

A pink speech bubble containing the year 2025.

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Income and funding of the Welsh voluntary sector in the
post-2010 austerity period

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Executive summary

The impact on statutory public services of the UK Government's austerity policy since 2010 has been analysed in a number of studies but there has been less attention to the voluntary sector.

This is an initial, short study of the recent changes in the income and funding sources of the voluntary sector in Wales – with a particular focus on voluntary organisations based in Wales which deliver public services, as distinct from services delivered by the public sector.

The study relies on published data for the most part, from the WCVA, NCVO, Welsh Government and other sources. To supplement the published data, we have also analysed the annual accounts of 82 Welsh-based organisations whose turnover ranges between £500,000 and £5 million to track changes in income between 2009-10 (i.e. before the austerity policy was introduced) and 2016-17. The sample does not include registered social landlords, because of their distinctive trading model and regulatory environment.

It is important to emphasise that the study offers a window into the resourcing of the voluntary sector but it is far from comprehensive. The sector is extensive and highly diverse: this study is primarily focussed on just one part. There are also limitations to the published data on voluntary sector finances as a whole, much of which only extends to 2014-15.

This report uses both terms of voluntary and third sector under the definition of the first one: 'formal organisations having an institutionalised character, constitutionally independent of the state which are self-governing; non-profit distributing, and involve some degree of voluntarism', excluding the political parties, religious congregations, trade unions, universities, schools, sports and social clubs, and business associations (Kendall, 2003). The report uses the acronym 'VSOs' and focuses on organisations which are mostly charities, i.e. institution established for charitable purposes for the public benefit (UK Government, 2018).

Key messages and findings

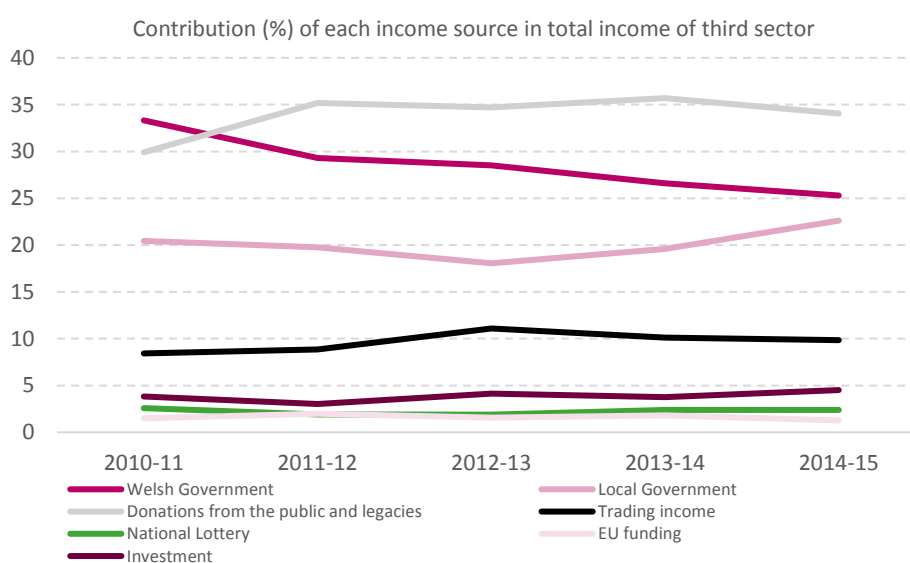
The features of the Welsh voluntary sector organisations

- The number of Welsh voluntary sector organisations (VSOs) is estimated at 32,500 organisations by the National Assembly for Wales, of which 8,671 are charities (WCVA, 2016a).
- Most Welsh-based voluntary organisations are micro, small and medium-sized, relatively few have turnover of over £1 million a year. The small size of the Welsh

VSOs affects their funding level and sources, while it is crucial for the geographical level of their operation: many Welsh VSOs operate at the local and neighbourhood level, employ few employees and depend on volunteers in offering services.

- The majority of the VSOs, in absolute terms, is located in the most populated local authority areas. The poorest and more urbanised areas record the lowest number of VSOs per capita.
- Most VSOs are active in sport and recreation, community, religion, and health and social care, both before and after the austerity period.

Finance of the voluntary sector in Wales: analysis of WCVA data

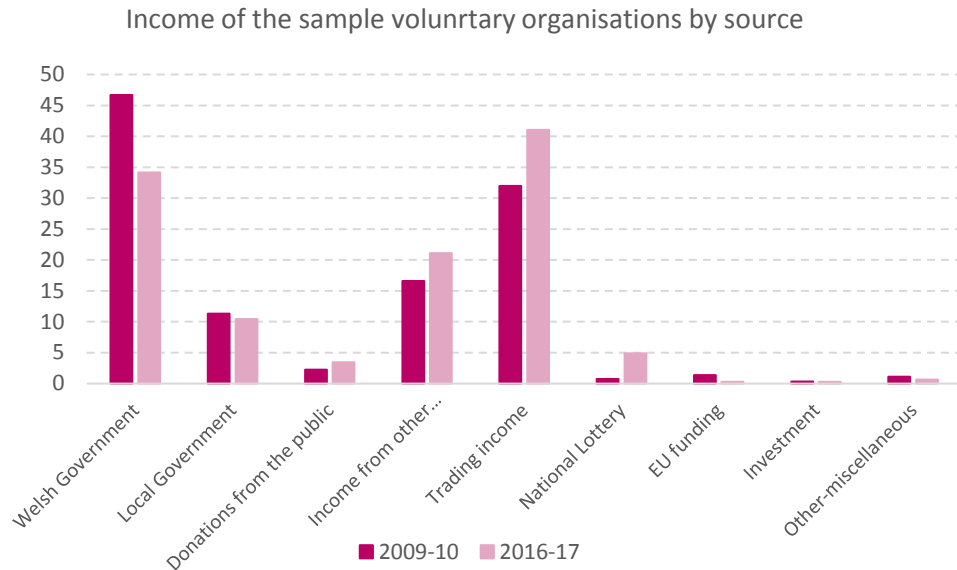


- Wales has been recording the lowest levels of third sector income per capita in real terms from 2010-11 to 2013-14 among the UK home countries.
- A crucial feature of the Welsh third sector is the relatively high level of income from the Welsh Government and local authorities (53% of total income in 2010-11). Wales records historically a higher government expenditure per capita for third sector than England, Scotland, and Northern Ireland.
- This may reflect, among other factors, the Welsh Government's active policy for the voluntary sector. The risk is that this has made VSOs more vulnerable to change in the Welsh Budget and local authority spending.
- Welsh third sector total income increased in real terms between 2010-11 and 2014-15 by just 1.9%, compared with 26% from 2005-06 to 2008-09, including a dip in 2014-15. This slow-down meant that the third sector income per capita in Wales declined from £420 in 2007-08 to £350 in 2014-15 (WCVA, 2018).

- Within the headline figures, there were significant shifts in the main sources of income between 2010-11 and 2014-15, set out below.
- Grants from the Welsh Government to the Welsh voluntary sector declined by 22.6% in real terms, a greater fall than all other income sources. Its contribution to total voluntary sector income dropped from 33% in 2010-11 to 25% in 2014-15, although it was still the second highest income source.
- Donations from the public (including legacies) and other charities rose by 16% from 2010-11 to 2014-15, becoming the largest single income category.
- Income from local government, the third largest source of funding, increased by 12.7%, its contribution to total income increasing from 20% to 22%.
- The contribution of funds generated through operations increased from 8.4% in 2010-11 to 9.8% in 2014-15. In fact, trading income rose by 19.8%, recording the second biggest increase.
- EU funding is usually included in the Welsh Government income through project finance. The recorded pattern of EU funding was volatile, falling by 14% over the period and fluctuating around 1% to 2% of total income. This may relate to the project-based nature of EU funding but there may be inconsistency about how EU funding is recorded in returns.

Finance of the voluntary sector in Wales: analysis of primary data

- In order to overcome weaknesses in the aggregate data for Wales, the study analysed the annual income and funding sources in 2009-10 and 2016-17 of a sample of 82 VSOs with a public service focus and an annual income from £0.5 million to £5 million in 2016-17. This sample is only a subset of the wider voluntary sector in Wales, reflecting a public services perspective rather than a wider civil society viewpoint.



- The overall income of the 82 VSOs rose by 3.4%, in real terms, from 2009-10 to 2016-17. The income sources that declined included: Welsh Government, local government, EU funding, investment, and other income. However, finance from donations from the public, income from other VSOs, trading income, and funds from the lottery increased.
- Government funding was the largest source of income in 2009-10 but the second largest, after the trading income, in 2016-17. The latter is income that is internally generated, such as revenues from membership fees and income from rents. Government funding for the 82 VSOs in the sample declined by 18%. Funding from the local authorities declined by -7.8%, contrary to the findings for all the Welsh VSOs.
- Finance from the Welsh Government and local authorities often included contract funding through commissioning. This highlights the recent change in public funding from grants to contracts. This has an impact on the discretion of Welsh VSOs in deciding the range of services they offer.
- Trading income rose by 43%. Its contribution to the total income also increased from 28% to 35%. In effect, VSOs taken as a whole seem to have replaced declining government funding by trading income.
- Legacies and income from other VSOs, such as trusts and foundations, and companies also recorded a significant increase of 42.5%.
- While EU funding contributed to total income of the Welsh third sector with 1.24% in 2009-10, its contribution declined to 0.2% in 2016-17. The EU income of the 82 VSOs dropped by 80%, recording the biggest decline among all funding sources.

- There were significant variations in the make-up of the total income and the evolution of funding sources across the different service areas within the sample. Given the limited sample, increases and decreases can be influenced by a shift in one or two organisations and the figures need to be treated with caution.
- Advice and advocacy recorded the highest growth in funding from 2009-10 to 2016-17, while education and training demonstrated the greatest decline. Overall, the total income increased for seven activities, it declined for three, including housing for homeless, volunteering, and education and training.
- The pattern of Welsh Government financing across the various service areas in the sample showed significant changes. Nine service areas saw a decline, in real terms, with education and training demonstrating the greatest fall, while only advice and advocacy recorded an increase. Community and education and training were the most dependent on internally generated income. All the activities demonstrated a rise in trading income from 2009-10 to 2016-17, apart from education and training, with disability VSOs recording the greatest growth in trading income.
- Advice and advocacy VSOs saw the greatest growth of total income and was the only activity that recorded positive change in government funding. This might have been an indirect implication of the austerity policies. Household earnings declined, in the context of welfare reform. The figures suggest that the Welsh Government increased the funding for advice and advocacy VSOs, as a result of an increase in demand for advice services on benefits and job opportunities provided by these organisations.

Conclusions

- Despite cuts in government funding as austerity took effect, the Welsh third sector proved to be more financially resilient than might have been expected. Although public funding was squeezed, total income still grew marginally in real terms. VSOs secured income from other sources, mainly trading income, legacies, and donations from the public.
- However, the rate of growth through the period of austerity was much slower than in the preceding decade and modest in scale.
- The VSOs have recorded a rise in services they provide. As the Wales Audit Office said, 'in recent years, local authorities have reduced their role as direct providers of services, placing reliance instead on funding other providers, especially third sector organisations'.

- This may be a sign of the focus in public policy on co-production and community-based services, reflecting a view that third sector organisations are likely to be responsive to diverse needs. It may also reflect the ability of third sector bodies to be financially competitive in terms of cost base and flexibility.
- Third sector bodies are expressing concern about their capacity to respond to rising cost and demand pressures. Their future financial resilience should not be taken for granted.

Introduction

Overview

The third sector has an important position in socio-economic development in Wales (Drake and Owners, 1991; Hain, 1999; Chaney and Fevre, 2001a; Chaney, 2002; Johnes and Lloyd-Jones, 2014). The Wales Council for Voluntary Action (WCVA), is the national membership body for the third sector in Wales. It has over 850 members. Its vision is for a thriving third sector in Wales, improving wellbeing for all. The third sector in Wales is made up of some 32,500 organisations, most of them local and national registered voluntary sector organisations (VSOs) in activity areas such as community, health and social care, gender, ethnic minorities, and international aid (WCVA, 2018). The Welsh third sector employed 116,600 people in 2015, including the housing associations but not accounting for self-employed or people who work from home, thus contributing to the 7.5% of total employment in the country (WCVA, 2018). It is worth noting that, at the same year, employment in education was 131,000 employees and in manufacturing 142,000 workers (Welsh Government, 2017a). The participation rate of Welsh people in volunteering is also high: 28% of the adult population were volunteers in organisations of the sector in 2016-17 (WCVA, 2017). The main finance sources for the Welsh third sector include government funding and donations from the public (WCVA, 1999; 2011a). Since 2007, when the global economic crisis outburst, in the context of the longest post-war recession, and the subsequent austerity policies applied by the UK government, and since 2016, in the aftermath of the Brexit referendum, the sector has been experiencing significant challenges, particularly related to reduced funding, increased uncertainty and enlarged service demand.

