



The situation of Third Sector organisations working in rich and poor areas:

key findings from North East England and Cumbria

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This paper arose from discussions with Paul Streets, Chief Executive of Lloyds Bank Foundation, on the situation of TSOs in poorer areas and I would like to thank him for alerting me to this new direction for analysis.

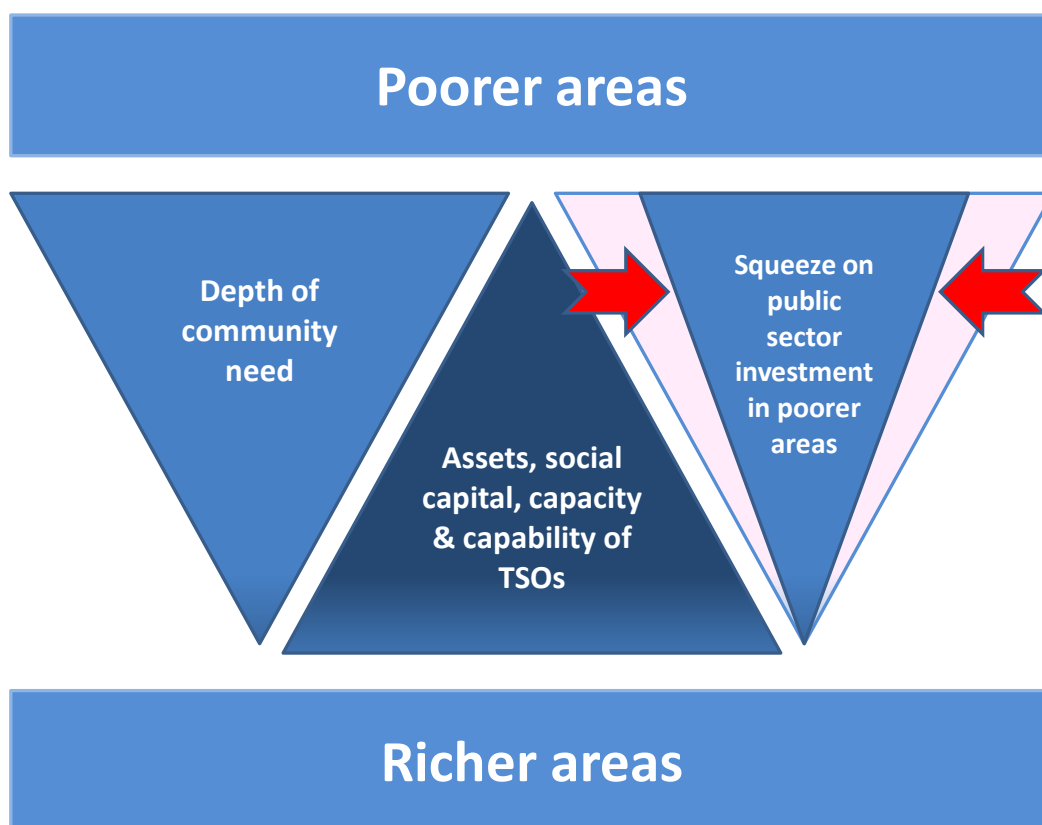
I am immensely grateful to the many people in Third Sector organisations who have contributed to this study, particularly those who took part in foresight panels, helped with the case studies, and responded to the questionnaire survey. It is hoped that findings will be useful to them and to the sector as a whole.

I also acknowledge the role of my fellow researchers: Fred Robinson, Emma Dunkerley and Ian Zass-Ogilvie, at St Chad's College; and, Dr Victoria Bell and Dr Peter van der Graaf at Teesside University who were heavily involved in undertaking fieldwork and preliminary analysis in the TSO50 and TSO1000 studies in 2010 and 2012.

1 Introduction

Since this study began in 2008, the Third Sector has been put under significant financial pressure due to a substantial downturn in the economy and a long period of austerity. The Third Sector Trends study has reported extensively upon the impact of the economic situation on the wellbeing of the sector as a whole and the position of individual Third Sector Organisations (TSOs).¹

In recent years, concerns have risen about the situation of TSOs in less affluent areas amongst funding bodies. For example, Lloyds Bank Foundation has argued that there are three factors which may negatively affect the situation of TSOs in poorer areas. These factors are illustrated in the diagram below.²



¹ For a list of publications from the study, see the Appendix to this paper.

² This diagram has been adapted from a model produced by Lloyds Bank Foundation which can be found at this address: <http://www.lloydsbankfoundation.org.uk/our-programmes/our-strategy/> Thanks are due to Paul Streets at Lloyds Bank Foundation with whom the situation of TSOs in poorer areas was discussed with the author and which prompted this analysis.

