -£629 m |