With regards to its definition, the voluntary sector involves all these 'formal organisations having an institutionalised character, constitutionally independent of the state which are self-governing; non-profit distributing, and involve some degree of voluntarism', excluding the political parties, religious congregations, trade unions, universities, schools, sports and social clubs, and business associations (Kendall, 2003: 21). There is a difference between the voluntary and the third sector. The third sector includes all the bodies of the voluntary sector plus 'organisations which do not benefit from a measure of philanthropy' (WCVA, 2011a: 4). This report focuses on the VSOs that receive money from the Welsh Government and the local authorities (both in grants and contracts), excluding the sponsor bodies and the housing associations, since the latter are governed by a tight, specific and distinct legal framework, and their business model is considerably different to the rest of the third sector. This report

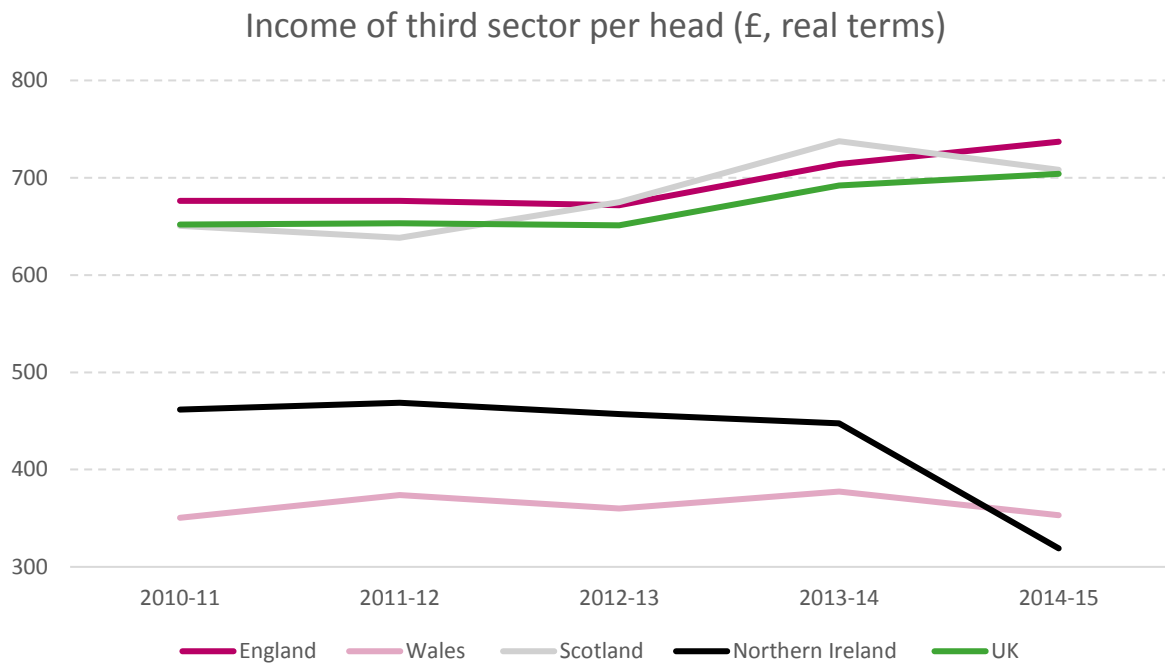
focuses on these organisations that deliver public services. Most data of this report refers to charities. Finally, this report uses both concepts (voluntary and third sector), under the definition of the third sector organisations as demonstrated in the Third Sector Scheme (Welsh Government, 2014a: 5): Third Sector organisations are:

- independent, non-governmental bodies;
- established voluntarily by people who choose to organise themselves;
- ‘value-driven’ and motivated by social, cultural or environmental objectives, rather than simply to make a profit;
- committed to reinvesting their surpluses to further their social aims and for the benefit of people and communities in Wales.

Devolution introduced a statutory duty on the Welsh Government to promote the interests of the third sector. This strengthened relationships between government and the third sector and introduced formal arrangements for partnerships and regular dialogue. Wales was the first devolved administration with a legislative framework for this sector (Chaney and Fevre, 2001b; Chaney, 2002; National Assembly for Wales, 2013). The third sector has strong historical roots in Welsh society, with a great tradition in volunteering and activism, based on the values of trust, co-operation and solidarity (Williams, 1985; Hain, 1999). These values were built upon the development of miners’ welfare societies, chapel-based activities, and local medical aid societies, operating based on volunteerism (Chaney, 2002). On these grounds, several social services are delivered by the third sector in Wales (Johnes and Lloyd-Jones, 2014).

Despite the high level of volunteering and its great importance, the Welsh third sector has been historically lacking crucial financial resources which could enable it to accomplish its role in supporting the socio-economic development of Wales (WCVA, 1999; Chaney and Fevre, 2001a; Chaney, 2002). Indeed, Wales has been recording the lowest levels of third sector income per capita in real terms from 2010-11 to 2013-14 in the UK (Figure 1). Only in 2014-15, Northern Ireland recorded a lower income per capita than in Wales. It is also interesting to notice that the Scottish third sector had two times higher average income per person than the Welsh one, between 2010-11 and 2014-15, despite the fact that Wales has 30% higher number of voluntary organisations per capita (Johnes and Lloyd-Jones, 2014). Finally, Wales records historically a higher government expenditure per person for the voluntary sector than the UK average (Mocroft, 2011), thus making it more vulnerable to change in the Welsh Budget.

Figure 1: The Welsh voluntary sector in the UK context



Source: WCVA (2018)

The austerity policies and budget cuts that the UK Government has applied since 2009-10 brought about this change in spending (Luchinskaya et al., 2017; Ogle et al., 2017). On the one hand, these policies have entailed the decline in public sector services, thus mounting the pressures on VSOs to satisfy the increasing support needs of the communities (Johnes and Lloyd-Jones, 2014). On the other hand, the austerity has implied a significant decline of the Welsh Government funding towards the voluntary organisations (WCVA, 2011b). Moreover, a transfer of services from the Welsh Government and the local authorities to the third sector has been recorded, thus increasing the demand pressures (Johnes and Lloyd-Jones, 2014; Wales Audit Office, 2017). Indeed, in the past, during a period of budget cuts, the voluntary sector in Wales has been replacing the welfare state, which was declining (Lawrence, 1983).

Apart from the post-austerity uncertainty, stemming from the recessionary context, the Welsh third sector faces greater challenges considering the possible lack of the European Union (EU) funding. In fact, the loss of EU funding in the event of Brexit, if not replaced through the UK Government's proposed Shared Prosperity Fund or equivalent, could mean another loss of Welsh third sector income. While the UK Government has promised to replace EU funding with the Shared Prosperity Fund, only limited information about this fund and its starting date is available, and it is not clear whether all of the funding that Wales currently receives from the European Structural and Investment Funds would be covered.

Scope and structure

While the local government funding of the voluntary groups and the evolution of the Welsh third sector have been examined (Hain, 1999; Chaney, 2001; Chaney et al., 2002; Johnes and Lloyd-Jones, 2014; Thomas et al., 2016a; Wales Audit Office, 2017), a detailed examination of its income, funding sources and the recent changes in the context of the austerity applied since 2009-10 and the Brexit negotiations could provide valuable insights to both academia and policy inquiry. Thus, responding to the call of Johnes and Lloyd-Jones (2014) for in-depth research on the new and changing state of the voluntary sector in Wales, the main research aims of this report are, first, to analyse the changing patterns of finance of the voluntary sector in Wales, and, second, to interpret its shifting role. Specifically, this report seeks to reply to the following questions:

- What has been the impact of the recent austerity on the income of the third sector in Wales?
- How have the different funding sources of the third sector evolved in the post-austerity period?
- What are the implications for and the financial prospects of the voluntary sector in the delivery of social services?

This report is structured as follows. First, it undertakes a historical review of the third sector in Wales. It then presents the main features of the sector, by focusing on the number of organisations, their size and their geographical distribution, before examining the finance of the Welsh VSOs, their funding sources and the impact of austerity. Thereupon, this report assesses the implications of the changing finance conditions on the Welsh VSOs and the financial prospects of the third sector, within the context of increasing uncertainty. The final section concludes.

A historical review of the policy making about voluntary sector in Wales

The role of the Welsh voluntary sector was set as to strengthen the case of inclusiveness, in the aftermath of the devolution (Hain, 1999; Chaney and Fevre, 2001a; Chaney, 2002). Considering that it is an enormously diverse sector, organisations seek to contribute to these wider ambitions, rather than them being the ‘mission’ of the sector. Since 1999, and the establishment of the National Assembly in Wales, in the context of decentralisation in the UK, the partnership between the Welsh Government and the voluntary sector has tightened (Johnes and Lloyd-Jones, 2014). A crucial step was the active engagement of VSOs in policy making process (Chaney and Fevre, 2001a). The Welsh Government sought to foster the participation of VSOs in the policy making process in order to achieve inclusive economic growth, foster democracy and improve the quality of governance (Chaney, 2002). The Welsh Government combined the devolution with the ‘inclusiveness’ narrative, which was partly based on the growth and support of the voluntary sector (Hain, 1999; Chaney and Fevre, 2001b), in the context of ‘a civil society in transition’ (Chaney, 2002: 20). For instance, the First Minister in 1999, mentioned that the ‘golden threads of partnerships at the heart of the National Assembly’s activities’ include, among others, the Voluntary Sector Scheme¹ (Michael, 1999), which describes the link between the Welsh third sector and the National Assembly. The Scheme focused on the crucial role of the sector in order to establish a model of inclusive governance (Chaney, 2002):

‘The Assembly values volunteering as an important expression of citizenship and as an essential component of democracy...the goal is the creation of a civil society which offers equality of opportunity to all its members regardless of race, colour, sex, sexual orientation, age, marital status, disability, language preference, religion or family/domestic responsibilities; [and] is inclusive and enables people to participate in all its economic, social and cultural activities.’

National Assembly for Wales, 2000: chapter 2, paragraph 2.7

Therefore, in the end of the 20th century and in the aftermath of the devolution, the role of the voluntary sector, as set by the Welsh Government, was to promote inclusiveness in Wales (Hain, 1999; Chaney and Fevre, 2001b; Chaney, 2002). This role has been highlighted by the WCVA: ‘if the Assembly is to fulfil the expectations of operating inclusively and in partnership with others, then it will need to work closely with voluntary and community organizations’

¹ It has since been updated a number of times, most recently 2014, and is now the Third Sector Scheme.

(WCVA, 1999: 8). Overall, the voluntary sector has been perceived by the Welsh Government as a means to tackle exclusion (Chaney and Fevre, 2001a; Chaney, 2002).

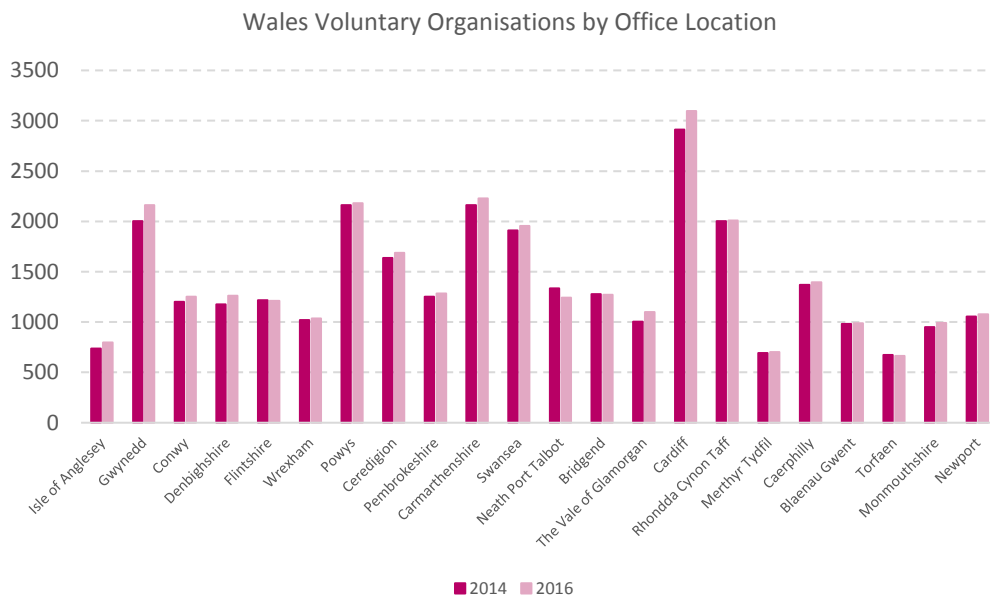
The current state of affairs of the Welsh voluntary organisations

The third sector in Wales is made up of some 32,500 organisations (WCVA, 2018). Considering the importance of the voluntary sector in the socio-economic development of Wales, it is worth noting that its contribution in economic growth is not negligible. For instance, in 1997-98 its annual income (£570 million) was equivalent to 1.7% of the Welsh GVA (WCVA, 1999). In 2005-06, the Welsh third sector annual income was £1 billion, while in 2008-09, the annual income rose to £1.6 billion (3.4% of the Welsh GVA), according to WCVA (2011a).

Regarding the size of the Welsh voluntary organisations, the annual income of 64% of VSOs was lower than £10,000 in 2009 (Charity Commission, 2009). According to the data of the Charity Commission, 25% of the total income of Welsh VSOs is absorbed by just 13 organisations, most of which are sponsor bodies, including the Opera, Library, Welsh National Museum, Arts Council, and a number of housing associations. This is a crucial feature of the Welsh third sector: most organisations are micro, small and medium-sized, while only a few VSOs are big. The small size of the Welsh VSOs affects their funding level and sources, while it is crucial for the geographical level of their operation: many VSOs operate at the local and neighbourhood level, employ few employees and volunteers, and offer services to a small number of people (WCVA, 2011b). Overall, the voluntary sector in Wales is large and diverse, considering the size of the country, but it is weighted towards organisations with limited assets and small size (Mocroft, 2011; Johnes and Lloyd-Jones, 2014). Moreover, while government income is high, a small proportion of the VSOs have access to this funding channel, as thousands VSOs do not receive public funding.