The model shows that three factors may affect the situation of TSOs which operate in richer or poorer areas.

- ***The depth of community need:*** that levels of beneficiary need are likely to be higher in poorer areas where individuals, families and communities do not have sufficient resources of social or economic capital to meet critical needs.
- ***The asset base of TSOs in poorer areas:*** that TSOs in the poorest areas may have more limited economic and social capital which could reduce their capacity and capability to meet critical needs.
- ***Squeezed public sector investment in poorer areas:*** the poorest areas are likely to be hit harder by austerity measures than richer areas.

The aim of this research paper is to test these assertions by exploring a range of factors which may indicate whether or not TSOs in poorer areas are struggling more than those in more affluent areas. These factors explore whether:

- TSOs in poorer areas are more likely to have significantly falling income than those in richer areas.
- TSOs in poorer areas are more or less enterprising than in richer areas.
- TSOs in poorer areas are more or less likely to operate locally or across wider areas.
- TSOs in poorer areas rely more heavily on reserves to meet essential costs.
- TSOs with particular types of service provision are particularly affected by income fluctuation in poorer areas.
- TSOs which serve particular beneficiary groups are adversely affected in poorer areas.
- the values and practice ethos of TSOs particularly affects their situation in poorer areas.

In the analysis which follows, it will be shown that TSOs working in poorer areas are struggling more in terms of maintaining income than those in more affluent areas. This pattern is reproduced irrespective of: the beneficiary group served, the service functions performed, the geographical range of operation, and their propensity to engage in enterprising activity.

2

The Third Sector Trends Study

This report presents key findings from the Northern Rock Foundation Third Sector Trends study in 2014 in North East England as a whole and for each of its four sub-regions: Northumberland, Tyne and Wear, County Durham and Tees Valley.

The Third Sector Trends study was designed to examine how TSOs fare over time in the context of change. As a long-term longitudinal study, it was possible to devise a methodology which observed the Third Sector from a number of vantage points. This included:

- The TSO1000: a survey of TSOs in the study region (the North East of England and Cumbria) was planned to take place in three phases. The first survey, attracting 1,055 responses, took place in 2010. The second survey was completed in 2012 and drew in 1,700 responses. The final survey took place in 2014 and attracted 1,318 responses.
- The TSO50: a longitudinal study of fifty Third Sector organisations which was planned to take place over a period of seven years beginning in 2009. The second phase of the research fieldwork of the TSO50 was completed in 2012. The research involved observation, interviews and statistical research on a representative sample of organisations. A third and final phase of work is planned to take place in 2015.
- Foresight Panels: in 2010 three foresight panels were established, in Cumbria and in two areas of North East England (Northumberland and Tyne and Wear, and County Durham and Tees Valley). In 2010, 12 focus groups took place with the panels, together with three short on-line questionnaires to gauge opinion on sector wellbeing from a representative group of Third Sector, private sector and public sector stakeholders.

Work on the Third Sector Trends Study has been complemented by a number of related research projects.³ These projects have widened the scope of the exploration of third sector activity by researching the interactions between the public and private sectors and the third sector.

The findings presented in this report are based on a robust research methodology which has evolved over the last eight years to produce comparable time-series data. The sample structure has been checked against comparable national studies to

³ Studies have been undertaken for the Institute for Local Governance, Sunderland City Council, Northumberland County Council, Stockton Borough Council, Garfield Weston Foundation, Charity Bank and Involve Yorkshire and Humber. A full listing of publications from the Third Sector Trends study and related research is provided at the end of this report.

ensure that findings are as reliable as possible – and especially so when making estimates about sector employment and volunteering.⁴

The sample is divided by sub-region/county as follows: County Durham n=179 cases; Cumbria n=370 cases, Northumberland n=211 cases, Tees Valley n=158 cases, and Tyne and Wear n=321 cases. Postcodes were available for 1,063 of the respondents to the survey. This has allowed for the examination of the situation of TSOs which operate from areas of relative affluence or deprivation by using the Index of Multiple Deprivation (IMD).⁵ The data in this report are divided into either IMD deciles or quintiles. The figure below is presented to show where respondents are distributed in each unitary local authority or county council district.

⁴ Full details on comparability checks can be found in Chapman and Robinson (2014b) which are available from the authors.