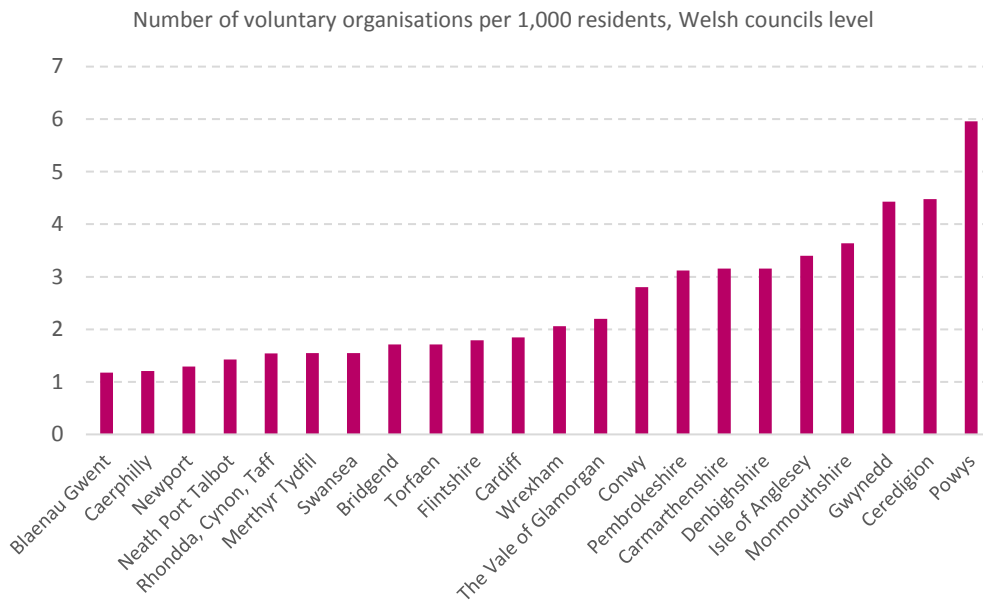
With regards to the geographical distribution, the majority of the VSOs, in absolute terms, are located in the most populated councils (Figure 2). Indeed, the 30% of the VSOs were located in Cardiff, Carmarthenshire, Rhondda Cynon Taff, and Swansea in 2014 and 2016. A high number of VSOs are also located in less populated areas, such as Powys and Gwynedd. In fact, the five first councils regarding the number of VSOs relative to their population include some of the least populated areas, such as Powys, Ceredigion, Gwynedd, Monmouthshire, and Isle of Anglesey (Figure 3). Considering the features of these councils, it is concluded that the poorest, more urbanised areas, mainly in the South Wales Valleys, record the lowest number of VSOs per capita (Johnes and Lloyd-Jones, 2014).

Figure 2: Wales Voluntary Organisations by Office Location



Source: WCVA (2018)

Figure 3: Number of voluntary organisations per 1,000 residents, Welsh councils level, 2010-11



Source: National Council for Voluntary Organisations (NCVO) (2013)

Finally, most VSOs are active in sport and recreation, community, religion, and health and social care, both before and after the austerity period (Table 1). By contrast, activities such as community justice, employment, and volunteering concentrate the smallest number of VSOs

in Wales, in both 2010 and 2017. Therefore, the Welsh VSOs are less likely to deal with the poverty and its relief (Johnes and Lloyd-Jones, 2014). It is worth noting that the number of VSOs in advice and advocacy, community, and volunteering has recorded the highest increase in the contribution to the total population of VSOs between 2010 and 2017, while voluntary organisations in gender, disability, environment, and youth have seen the greatest decline.

Table 1: Percentage of VSOs by activity area

Activity	January 2010	July 2017	Change (%)
Sport & recreation	22.7	22.2	-2.2
Community	16.9	19.4	14.8
Benevolent organisations	12.9	12.2	-5.4
Religion	12.8	13.9	8.6
Health & social care	11.9	10.4	-12.6
Children & families	11.7	10.2	-12.8
Arts, culture & heritage	9.2	10	8.7
Youth	9.1	7.8	-14.3
Environment	6.4	5.5	-14.1
Gender	6.2	4.4	-29
Disability	5.5	4.4	-20
Education & training	4.1	3.7	-9.7
Housing	3.1	3.1	0
International aid & emergency relief	3	3.3	10
Advice & advocacy	2.8	3.4	21.4
Animal welfare	1.7	1.7	0
Ethnic minorities	1.3	1.2	-7.7
Community justice	1	0.9	-10
Employment	0.7	0.7	0
Volunteering	0.7	0.8	14.3
Refugees & asylum seekers		0.1	-
Intermediaries	0.5	0.5	0

Source: WCVA (2011a; 2018)

Methodology

In order to analyse the finance² of the Welsh third sector, the author contacted WCVA and NCVO asking for data and also visited their databases. In the WCVA data hub, the finance of the VSOs is categorised based on income types (charitable activities, generating funds, investment, and voluntary) and income sources (government, national lottery, legacies, private sector, public giving, return on investment, and voluntary sector), with the author being interested in the second categorisation. However, a slightly different classification of income sources was sought (Welsh Government, local authorities, legacies and donations from the public, trading income, national lottery, EU funding, and investment) with the author seeking to re-estimate the data. Specifically, this paper uses a different methodology to measure trading income. In the WCVA data, trading income is not a separate funding source, but it is a type of income, and thus its vast majority is included in Welsh Government and local authority funding, and donations from the public and other businesses (WCVA, 2018). However, this paper measures trading income, including revenues from renting premises and selling services and products, as a separate finance source, which is not included in Welsh Government and local authorities' funding, and donations from the public and other businesses (legacies).

The limited nature of the available data is an important issue for research on the Welsh third sector. For example, no figures for total funding and income sources of the Welsh third sector for 2016-17 were identified and figures for 2015-16 were due for publication subsequent to this report. Another complication is where aggregate numbers about funding for third sector in Wales may (or may not) include figures for national/global organisations which have operations in Wales.

In order to overcome the lack of aggregate data for Wales, a closer look in individual VSOs³ funding was sought, focusing on the annual income and funding sources in 2009-10, in the period before the impact of austerity was recorded in the economy, and 2016-17, the financial year with the latest available figures. Some finance data for 7,234 VSOs registered in Wales is available through the FAME, which is a companies' database. Out of the 7,234 VSOs, only 1,053 had valid information about their annual income. From these VSOs, the voluntary organisations with annual income from £0.5 million to £5 million in 2016-17 were chosen for analysis, reflecting the public services perspective in this report. In other words, it focuses on large VSOs that are more likely to deliver public services. Out of the 1,053 VSOs, 352

² All data about income accounts for inflation and is in real terms.

³ All these VSOs were charities.

organisations (33%) had annual income between £0.5 million and £5 million, which according to WCVA (2011b) are considered large. It is worth noting that only 67 VSOs had annual income above £5 million (6%), while 634 had income from £1,000 to £499,999 (61%). This finding provides supporting evidence for the small size of a typical Welsh voluntary organisation, a fact that influences its funding level, income sources, and the services that it delivers (Charity Commission, 2009).

From the 352 third sector organisations, with annual income between £0.5 million and £5 million, the VSOs with the following criteria were excluded, resulting in a population of 165 voluntary organisations:

1. VSOs for which data was not available for either 2009-10 or 2016-17 (some VSOs were incorporated after 2009-10);
2. VSOs that are mainly funders, i.e. their activities focus on funding the activity of others rather than delivering services;
3. VSOs that are categorised as Assembly Sponsored Bodies;
4. VSOs which are housing providers, for the reasons that were explained in the introduction. VSOs that support homeless people were included in the population;
5. VSOs that are primarily associated with universities, colleges, student unions, schools, learned societies, trade unions, and religious organisations;
6. VSOs that are international or national organisations and operate in Wales, among other countries;
7. VSOs that are NHS bodies;
8. VSOs that deal with animal welfare.

Table 2: Activity of the VSOs of the population

Activity	Number of VSOs	
Community	14	8.5%
Gender	8	4.8%
Children and families	9	5.5%
Disability	13	7.9%
Ethnic minorities	3	1.8%
Environment	5	3%
Arts, culture and heritage	21	12.7%
Housing (for homeless)	8	4.8%
Volunteering	10	6.1%
Health and social care	39	23.6%
Education and training	13	7.9%
Advice and advocacy	12	7.3%
Community justice	5	3%
Sport and recreation	3	1.8%
Youth	2	1.2%
Total	165	100%

Source: Author's calculations

The author included in the final sample one every second voluntary organisation, in order to enhance its accuracy (Creswell and Clark, 2007; Miles et al., 2013). The final sample ended up including 82 VSOs. This sample is only a subset of the wider voluntary sector in Wales. While the sample is purposive, it provided a robust picture of the Welsh large VSOs and accurate results, as well as enabled the author to highlight significant elements of this case study. The author classified the income of each one of the 82 VSOs in the following eight categories:

1. Welsh Government: grants and contracts from the Welsh Government
2. Local authorities: grants and contracts from the Welsh councils
3. Legacies and income from other VSOs: legacies, trusts, and foundations
4. Donations from the public
5. Trading income: involves funds internally generated, mainly by renting premises and selling services and products to the private sector and the consumers
6. National lottery
7. EU funding

8. Investment: funds stemming by saving interests

The overall income and finance from each funding source were aggregated for all the 82 VSOs to estimate the total income and funds from the different income sources for the whole sample.

Finance of the voluntary sector in Wales in the context of austerity and budget cuts

One of the main issues that the Welsh third sector has historically faced is the lack of financial resources, especially for the small organisations related to ‘minority’ groups, such as disabled and ethnic minorities, which have been frequently struggling to survive (WCVA, 1999; Chaney and Fevre, 2001a; Chaney, 2002). These funding conditions have implied a reduced participation of people from vulnerable and minority groups in the voluntary organisations that have traditionally a limited capacity to respond to the needs (Chaney, 2002). In order to analyse these funding conditions, Table 3 and Figure 4 indicate the Welsh third sector revenue from its basic funding sources since 2010-11. While finance from the Welsh Government was the main source in 2010-11, since then, donations from the public and legacies have recorded the biggest contribution to Welsh third sector total income. Funding from the Welsh Government, National Lottery and the EU has declined from 2010-11 to 2014-15, while income from the local authorities, donations from the public and legacies, trading income, and investment have all increased.

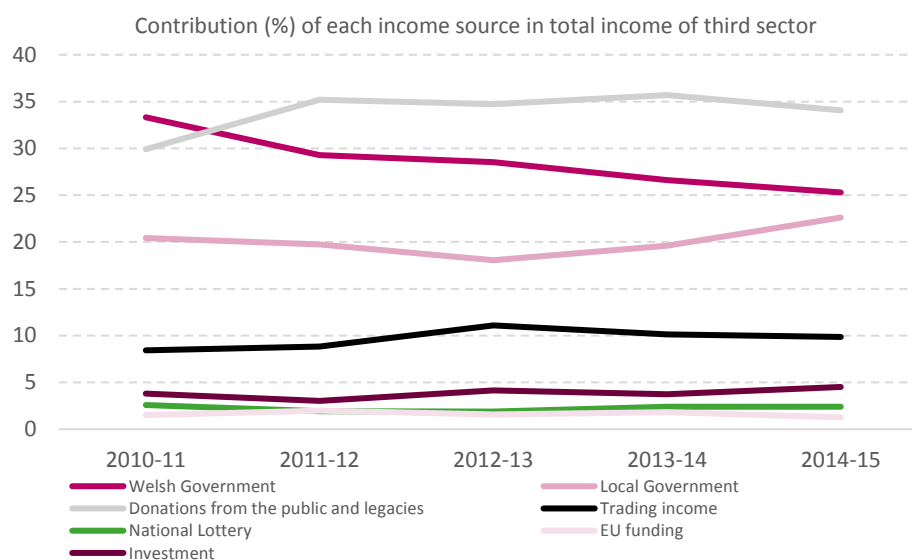
Table 3: Welsh third sector revenue from each income source

	2010-11	2011-12	2012-13	2013-14	2014-15	Growth (%) 2010-11 to 2014-15
Welsh Government	357.05	335.9	316.34	310.03	276.3	-22.61
Local Government	219.02	226.46	200.17	228.26	247	12.77
Donations from the public and legacies	320.51	403.41	384.85	415.95	372	16.06
Trading income	90.31	101.43	122.99	118.08	107.68	19.22
National Lottery	27.7	22.05	20.93	28.02	26.29	-5.09
EU funding	16.24	22.75	17.54	21.2	13.9	-14.4
Investment	40.83	34.7	45.95	43.71	49.31	20.78
Total	1071.58	1146.72	1108.8	1165.3	1092.41	1.94

Source: WCVA (2018), and author’s analysis

Figure 4 demonstrates the high level of government funding of the VSOs: Welsh Government and local authorities contributed together to the 53% of total income in 2010-11. The high level of government funding has made the voluntary associations more vulnerable to any important change in the Welsh budget.

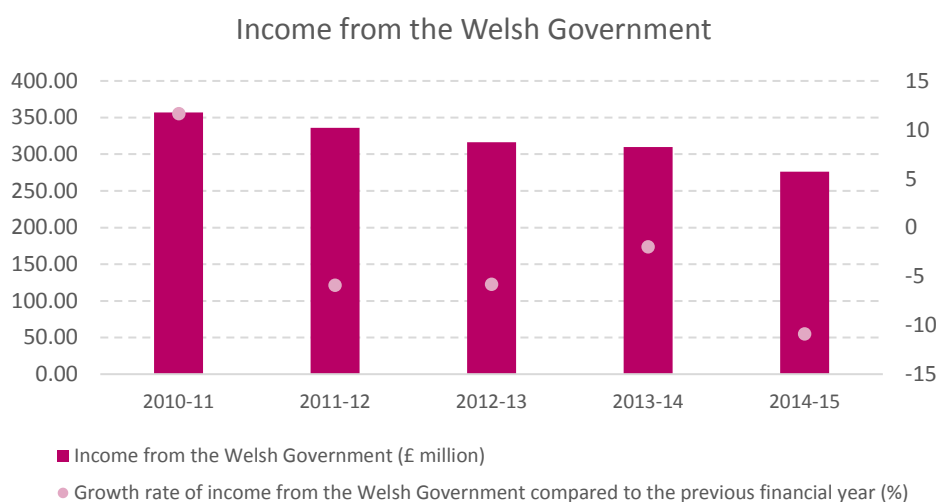
Figure 4: Contribution (%) of each income source in total income of third sector



Source: WCVA (2018), and author’s analysis

This change came up with the austerity policies that the UK Government has applied since 2009-10 to resolve the global economic crisis. Economic recession and austerity have entailed financial hardship for most voluntary organisations in the country (WCVA, 2012; Alies et al., 2015). Particularly, funding from the Welsh Government, one of the main income sources for the Welsh voluntary sector significantly declined by -22.6% from 2010-11 to 2014-15. Government funding saw the sharpest decline among all income sources. In fact, funding from the Welsh Government has recorded negative annual growth rates for four consecutive financial years: -5.9% in 2011-12, -5.8% in 2012-13, -1.9% in 2013-14, and -10.8% in 2014-15. Therefore, it reduced its contribution to the voluntary sector’s income from 33% in 2010-11 to 25% in 2014-15.

Figure 5: Funding of the Welsh voluntary sector from the Welsh Government (Grants)



Source: WCVA (2018), and author's analysis

Funding from legacies and donations from the public recorded the opposite change: their contribution to total income rose from 29% in 2010-11 to 34% in 2014-15. Contributions from the public and legacies recorded the third greatest increase, rising by 16%. Specifically, they were equal to £320 million in 2010-11 and rose to £372 million in 2014-15, although they recorded fluctuations in the intermediate period: in 2011-12 they rose to £403 million, then decreased to £384 million, and went up again to £415 million in 2013-14. However, the annual growth rate of gross disposable household income in Wales had been always lower than the inflation rate in the period between 2009-10 and 2015-16, thus indicating a decline in the real household income (Stats Wales, 2018). Despite the income reduction, the determination of the public to donate remained strong in the aftermath of the longest post-war recession (NCVO, 2012c). The main VSOs that were affected by reduced fundraising income were the community groups in the most deprived areas in Wales, although some VSOs sought to resolve the financial hardship by using their reserves (WCVA, 2012).

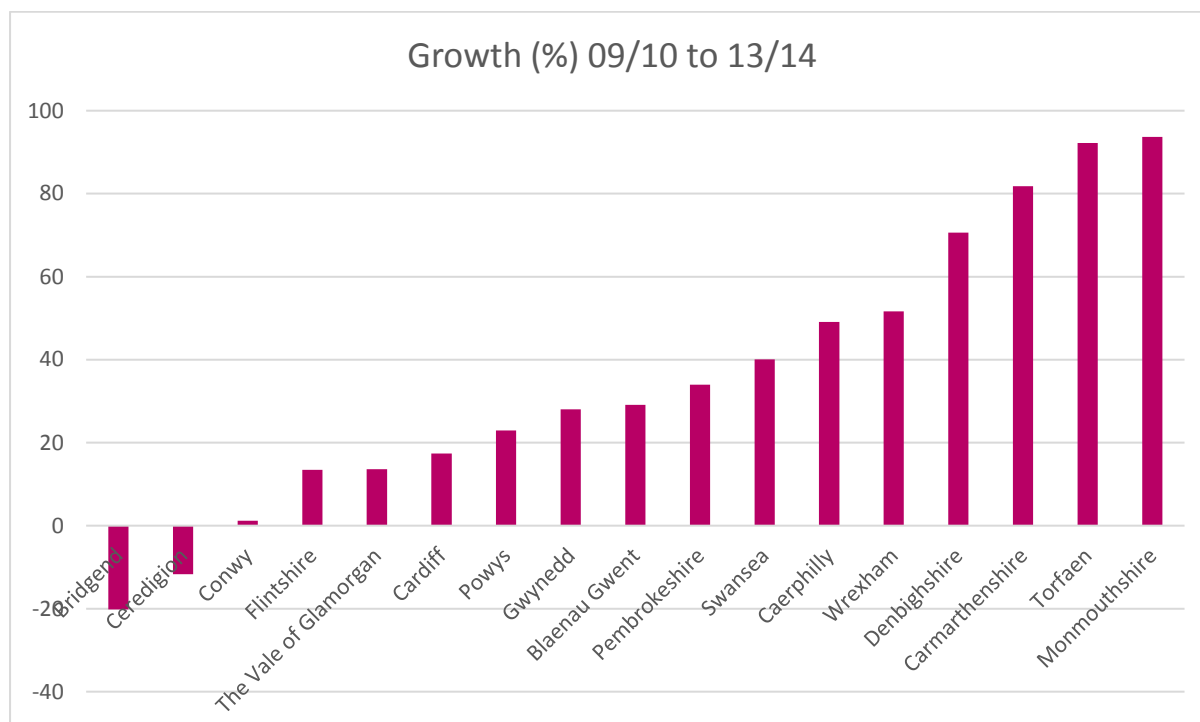
Local government has been the third most important source of income for the Welsh VSOs. Income from this funding source has increased by 12.7% between 2010-11 and 2014-15. Its contribution to total income rose from 20% to 22%. Analysis of figures compiled by Data Unit Wales⁴, indicates (Figure 6) that 20 out of the 22 councils increased the funding to third sector, with Monmouthshire (93%), Torfaen (92%), and Carmarthenshire (81%) recording the biggest growth, Bridgend (-20%) and Ceredigion (-11%) demonstrated a negative change. It is worth

⁴ Available here:

<http://apps.dataunitwales.gov.uk/thirdsector/ThirdSectorTables.aspx?id=1947&geo=1&lang=en-GB>

noting that seven out of the ten councils with the largest growth in third sector funding are in South Wales.

Figure 6: Change of councils' funding to third sector



Source: Data Unit (2018), and author's analysis

The contribution of trading income, i.e. funds that were internally generated also increased from 8.4% in 2010-11 to 9.8% in 2014-15. In fact, trading income rose by 19.8%, recording the second biggest increase, after investments.

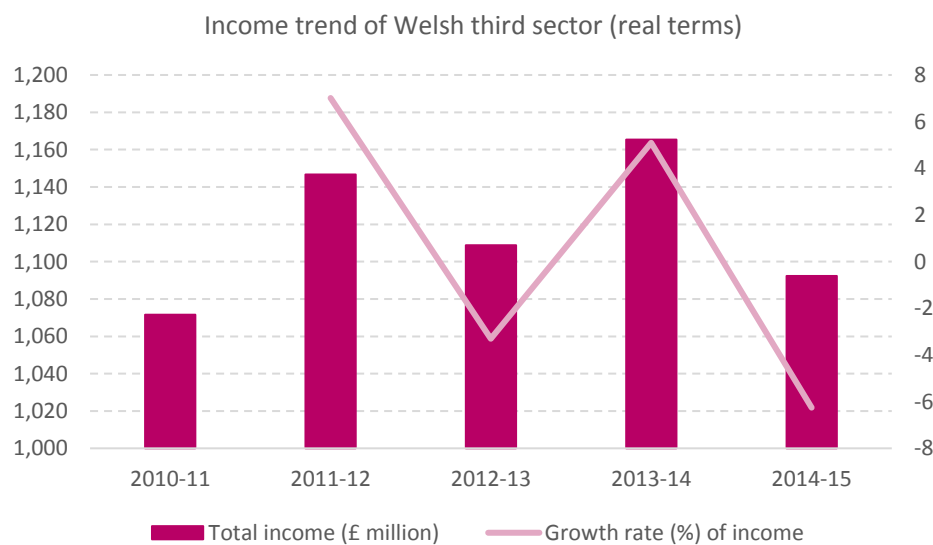
Additionally, the National Lottery emerged in 2001-02 as a significant source of income for the Welsh voluntary sector, with an average contribution of 2.4% between 2010-11 and 2014-15.

The patterns about EU funding are quite volatile, presenting fluctuations between 2010-11 and 2014-15. Its contribution to total income has ranged from 1% to 2%. This finding may be explained by the fact that funding from the EU is not certain and is project-based: applications for projects could be either rejected or accepted each year. Interestingly, EU funding declined by 14% from 2010-11 to 2014-15. However, there may be inconsistency about how EU funding is recorded in returns. There are signs that EU funding is often reported as the Welsh Government income.

Considering all these changes in the funding sources, the total income of Welsh third sector from 2010-11 to 2014-15 recorded narrow fluctuations, but experienced the significant impact of austerity, mainly through the great reduction of government funding. The total income of the

sector recorded an annual increase of 7% in 2011-12 and dropped by -3.3% in 2012-13 (see Figure 7). In the following year, it rose by 5%, before declining again by -6.2% in 2014-15. While the data for 2015-16 is not available, looking at the information for the third sector in the UK could be useful. Considering that the total income of the UK VSOs recorded a 2.8% annual rise in 2015-16, it could be assumed that the total income of the Welsh third sector might have also returned to positive growth rates in 2015-16. Overall, while the total income of the Welsh VSOs recorded a 1.96% growth from 2010-11 to 2014-15, it was smaller in 2014-15 than in 2011-12, 2012-13, and 2013-14.

Figure 7: Total income of the Welsh voluntary sector



Source: WCVA (2018), and author's analysis

Seeking to understand the impact of austerity, it is worth noting that Welsh voluntary income before 2010-11, according to WCVA (2011a), increased by 26% in real terms between 2005-06 and 2008-09. Moreover, third sector income per capita in Wales declined from £420 in 2007-08 to £350 in 2014-15, indicating the impact of austerity (WCVA, 2017). Apart from the total income reduction, it is important to remember the changing demographic trends and the increase in demand. Evidence from the UK level shows that the voluntary income of the third sector declined by -9.3% from 2007-08 to 2012-13 (Keen and Audickas, 2017). These findings are verified by a survey from the Charities Aid Foundation (2016).

An in-depth analysis of Welsh voluntary sector organisations' funding

The author cross checked the geography and activity of the 82 VSOs in order to enhance the accuracy of the sample. The 82 VSOs are active in 13 of the 17 activities that the author decided to include in the database: gender, children and families, disability, ethnic minorities, environment, arts, culture and heritage, housing for homeless, volunteering, health and social care, education and training, advice and advocacy, community justice. No VSOs were active in sport and recreation, international aid and emergency relief, employment, youth. The percentage of the voluntary organisations in the sample of the 82 VSOs in each activity (Table 4) is comparable to the percentage of VSOs in the population of the 165 VSOs (Table 2). This allowed the author to provide an accurate picture of the large VSOs in Wales and draw valid conclusions about their finance conditions. Moreover, the VSOs of the sample were located in 21 of the 22 councils (no voluntary organisation was located in Flintshire), recording a wide geographical coverage of Wales.

Table 4: Descriptive statistics of sample VSOs

Activity	Number of VSOs		Percentage of VSOs in the population
Community	6	7.3%	8.5%
Gender	5	5.8%	4.8%
Children and families	4	4.9%	5.5%
Disability	8	9.7%	7.9%
Ethnic minorities	2	2.4%	1.8%
Environment	2	2.4%	3%
Arts, culture and heritage	11	13.4%	12.7%
Housing (for homeless)	3	3.7%	4.8%
Volunteering	6	7.3%	6.1%
Health and social care	20	24.8%	23.6%
Education and training	6	7.3%	7.9%
Advice and advocacy	7	8.6%	7.3%
Community justice	2	2.4%	3%
Total	82	100	

Size (income band, 2016-17)	Number of VSOs
£0.5 million - £1 million	39
£1 million - £2 million	25
£2 million - £3 million	11
£3 million - £4 million	5
£4 million - £5 million	2
Total	82

Source: Author's calculations

Income sources for all the VSOs

Confirming the evidence of Table 3 regarding the WCVA data, the overall income of the 82 VSOs rose by 3.4%, in real terms, from £112 million in 2009-10 to £116 million in 2016-17 (Table 5). There are two facts that possibly explain the rise of the total income of the 82 VSOs. First, data refers to two specific financial years, the year before the UK Government imposing austerity and the financial year with the latest available data. However, as Figure 7 reveals, there were narrow fluctuations between 2010-11 and 2014-15, according to the data from WCVA. Second, this report focuses on VSOs of large size, with annual income between £0.5 million and £5 million, which are more dependent on government funding and were expected to be more affected in the context of austerity (WCVA, 2011b). Nevertheless, large VSOs experienced a less significant impact by austerity than the medium-sized voluntary organisations (WCVA, 2011b). The income sources of the 82 VSOs that declined included: Welsh Government, local authorities, EU funding, investment, and other income. Income from donations from the public, funding from other VSOs, trading income, and funds from the lottery increased.

Table 5: Income from the different funding sources of the Welsh third sector (£ million, real terms)

	2009-10	2016-17	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government (grants and contracts)	46.69	34.16	-26.84	41.53	29.39
Local Government (grants and contracts)	11.31	10.42	-7.86	10.06	8.97
Donations from the public	2.26	3.42	51.57	2.01	2.94
Income from other VSOs	16.60	21.11	27.17	14.77	18.16
Trading income	31.98	41.03	28.3	28.45	35.31
Lottery	0.75	4.88	549.23	0.67	4.21
EU funding	1.39	0.26	-80.91	1.24	0.23
Investment	0.34	0.27	-19.43	0.30	0.24
Other-miscellaneous	1.09	0.64	-40.68	0.97	0.56
Overall	112.42	116.22	3.39	100	100

Source: Author's calculations

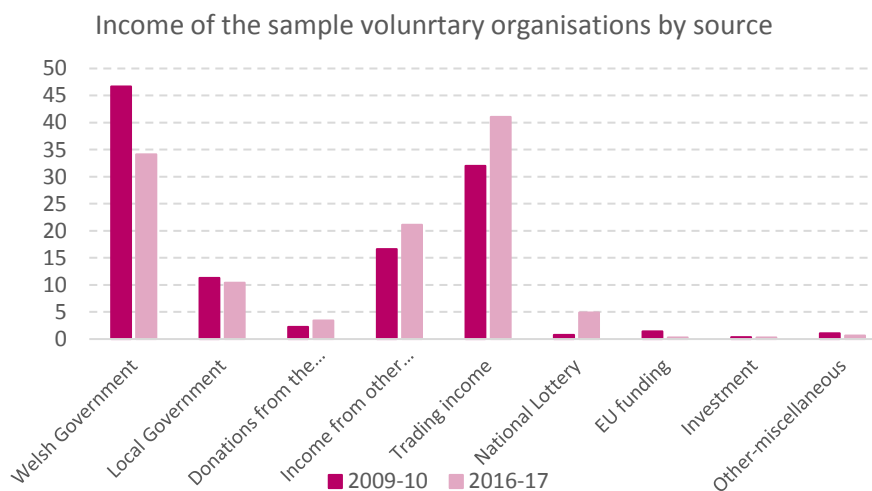
Government funding was the main source of income for the 82 VSOs in 2009-10, while it became second, after the trading income, in 2016-17. Indeed, the findings of the analysis confirm the abovementioned empirical evidence about finance of the third sector by state grants and contracts, i.e. income from the Welsh Government. Government funding for the 82 VSOs in the sample was equal to £41.6 million in 2009-10 (41.4% of total income) but dropped to £34.1 million in 2016-17 (29% of total revenues), declining by 18%. Funding from the local government, i.e. the local authorities, also declined by -7.8%, contrary to the findings based on WCVA figures (Table 3), while its contribution to total income did not record significant changes (from 10% to 9%).

It is worth noting that finance from the Welsh Government and local authorities often included contract funding from several commissions, such as the legal services one. This highlights the recent shift in government funding with the transfer from grants to contracts (Wales Audit Office, 2017). As a consequence, the Welsh VSOs have restricted freedom to deliver a wide range of services, while contracting is more expensive, thus creating further difficulties for the third sector. According to the research of WISERD, led by Professor Chaney and Dr Sophocleous, this transition also strengthens the competition among the Welsh voluntary organisations, with the older and larger VSOs being in a more advantaged position, and increases the pressure on VSOs' managers during the last months of the contracts. WISERD research highlights that this change was made in the context of the recent transition from government core funding to fixed-term finance for the third sector. According to the previous legislation (section 64 of the Health Services and Public Health Act), the Welsh Government financial support to fund organisational activities used to be ongoing. However, with the recent shift towards the sustainable social services system (Welsh Government, 2016a), the emphasis is placed on funding per project. It is worth adding that state grants and core funding often fund actions that help an organisation stick to mission. Therefore, retaining significant amounts of government grants would support the VSOs' efforts to be more focussed on mission than funding.

On the other hand, trading income for the 82 VSOs rose from £28.5 million in 2009-10 to £41 million in 2016-17. It recorded a notable increase of 43% in this period. Its contribution to the total income also rose from 28% to 35%. These findings support the evidence for the growth of trading income in the Welsh third sector as a whole, based on WCVA data (Table 3). The VSOs considered that government funding greatly declined in the context of fiscal austerity and budget cuts. They replaced it with trading income: they intensified the efforts to raise income that is internally generated.

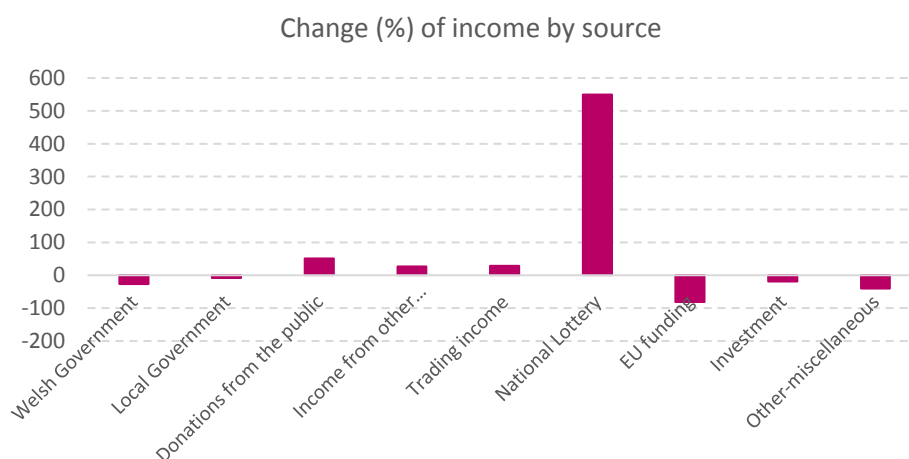
Legacies and income from other VSOs and companies also recorded a significant increase for the 82 organisations, from £16.6 million to £21.1 million (42.5% rise), demonstrating a crucial change in their contribution to total income (from 14.7% to 18.16%). Donations from the public for the 82 VSOs rose from £2 million to £3.4 million (70% increase), while their contribution increased from 2% to 3%. This evidence concurs with the findings for the Welsh third sector as a whole, as highlighted in Table 3, which demonstrates analysis of WCVA figures.

Figure 8: Income of VSOs by source (£ million, real terms)



Source: Author's calculations

Figure 9: Change in income by source, 2009-10 to 2016-17

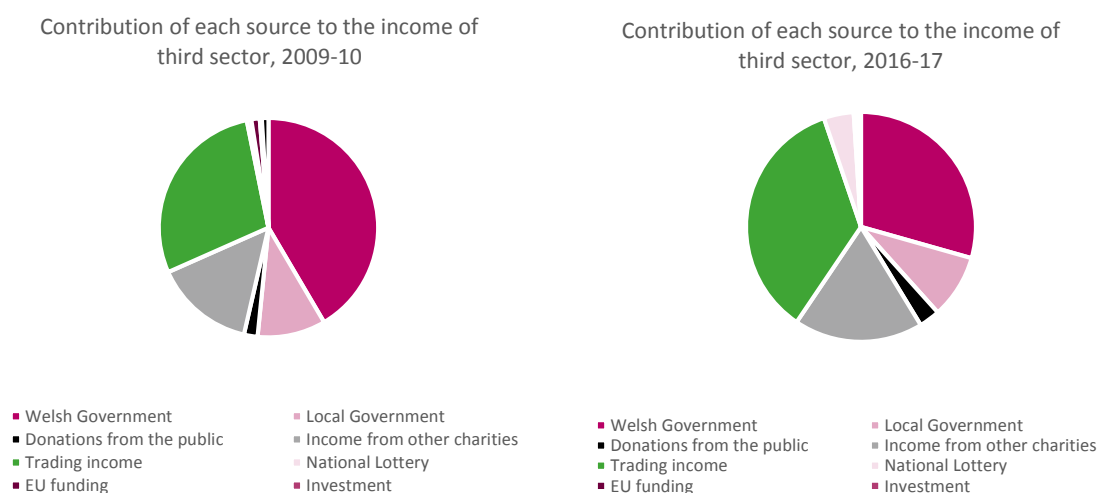


Source: Author's calculations

The most important increase among the income sources of the 82 VSOs was recorded in lottery funds. These funds rose by 549% between 2009-10 (£0.6 million) and 2016-17 (£4.88 million). This finding contrasts the evidence provided by Table 3, which underscores that the

Welsh third sector's income from lottery dropped by -5% from 2010-11 to 2014-15. While the lottery funds' contribution to total income of the 82 VSOs was minor in 2009-10 (0.67%), it rose to 4.2% in 2016-17 (Figure 10). This result could be statistically biased. Seeking to explain carefully this increase, the recent arrangements of the National Lottery to allocate significant amounts of funds towards the third sector in Wales are useful⁵. Such decisions have been made after 2014-15, which was the final year of funding data in the first part of the analysis, and thus could add to the explanation of the different direction of change (positive versus negative). Moreover, lottery funding, which is partly financed by public spending, could have also increased because several public bodies redirected government funding through the lottery, in the wider changes in state finance system.

Figure 10: Contribution of each source to the total income of VSOs



Source: Author's calculations

Specific attention should be paid to the EU funding channel, due to the EU referendum outcome and the decision of the people in the UK to leave the EU (June 2016). While EU funding contributed to total income of the sample VSOs with 1.24% in 2006-07 (£1.24 million), its contribution declined to 0.2% in 2016-17 (£0.26 million). Naturally, the income of the 82 VSOs stemming from the EU dropped by 80%, recording the biggest reduction among all funding sources. This could be explained by the outcome of the EU referendum at a minor level as its effects could not be recorded on the funding in the financial year when the referendum took place (2016-17). The unpredictability of funding projects from the EU might

⁵ Look here for instance: https://www.biglotteryfund.org.uk/global-content/press-releases/wales/031117_wal_tss_national-lottery-cash-strengthens-third-sector

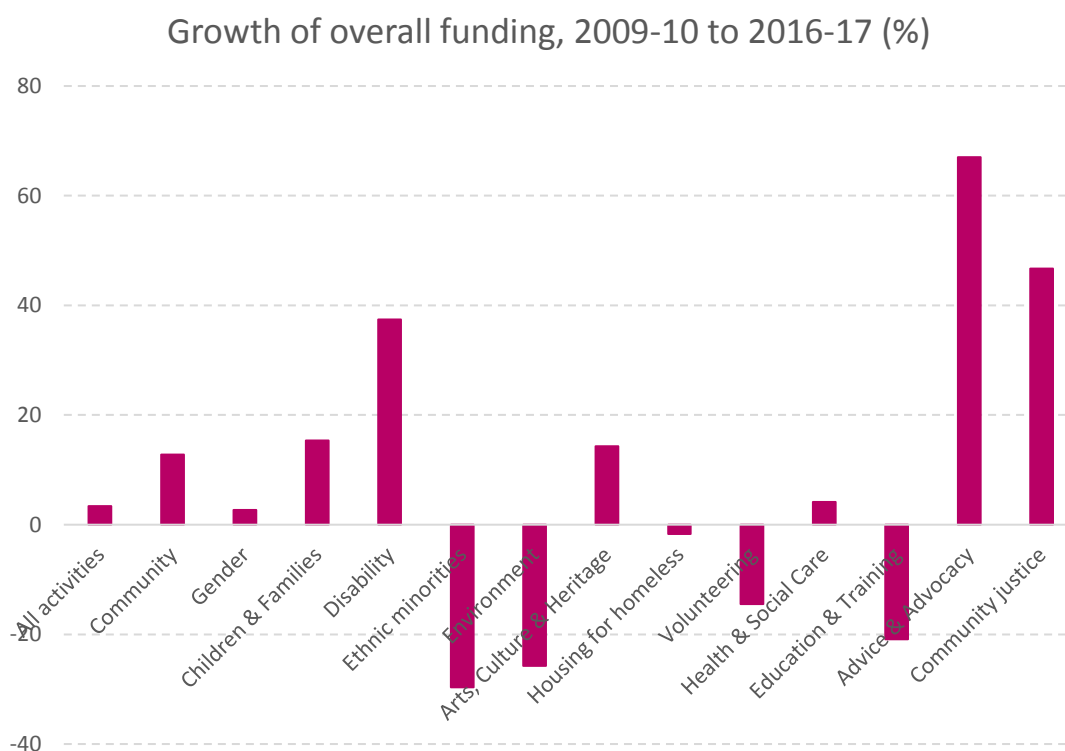
explain these results. It is worth noting that the findings regarding the EU funding of the Welsh third sector as a whole are similar (Table 3).

Finally, investment, mainly from interest in deposits, and other income have been minor income sources for the 82 VSOs across time.

Income sources per activity

In order to deepen the analysis, the changes in total income and funding sources per activity of the 82 VSOs are examined. It is worth noting that the analysis relies on the sample of 82 large VSOs and, thus, it only captures the picture of the organisations. The author does not claim that the results indicate trends for the sector. While total funding for most activities rose (mostly for advice and advocacy, community justice, disability and arts, culture and heritage), VSOs in five sectors have seen declines in their total income (Figure 11): ethnic minorities, environment, volunteering, education and training, and housing (for homeless). The analysis regarding the income sources of each activity can be found in Annex 2.

Figure 11: Growth of overall funding by activity, 2009-10 to 2016-17



Source: Author's calculations

Community

It is important to note that the income from the local authorities for the VSOs in community activities rose by 86%, whereas income from the same source declined by -7.8% for all the VSOs of the sample. Moreover, the financial dependence of the community VSOs on trading income was great in 2009-10 (49%) and became greater in 2016-17 (57%). The contribution of this income source to overall funding of community VSOs is much higher than its contribution to funding of all the VSOs of the sample in both financial years. Finally, Welsh Government finance contributed with 29% to total income of community VSOs in 2009-10 and only 13% in 2016-17, while the same indexes for all the sample VSOs are 41% (2009-10) and 29% (2016-17).

Gender

VSOs in gender activities saw great increases in their income from local government (£0.96 million in 2016-17 from £0.22 in 2009-10) and donations from the public (went seven-fold in 2016-17). However, legacies from other VSOs and businesses declined by -48%. It is worth adding that gender VSOs were not funded by the EU structural funds in either 2009-10 or 2016-17. The VSOs in this sector were greatly dependent on government funding in 2009-10 (57% of total income). Nevertheless, government funding contribution declined to 40% in 2016-17. Finally, the contribution of trading income to total funding in 2016-17 was almost half compared to all the VSOs in the sample (19% compared to 35%).

Children and families

Similar to the voluntary groups active in gender issues, the VSOs that deal with children and families have also demonstrated a great growth of income from the donations from public (from £0.01 million in 2009-10 to £0.16 million in 2016-17). However, they have not been financed by the local government. Chiefly, the great contribution of state funding to total income (47%) in 2009-10 greatly fell in 2016-17 (17%), as finance from the Welsh Government declined by 57%. VSOs focusing on children and families were not financed by the EU in 2016-17, although EU funding has never been high (£0.02 million in 2009-10).

Disability

VSOs that help disabled people recorded a smaller decline in funding from the Welsh Government compared to the all VSOs in the sample from 2009-10 to 2016-17 (-17% compared to -26%). However, they saw a greater decline in funding from the local authorities (-17% against -7.8%). Additionally, disability VSOs' financial dependence on lottery funding in 2016-17 (5.6% of total income) was greater than the contribution of lottery finance to total income of all the sample VSOs (4.2%).

Ethnic minorities

The most important aspect of finance of VSOs supporting ethnic minorities is the great contribution of government funding to their total income. Before analysing the relevant data, it is worth noting that the sample included only 2 VSOs dealing with ethnic minorities. In 2009-10, the contribution of Welsh Government finance to total income of VSOs helping ethnic minorities was 85%. Although state funding recorded a 37% decline in 2016-17, it was still determinant, contributing by 75% to the total income of these VSOs. Finally, donations from the public in 2016-17 were seven-fold compared to the financial year 2009-10.

Environment

Another case of high government funding contribution is related to the VSOs focusing on environmental issues. Again, similar to ethnic minorities VSOs, the sample included only 2 VSOs in environment, a fact that is considered in the interpretation of findings. Welsh Government funding for these third sector organisations recorded a much greater decline compared to all VSOs and to voluntary organisations for ethnic minorities (-50% against -27% and -37%). In fact, the contribution of government income was 80% in 2009-10, but declined to 54% in 2016-17. Therefore, overall funding of VSOs focusing on environment declined from £4.19 million in 2009-10 to £3.11 million in 2016-17.

Arts, Culture and Heritage

VSOs in arts, culture and heritage activities demonstrated a slight decline in funding from the Welsh Government (-0.25%). Moreover, finance from local authorities declined by -54%, from £0.34 million in 2009-10 to £0.15 million in 2016-17. Finally, due to the nature of the activity, these VSOs have been funded by income internally generated at a great extent. Trading income contributed to total revenues with 37% in 2009-10, while its contribution increased to 48% in 2016-17.

Housing (for homeless)

The VSOs helping homeless people by providing a shelter are also financially dependent on government funding at a great extent, similar to children and families, ethnic minorities, and environment VSOs. In 2009-10, the Welsh Government provided £2.01 million to the VSOs focusing on housing for homeless. This funding channel recorded a -14.5% decline in 2016-17 (£1.72 million). Unsurprisingly, total income for these VSOs declined by -1.7%, from £3.23 million in 2009-10 to £3.17 million in 2016-17.

Volunteering

The VSOs dealing with volunteering were one of the five activities that recorded a decline in total income from £13.32 million in 2009-10 to £11.4 million in 2016-17. While volunteering VSOs' funding from the Welsh Government demonstrated a smaller decline compared to state income for all the sample third sector associations (-18% to -27%), it recorded a much greater decline in finance from the local authorities (-25% compared to -7.8%). Another difference compared to all VSOs is related to trading income. The latter contributed by 35% to the total finance of all VSOs in the sample in 2016-17, while it accounted just for 6% of the total income of VSOs focusing on volunteering.

Health and Social Care

Health and social care VSOs also recorded a decline in funding from both the Welsh Government (-16%) and local authorities (-15%) between 2009-10 and 2016-17, following the insufficient government funding to the health sector overall (Luchinskaya et al., 2017). However, they demonstrated a rise in finance from other third sector organisations (16%) and trading income (24%). On balance, the evolution of health and social care VSOs' disaggregated income follows a similar picture to the one of all the voluntary organisations included in the sample with regard to the major finance sources (Welsh Government, local authorities, trading income, and donations from other third sector organisations).

Education and Training

Education and training VSOs recorded a great decline in funding from the Welsh Government (-66%). In 2009-10, they received £6.03 million from the Welsh Government (37% of total funding), while in 2016-17, they had access to £2.05 million (16% of total income). VSOs in education and training demonstrated a very significant rise in income from other third sector organisations and companies by 159%, from £1.04 million in 2009-10 to £2.7 million in 2016-17. Finally, due to the nature of the activity, whereby customers pay for several services provided, trading income has been a crucial funding source for these VSOs. Trading income was equal to £8 million in 2009-10, contributing to 49% of total revenue, while, although it dropped to £7.68 million in 2016-17, its contribution increased to 60% of total funding, since the aggregate income fell from £16.18 million to £12.81 million.

Advice and Advocacy

VSOs involved in advice and advocacy activities was the only group that demonstrated a rise in funding from the Welsh Government. This growth could possibly reflect the government's response to the financial pressures on individuals stemming from austerity, welfare reform, stagnant pay and housing crisis. Particularly, the revenues of low income individuals dropped,

while welfare state declined, as a consequence of austerity driven governmental policies (Luchinskaya et al., 2017). Therefore, people urged to these voluntary organisations to take advice about benefits and job opportunities. As a response, the Welsh Government increased the funding to these VSOs. Indeed, it was not the trading income, but the government funding that rose for the advice and advocacy voluntary organisations (Annex 2). In 2009-10, they received £1.35 million from the Welsh Government, representing the 23% of their total income. However, in 2016-17, state funding rose by 96% to £2.6 million (28% of total income). Considering also, that funding from local government (18%), income from other VSOs (246%), and trading income (1.1%) recorded increases, it is unsurprising that total the income of third sector organisations in advice and advocacy activities rose by 67%, from £5.7 million in 2009-10 to £9.51 million in 2016-17. On balance, advice and advocacy VSOs recorded the biggest growth in total income and funding from the Welsh Government.

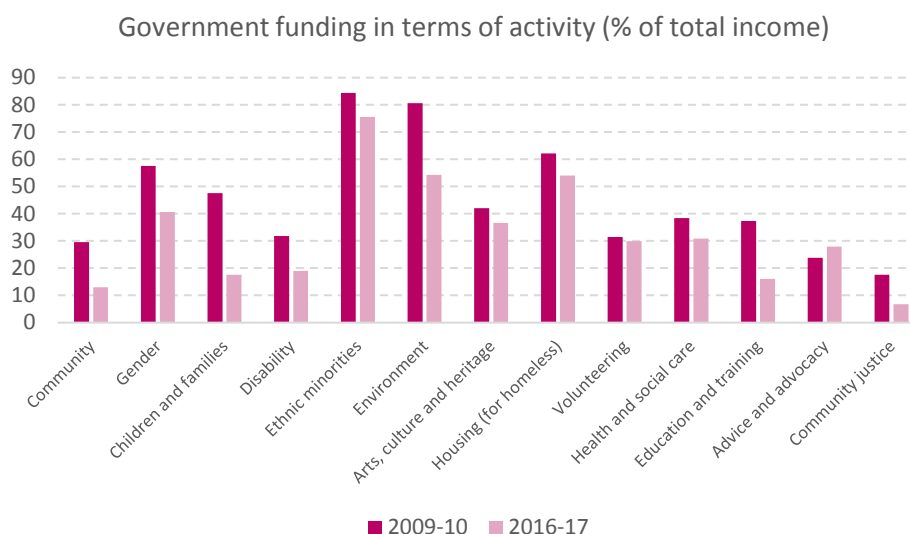
Community justice

Before analysing the data, it is worth noting that the sample included only 2 VSOs dealing with community justice. In 2009-10, government funding represented 17% of the total income of these voluntary organisations. In 2016-17, state funding contribution dropped to just 6% of total finance of community justice VSOs. Their main income sources included local government (43% in 2009-10 and 26% in 2016-17), trading income (26% in both years), income from other VSOs (18% in 2016-17), and lottery funding (17% in 2016-17). Thus, community justice voluntary organisations replaced government funding with income from other VSOs and lottery funding. On these grounds, total income of community justice VSOs rose by 46%, from £1.21 million in 2009-10 to £1.77 million in 2016-17.

Government funding analysis in terms of activity

Figure 12 presents data about the Welsh Government funding to the VSOs in terms of their activity in 2009-10 and 2016-17, based on the analysis of the 82 voluntary organisations. Government funding declined for the VSOs in all the activities, apart from advice and advocacy. Particularly, while state funding declined for the VSOs active in education and training (-66%), children and families (-57%), and community (-50%), it increased only for advice and advocacy (96%). Finally, third sector organisations dealing with ethnic minorities, environment, and housing (for homeless) have recorded the greatest contribution of government funding to total income.

Figure 12: Government funding in terms of activity, % of total income



Source: Author's calculations

Comparison

This subsection compares the funding of VSOs in terms of activity, after excluding the organisations active in ethnic minorities, environment and community justice, for reasons related to the robustness of the analysis, as the sample included only two voluntary organisations in each of the above activities. Overall, the activity that recorded the highest growth in funding between 2009-10 and 2016-17 was the advice and advocacy, while the one with the greatest decline was education and training. In terms of state funding, 9 activities have seen their income declining, while only one activity demonstrated an increase (advice and advocacy). Education and training recorded the greatest decline. Housing for homeless is the activity that saw the greatest contribution of government funding to total income. By contrast, advice and advocacy in 2009-10 and community in 2016-17 are the activities with the smallest contribution of government funding to total income.

In terms of trading income, community is the sector that was most dependent on income internally generated in 2009-10, while volunteering was the least financially dependent activity on trading income at the same year. Education and training demonstrated the biggest contribution of trading income to total revenues in 2016-17, while volunteering saw the smallest contribution of internally generated funds at the same year. All the activities recorded a rise in trading income from 2009-10 to 2016-17, apart from education and training (-3.9%). VSOs focusing on disability saw the greatest growth (105%).

Box 1: Highlights of activity analysis

Highest growth of funding: Advice and Advocacy (67.01%)

Lowest growth of funding: Education and Training (-20.87%)

Highest contribution of government funding, 2009-10: Housing for homeless (62.17%)

Highest contribution of government funding, 2016-17: Housing for homeless (54.06%)

Lowest contribution of government funding, 2009-10: Advice and Advocacy (23.76%)

Lowest contribution of government funding, 2016-17: Community (13.02%)

Highest growth of government funding: Advice and advocacy (96.33%)

Lowest growth of government funding: Education and Training (-66.03%)

Highest contribution of trading income, 2009-10: Community (49.59%)

Lowest contribution of trading income, 2009-10: Volunteering (4.23%)

Highest contribution of trading income, 2016-17: Education and Training (60%)

Lowest contribution of trading income, 2016-17: Volunteering (6.14%)

Highest growth of trading income: Disability (105.25%)

Lowest growth of trading income: Education and Training (-3.9%)

The implications for the Welsh third sector

With a significant impact of austerity on Welsh third sector income and government funding significantly declining since 2010-11, the VSOs have faced crucial problems, considering, in addition, the ineffective arrangements of the Welsh local authorities for financing the services of the third sector (Wales Audit Office, 2017). Indeed, the financial situation has worsened for most organisations since the early-2010s, according to the 'State of the Sector Surveys', conducted annually or biannually by the WCVA, seeking to draw the wider picture of the financial situation of the voluntary sector in Wales⁶. Moreover, while funding for most VSOs has declined, the costs have been rising, especially the ones related to product price, utilities, transportation, and taxation (mainly the VAT).

The needs that they had to address have increased due to the privatisation of public services and the transfer of services from the Welsh Government and local authorities to the third sector (Johnes and Lloyd-Jones, 2014; Thomas et al., 2016b; Wales Audit Office, 2017). Indeed, the pressures on resources have increased and have been accompanied by the rising demand for services across the third sector (WCVA, 2016b). For instance, the Wales Audit Office (2015) has indicated that seven Welsh councils have delivered leisure activities based on voluntary organisations from 2012-13 to 2014-15. Indeed, several surveys have shown that, since the end of 2012, the service demand has increased for all organisations, apart from the ones related to luxuries (WCVA, 2012; Alies et al., 2015). That is, demand has grown for these VSOs that provided basic services, directly affected by austerity, including health and social care, and services indirectly impacted by the budget cuts, such as advocacy (since people were concerned about the impact of austerity and cuts in tax credits and benefits). Unsurprisingly, the confidence index about future prospects for most VSOs have been declining since 2010 (WCVA, 2012; 2013; 2014). The reasons behind the transfer of the responsibility for public services' delivery to the voluntary sector are related to the budget cuts, the flexibility of the third sector to respond to the diverse needs of the local communities, and the low base costs of the VSOs (Wales Audit Office, 2017).

Related to this, a common practice in the UK and Wales has been the operation of services by volunteers, at the local level (Wales Audit Office, 2015). In other words, the local authorities have decided to ask for community help to keep services running, with permanent staff reducing and volunteers increasing. For instance, the number of library volunteers in the UK has overtaken the number of employees since 2012 (Andrews, 2018).

⁶ These surveys can be found in: <https://www.wcva.org.uk/what-we-do/research/research-publications>

The financial situation of the voluntary organisations started to slightly improve in 2013; however, still 40% of the VSOs, surveyed by WCVA (2014), were pessimistic for the future. Indeed, this slight recovery was not permanent. In 2014, many VSOs recorded a worse financial performance compared to 2013, while 44% expected a further deterioration (WCVA, 2015). The lower funding entailed intense efforts from VSOs to reduce the operational cost by cuts in wages and redundancies, which implied a limited ability to address the increasing demand (WCVA, 2014). Overall, the basic problems of most organisations included cuts to funding, greater risk, higher costs and increased demand for services. All these issues have led to a decline in the quality of services provided by the Welsh voluntary sector (WCVA, 2012; Alies et al., 2015).

In this context, the organisations had to react and reform their strategy. The reduced government funding and the higher demand for services made most voluntary organisations to intensify their efforts to secure income from other sources (Alies et al., 2015; WCVA, 2016b). As this paper highlighted, many Welsh VSOs replaced declining government funding with trading income, legacies and public donations. Moreover, the limited ability to address the rising demand was attempted to be compensated for by increasing the number of volunteers, although many VSOs faced financial difficulties due to the cost of training them (WCVA, 2013). Indeed, the number of volunteers in Wales is estimated to have increased by 60% from 2009-10 to 2014-15 (WCVA, 2016b).

Many Welsh VSOs had to face an increasingly uncertain financial context. Indeed, increased uncertainty, as a result of reduced funding and higher costs, was among the major problems that they faced (WCVA, 2012; 2013; 2014; Thomas et al., 2016a). Alongside the reduced government funding, uncertainty has further increased since 2016, after the EU referendum in the UK (Thomas et al., 2016b). While it is quite possible that EU funding for the Welsh third sector will end, there is uncertainty regarding the timing of this procedure. Moreover, Welsh voluntary organisations cannot be sure about the Shared Prosperity Fund and the degree that it could replace the EU funding.

Finally, uncertainty for the sector is further increasing since the voluntary organisations are not provided with information about the exact level of their funding from the Welsh Government for the following long-term period (such as 3-4 years in advance). In fact, the Welsh Government provides detailed information just for the following year of the budget announcement. Therefore, the Welsh VSOs face considerable difficulties to develop long-term finance plans efficiently.

Box 2: Basic problems of the Welsh voluntary organisations in the period of austerity

- Insufficient funding
- Increased risk and uncertainty
- Rising costs
- Higher demand for services

The prospects of the third sector in Wales: its current and future role

This section discusses the fiscal prospects of the third sector, focusing on Welsh Government funding scenarios. It delivers the message that if the decline in state funding continues at current rate, it would be significantly alarming for sector's ability to contribute to big challenges ahead that society is facing.

According to the Welsh Government, the role of the voluntary sector is to contribute 'to the long term economic, social and environmental wellbeing of Wales, its people and communities' (National Assembly for Wales, 2013). Moreover, the Welsh third sector is expected to be at the forefront of addressing the implications of major global trends, such as demographic and climate change, shifting migration flows, changing patterns of globalisation (Thomas et al., 2016a; 2016b). These trends highlight important challenges that could be addressed by the Welsh third sector, including poverty, social justice, investment in low carbon energy technologies, competition or cooperation with the private sector, support for migrants (Thomas et al., 2016b). In order to respond to these challenges, the Welsh voluntary organisations need to be sufficiently and effectively funded.

However, the fiscal prospects to achieve the goal, as set by the Welsh Government, and to address the abovementioned challenges are not optimal. On the one hand, the demand for services has increased, due to the transfer of services from the government to the third sector, which has grown since 2009-10 and is expected to further rise, as the public services funding is predicted to further fall in the short future (Wales Audit Office, 2017). On the other hand, the state funding of the Welsh third sector has been declining in the 2010s, while its total income has not met growth rates comparable to the first decade of the millennium. On these grounds, the question about whether the Welsh voluntary sector can be a means for the Welsh Government to tackle exclusion is crucial.

There are concerns about whether the financial resources available to the Welsh third sector are sufficient to accomplish its role to contribute to the long-term improvement of living standards in Wales. Consequently, the main challenge for the VSOs is to adapt to the changing patterns of finance, especially from the Welsh Government (Thomas et al., 2016b). Overall, the level and sources of Welsh voluntary organisations' funding are among the key drivers for the future evolution and development of the sector.

This section discusses two scenarios on government grants' trends of the Welsh voluntary organisations, since state finance is among the major funding sources of the sector. The two

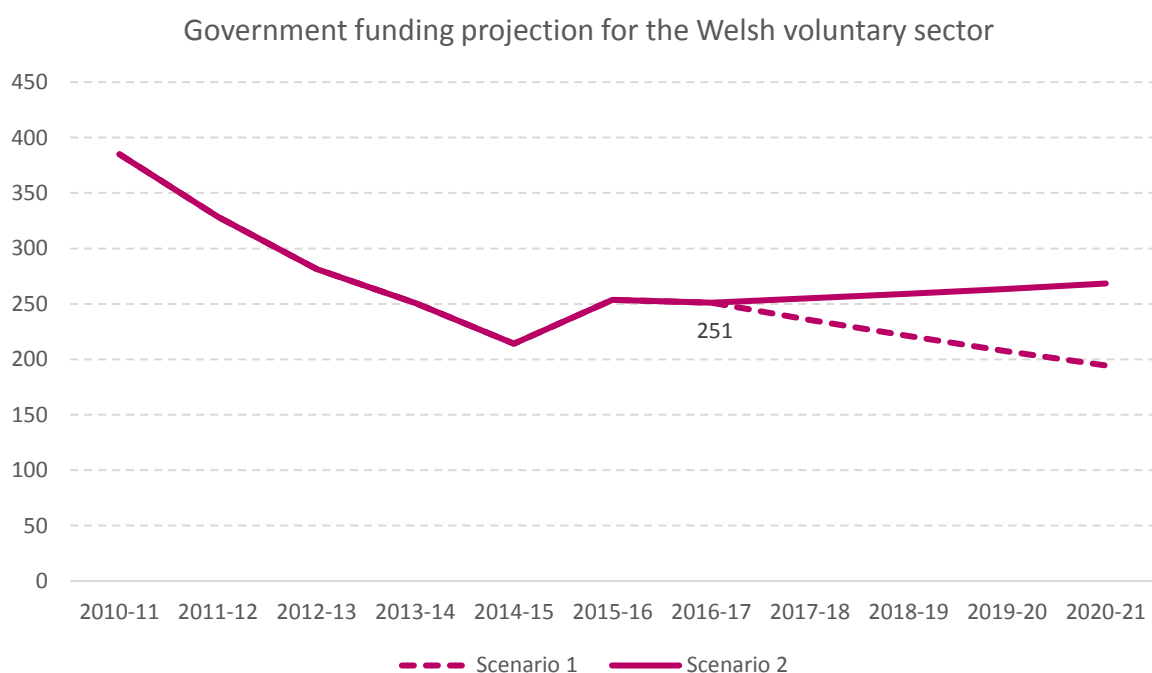
scenarios calculate the amount of government income for the Welsh voluntary sector (Box 3). Government funding projections are based on the evolution of grant funding in the last decade.

Box 3: Scenarios for the government funding of the Welsh third sector

- Scenario 1 (austerity): the change of government funding is based on the average growth rate from 2009-10 to 2015-16, or;
- Scenario 2 (benchmark): government funding is projected in real terms for the following years, having 2015-16 as base financial year.

The first scenario refers to austerity trend of government funding for the Welsh third sector. Government funding projection is based on the average growth rate of government finance between 2010-11 and 2015-16.⁷ The second scenario projects the 2015-16 government allocation for the third sector in real terms for the following years.

Figure 13: Projected income for the Welsh third sector from the Welsh Government



Source: Welsh Government (2013; 2014b; 2015; 2016b; 2017b) and author’s calculations

⁷ This was estimated employing the following equation:

$$Y_t = aY_{t-1}$$

Y_t is the projected Welsh third sector income from the Welsh Government in year t , Y_{t-1} is the income in year $t-1$, and a is the growth rate of the income in each scenario.

The first scenario of austerity trend indicates that government grants for the Welsh third sector would steadily decline from 2017-18 to 2020-21. Specifically, they would gradually drop from £251 million in 2016-17 to £194 million in 2020-21, recording a 22% decline from 2016-17 to 2020-21. The projection of scenario 1 is based on the average growth rate of government funding between 2010-11 and 2016-17, when the VSOs' income from the Welsh Government saw significant cuts.

The second scenario (benchmark) projects that third sector government grants would be equal to £255 million in 2017-18, £259 million in 2018-19, £263 in 2019-20, and £268 million in 2020-21. Overall, the government grants available in 2020-21 would increase by 7% in cash terms compared to 2016-17. Scenario 3 protects the Welsh government grants to the third sector in real terms.

The scenarios about the state grants to the Welsh voluntary organisations depend on the wider spirit of policies that will be applied by the Welsh Government. If fiscal discipline remains the priority, the subsequent continuation of austerity will pose great financial challenges for the third sector. This policy decision will increase the difficulties for the voluntary organisations to contribute to the long-term improvement of living standards and to reduce inequality in Wales. In a different scenario, if the government funding increases, the Welsh third sector will be in a much better financial position. Therefore, it will strengthen its ability to respond to the crucial challenges, posed by the demographic and climate change, shifting migration flows, and changing patterns of globalisation, while also addressing more efficiently the increased demand needs.

Reflections on the Welsh third sector finance

Based on the analysis above and the literature review findings, this report presents specific policy recommendations. Despite the great cuts in government funding, the Welsh third sector proved to be more financially resilient than might have been expected. Particularly, when state funding squeezed, the management sections of many VSOs decided to find other finance sources, mainly trading income, funding from legacies, donations from the public. However, while overall funding increased in real terms, the demand reflected a great growth, thus endangering the financial resilience of the voluntary sector. Indeed, the Welsh Government and the local authorities have transferred the responsibility for delivering many public services to the third sector, while also replacing grants with contracts (Johnes and Lloyd-Jones, 2014; Wales Audit Office, 2017). On these grounds, there is a clear need for increasing finance from all the income sources of the voluntary sector. Nevertheless, accounting that the existing availability of funds especially from the Welsh Government could hardly change, other options should be discovered. Crucial reflections on the study are described below:

- A diversification of the VSOs' income and the discovery of new funding models could improve their financial situation, despite the fact that most voluntary organisations record several funding sources (Alies et al., 2015). Expanding the diversification will certainly benefit the third sector.
- Bearing in mind that many VSOs have not changed strategy in the aftermath of the economic recession but intend to proceed with organisational changes (WCVA, 2012; Alies et al., 2015), supporting the fundraising and strengthening the capacity to generate income internally could be a benefit. It seems that the voluntary sector has a significant opportunity to further rise its aggregate income by focusing on trading activities, without undermining its ability to contribute towards equality of opportunity to the Welsh people regardless of race, colour, sex, and to contribute to the long term economic, social and environmental wellbeing of Wales and its communities.
- Considering that volunteering has recorded a positive growth, the state funding has declined, and contract income has increased, two arguments could be stated. First, it is claimed that a noticeable shift in the resourcing of VSOs has emerged, away from the state. Second, it is asserted that many medium-sized VSOs are changing the way they resource their activity, increasingly becoming social businesses. Therefore, it should be further examined whether this shift from grant recipients to social businesses was caused by austerity. Moreover, the sector should address the possible challenge

related to the capacity, training and development needs of staff and boards to manage this shift towards social businesses.

- Considering that the 'advocacy priorities are too often focused around organisational goals rather than fundamental mission' (Johnes and Lloyd-Jones, 2014: 9), the VSOs should reconsider the way they make long-term decisions, plan their strategy and decide for their mission. Long-term government funding plans (3-4 years) could be a great help on this, as they would allow the Welsh VSOs to develop long-term plans efficiently. External help for seeking finance could also support the voluntary organisations.
- The improvement of data, which is the most important issue for doing research on the Welsh third sector, could significantly support further research on the Welsh third sector. A permanent research hub for studies on the Welsh third sector, established by the WCVA, could improve data availability and deepen our knowledge about the Welsh VSOs. Chiefly, separate figures for Wales would significantly advance research on the Welsh third sector. At the moment, data is aggregated for England and Wales, since they share the same regulatory regime (Alcock, 2009).

Conclusion

This report has examined the finances of the Welsh third sector in the post-austerity and post-Referendum era. While the funding of the voluntary sector by the local authorities and its history, evolution and volunteers' engagement have been studied (Drake and Owens, 1991; Hain, 1999; Chaney, 2001; Chaney et al., 2002; Alcock, 2009; Johnes and Lloyd-Jones, 2014; Thomas et al., 2016a; 2016b; Wales Audit Office, 2017), the income, the funding sources and the recent changes have not been investigated in depth. The results of this paper become more significant, accounting for the austerity and budget cuts that have been applied in Wales since 2009-10 and the uncertainty that has prevailed in the wake of Brexit.

The Welsh Government sees the third sector as a basic means in its efforts to achieve social inclusion. However, it was found that the sector, which has a significant position in the Welsh society on the grounds of strong historical volunteerism, has been underfunded compared to England and Scotland in the 2000s. The main funding sources include the Welsh Government grants and contracts, finance from the local authorities, donations from the public and legacies, and trading income. Historically, the Welsh third sector has been significantly funded by the government, thus making it vulnerable in budget changes. A significant budget reform emerged in the context of the UK Government efforts to achieve fiscal stability, through budget cuts and austerity, since 2009-10.

The most important effect of austerity on Welsh VSOs' funding has been the great decline of the government income. Many organisations rebalanced their financial accounts and replaced government funding by income internally generated, which alongside the donations from the public and legacies, recorded great increases from 2009-10 to 2016-17. EU funding has crucially declined, within a period before the referendum. This may relate to the project-based nature of EU funding, while there may also be inconsistency about how EU funding is recorded in returns. However, it is worth adding that in 2014-15, the Welsh third sector received £14 million from the EU. Brexit will bring a significant loss to the third sector, especially in Wales where alternative sources of funding are more difficult to come by. Thus, it is quite important that this funding is retained in Wales after Brexit.

On these grounds, the total income of the Welsh VSOs has recorded narrow fluctuations from 2010-11 to 2014-15; however, the impact of austerity has been strong. First, while Welsh third sector total income increased by 26% from 2005-06 to 2008-09, it rose only by 1.9% between 2010-11 and 2014-15. Thus, austerity has significantly reduced the growth rate of Welsh VSOs' total income. Second, despite the positive growth from 2010-11 to 2014-15, total income was smaller in 2014-15 than in 2011-12, 2012-13, and 2013-14. Finally, the third

sector income per capita in Wales declined from £420 in 2007-08 to £350 in 2014-15, indicating the crucial effects of austerity (WCVA, 2017).

Significant differences about the total income and the evolution of funding sources were recorded across the different activities, when examining a sample of 82 VSOs. While the total income increased for seven activities, it declined for three, including housing for homeless, volunteering, and education and training. Advice and advocacy recorded the highest growth in funding from 2009-10 to 2016-17, while education and training demonstrated the greatest decline. Nine activities have seen their government income falling, with education and training demonstrating the greatest decline, while only advice and advocacy recorded an increase in state funding. Housing has been the activity with the greatest contribution of government funding to total income. Advice and advocacy and community VSOs were found to have the smallest contribution of government funding to total income. Community and education and training were the most dependent activities on income internally generated, while volunteering was the least dependent. All the activities demonstrated a rise in trading income from 2009-10 to 2016-17, apart from education and training, with disability VSOs recording the greatest growth. Chiefly, advice and advocacy VSOs saw the greatest growth of total income and was the only activity that recorded a positive change in government funding. This might have been another implication of austerity, albeit indirect. When the household earnings declined and the welfare state was reformed, the Welsh Government increased the funding of advice and advocacy VSOs, since people urged to these agencies to take advice about benefits and job opportunities.

Overall, it was found that, despite the great cuts in government funding, the Welsh third sector proved to be more financially resilient than might have been expected, since, when state funding squeezed, VSOs' management departments sought funding from other sources, mainly trading income, funding from legacies, and donations from the public. However, apart from the impact of austerity on VSOs' finance, the Welsh third sector met further difficulties by virtue of the rise in demand for services. The latter might have been an implication of the budget cuts in public services and the transfer of services from the government to the third sector for reasons of low cost and higher adaptability. Therefore, Welsh third sector's future resilience should not be taken for granted.

The future status about the state grants to the Welsh voluntary organisations depends on the wider spirit of policies that will be applied by the Welsh Government. If fiscal discipline remains the priority, the subsequent continuation of austerity will pose great financial challenges for the third sector. This policy decision will increase the difficulties for the voluntary organisations to achieve their main goal to contribute to the long-term improvement of living standards and

to tackle inequality in Wales. In a different scenario, if the government grants increase, the Welsh third sector will be in a much better financial position. Therefore, it will strengthen the case to achieve its mission and respond to the crucial challenges, posed by the demographic and climate change, shifting migration flows, and changing patterns of globalisation, while also addressing more efficiently the increased demand needs.

Turning to policy messages, an increasing diversification of the VSOs' income could improve their financial position. On these grounds, strengthening the fundraising and the capacity to generate income internally could benefit the Welsh third sector. From the side of Welsh Government, detailed long-term funding allocations could allow the Welsh VSOs to develop long-term plans efficiently. Finally, a wider recommendation, which is mostly associated with the WCVA and the Welsh Government, is related to the improvement of data availability that is considered as the most significant issue for examining the Welsh third sector finances. This will provide a great opportunity for in-depth study of the Welsh voluntary sector, its finances, and its prospects, that could provide crucial policy messages.

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Annex 1

NCVO	National Council for Voluntary Organisations
WCVA	Wales Council for Voluntary Action

Annex 2

Community

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	2.03	1.01	-50.39	29.59	13.02
Local Government	0.19	0.35	85.98	2.78	4.58
Donations from the public	0	0.75	19411.08	0.06	9.63
Income from other voluntary organisations	1	0.91	-9.20	14.56	11.72
Trading income	3.40	4.41	29.73	49.59	57.04
National Lottery	0	0.29	-	-	3.76
EU funding	0.13	0	-100	1.86	-
Investment	0	0	-100	0.05	-
Other-miscellaneous	0.10	0.02	-81.47	1.52	0.25
Overall	6.86	7.73	12.78	100	100

Gender

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	3.01	2.18	-27.58	57.63	40.65
Local Government	0.22	0.96	340.91	4.17	17.90
Donations from the public	0.06	0.47	673.74	1.16	8.74
Income from other voluntary organisations	1.15	0.6	-47.96	21.94	11.12
Trading income	0.78	1.03	32.16	14.93	19.21
National Lottery	0	0.07	-	-	1.34
EU funding	0	0	-	-	-
Investment	0	0	-25.12	0.08	0.06
Other-miscellaneous	0	0.05	955.69	0.1	0.98
Overall	5.22	5.36	2.68	100	100

Children and families

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	2.25	0.96	-57.39	47.52	17.56
Local Government	0	0	-	-	-
Donations from the public	0.01	0.16	3035.60	0.11	2.88
Income from other voluntary organisations	1.13	1.7	50.55	23.87	31.16
Trading income	1.32	2.18	64.7	27.91	39.85
National Lottery	0.01	0.45	7249.35	0.13	8.15
EU funding	0.02	0	-100	0.33	-
Investment	0.01	0.02	232.85	0.14	0.39
Other-miscellaneous	0	0	45.81	0.01	0.01
Overall	4.74	5.47	15.33	100	100

Disability

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	2.57	2.12	-17.64	31.78	19.04
Local Government	2.18	1.81	-16.98	26.94	16.28
Donations from the public	0.04	0.05	20.99	0.55	0.48
Income from other voluntary organisations	1.02	2.38	134.28	12.58	21.45
Trading income	1.97	4.05	105.25	24.42	36.47
National Lottery	0.11	0.63	485.34	1.33	5.66
EU funding	0	0	-	-	-
Investment	0.01	0.02	240.91	0.07	0.17
Other-miscellaneous	0.19	0.05	-73.49	2.34	0.45
Overall	8.08	11.11	37.42	100	100

Ethnic minorities

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	4.58	2.88	-36.98	84.39	75.59
Local Government	0.01	0	-100	0.19	-
Donations from the public	0.01	0.07	339.7	0.27	1.71
Income from other voluntary organisations	0.35	0.37	6.28	6.42	9.69
Trading income	0.33	0.46	38.63	6.07	11.95
National Lottery	0	0	-	-	-
EU funding	0	0.02	-	-	0.57
Investment	0.05	0	-98.96	0.90	0.01
Other-miscellaneous	0.1	0.02	-81.7	1.77	0.46
Overall	5.42	3.82	-29.65	100	100

Environment

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	3.37	1.69	-49.94	80.59	54.31
Local Government	0.09	0	-100	2.21	-
Donations from the public	0	0.04	1912.97	0.05	1.35
Income from other voluntary organisations	0.26	0.2	-23.18	6.32	6.53
Trading income	0.28	1.09	295.49	6.6	35.15
National Lottery	0	0.02	-	-	0.65
EU funding	0.18	0	-100	4.2	-
Investment	0	0.01	808.98	0.03	0.39
Other-miscellaneous	0	0.05	-	-	1.63
Overall	4.19	3.11	-25.72	100	100

Arts, Culture and Heritage

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	4.55	4.54	-0.25	42.02	36.67
Local Government	0.34	0.15	-54.72	3.15	1.25
Donations from the public	0.06	0.05	-7.73	0.52	0.42
Income from other voluntary organisations	1.77	1.41	-20.25	16.29	11.36
Trading income	4.07	6.01	47.57	37.56	48.48
National Lottery	0	0.19	-	-	1.57
EU funding	0	0	-	-	0.02
Investment	0.02	0	-74.32	0.14	0.03
Other-miscellaneous	0.03	0.02	-27.91	0.31	0.2
Overall	10.84	12.39	14.33	100	100

Housing (for homeless)

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	2.01	1.72	-14.53	62.17	54.06
Local Government	0	0.22	-	-	7
Donations from the public	0	0.03	993.35	0.1	1.09
Income from other voluntary organisations	0.29	0.07	-76.05	8.86	2.16
Trading income	0.91	1.03	12.90	28.27	32.47
National Lottery	0	0.08	-	-	2.56
EU funding	0	0	-	-	-
Investment	0.01	0	-73.66	0.44	0.12
Other-miscellaneous	0.01	0.02	229.8	0.16	0.55
Overall	3.23	3.17	-1.7	100	100

Volunteering

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	4.19	3.42	-18.34	31.42	29.99
Local Government	4.29	3.18	-25.96	32.21	27.88
Donations from the public	0.02	0.03	50.70	0.17	0.3
Income from other voluntary organisations	3.32	2.10	-36.81	24.94	18.42
Trading income	0.56	0.70	24.18	4.23	6.14
National Lottery	0.34	1.83	439.32	2.55	16.08
EU funding	0.09	0.02	-76.75	0.71	0.19
Investment	0.02	0.01	-19.19	0.11	0.11
Other-miscellaneous	0.49	0.1	-79.3	3.65	0.88
Overall	13.32	11.40	-14.45	100	100

Health and Social Care

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	10.53	8.82	-16.23	38.39	30.87
Local Government	2.47	2.08	-15.52	8.99	7.29
Donations from the public	1.75	1.71	-2.55	6.4	5.98
Income from other voluntary organisations	4.25	4.93	15.88	15.5	17.24
Trading income	7.82	9.69	23.87	28.51	33.90
National Lottery	0.1	0.79	711.12	0.36	2.77
EU funding	0.28	0.22	-22.92	1.04	0.77
Investment	0.14	0.19	32.47	0.52	0.66
Other-miscellaneous	0.08	0.14	81.98	0.29	0.5
Overall	27.43	28.57	4.17	100	100

Education and Training

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	6.03	2.05	-66.03	37.29	16.01
Local Government	0.03	0.05	60.93	0.17	0.35
Donations from the public	0.23	0.03	-88.38	1.43	0.21
Income from other voluntary organisations	1.04	2.71	159.91	6.44	21.16
Trading income	8	7.68	-3.9	49.41	60.00
National Lottery	0.07	0.2	197.14	0.43	1.60
EU funding	0.69	0	-100	4.28	-
Investment	0.08	0.01	-91.11	0.49	0.05
Other-miscellaneous	0.01	0.08	728.54	0.06	0.62
Overall	16.18	12.81	-20.87	100	100

Advice and Advocacy

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	1.35	2.66	96.33	23.76	27.93
Local Government	0.97	1.15	18.43	17.00	12.06
Donations from the public	0.03	0.02	-21.24	0.51	0.24
Income from other voluntary organisations	0.98	3.4	246.21	17.25	35.75
Trading income	2.22	2.24	1.18	38.92	23.58
National Lottery	0.1	0.02	-78.01	1.69	0.22
EU funding	0	0	-	-	-
Investment	0	0	-38.72	0.08	0.03
Other-miscellaneous	0.05	0.02	-59.6	0.8	0.19
Overall	5.70	9.51	67.01	100	100

Community justice

	Income 2009-10 £ million	Income 2016-17 £ million	Growth (%)	2009-10 (%)	2016-17 (%)
Welsh Government	0.21	0.12	-43.94	17.62	6.73
Local Government	0.53	0.47	-10.85	43.58	26.49
Donations from the public	0.03	0.01	-69.52	2.36	0.49
Income from other voluntary organisations	0.04	0.33	653.12	3.67	18.83
Trading income	0.32	0.46	44.05	26.55	26.08
National Lottery	0.04	0.31	728.61	3.05	17.23
EU funding	0	0	-	0	0
Investment	0	0	-20.24	0.14	0.07
Other-miscellaneous	0.04	0.07	97.1	3.04	4.09
Overall	1.21	1.77	46.68	100	100

Wales Public Services 2025

The Wales Public Services 2025 Programme is investigating the long-term financial, demographic and demand pressures confronting public services in Wales and possible responses. Hosted by Cardiff Business School and independent, the Programme is a unique partnership between Cardiff University and five national bodies in Wales: the Welsh Local Government Association, SOLACE Wales, the Welsh NHS Confederation, the Wales Council for Voluntary Action and Community Housing Cymru.

Our goal is to create a civic space in which public servants, civil society, politicians and people across Wales can engage in open, informed, radical debate on how our public services need to change and what we need to do to get there.

Established in 2012, the Programme works with national bodies, research bodies and think tanks across the UK, including the Institute for Fiscal Studies, the Health Foundation, the Public Policy Institute for Wales, Wales Local Government Association, the Wales Audit Office and others.

For further information please visit our website at www.walespublicservices2025.org.uk

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