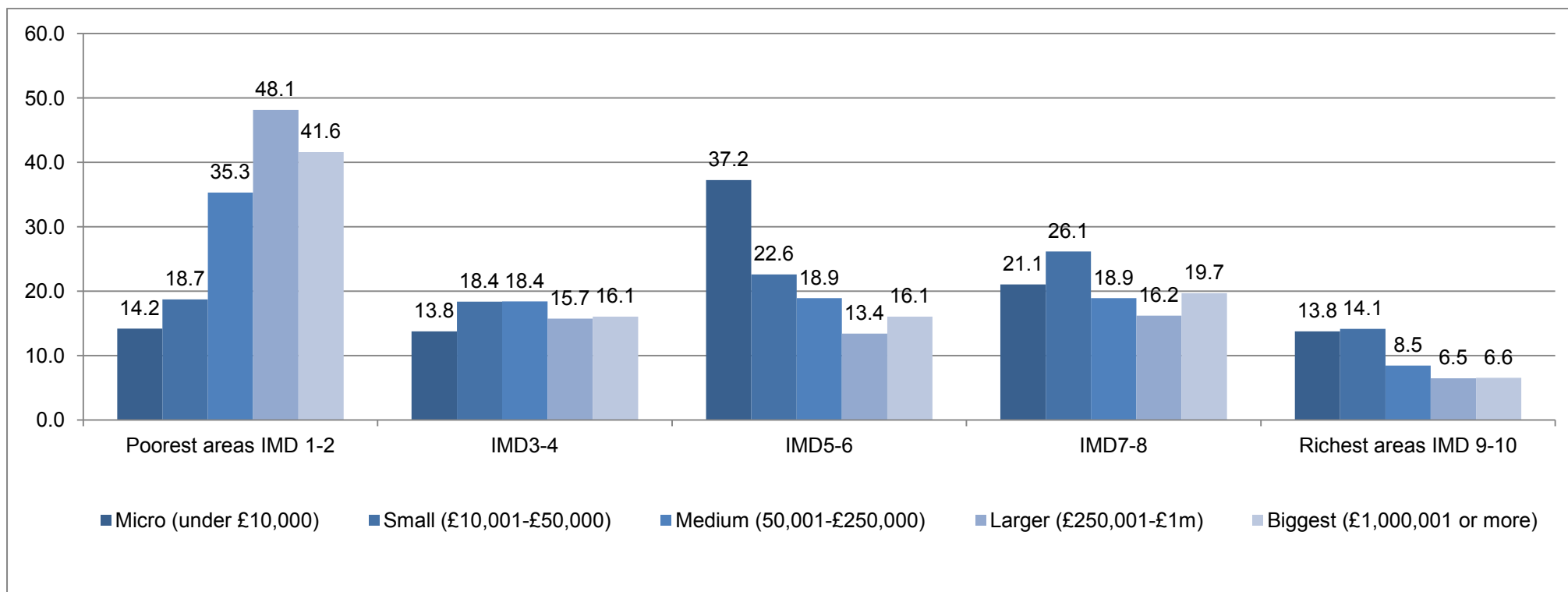
⁵ Details on the formulation and usage of the Index of Multiple Deprivation (2010) can be found at this address: <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2010>.

Most to least deprived local authority or county council district	IMD 1-2 (Poorest)	IMD 3-4	IMD 5-6	IMD 7-8	IMD 9-10 (Richest)	N=
Middlesbrough	73.0%	13.5%	8.1%	5.4%	0.0%	37
Easington	66.7%	20.8%	8.3%	4.2%	0.0%	24
Barrow in Furness	62.5%	12.5%	16.7%	4.2%	4.2%	24
Sunderland	60.4%	17.0%	17.0%	5.7%	0.0%	53
Gateshead	54.5%	21.2%	6.1%	10.6%	7.6%	66
South Tyneside	54.5%	18.2%	4.5%	13.6%	9.1%	22
Hartlepool	53.3%	6.7%	13.3%	26.7%	0.0%	15
Redcar and Cleveland	52.4%	38.1%	4.8%	4.8%	0.0%	21
Stockton on Tees	51.4%	14.3%	5.7%	14.3%	14.3%	35
Newcastle	50.5%	5.5%	18.7%	14.3%	11.0%	91
North Tyneside	42.6%	14.9%	19.1%	14.9%	8.5%	47
Blyth Valley	36.4%	45.5%	9.1%	9.1%	0.0%	11
Sedgefield	35.7%	42.9%	14.3%	7.1%	0.0%	14
Wansbeck	35.0%	50.0%	5.0%	10.0%	0.0%	20
Darlington	33.3%	33.3%	9.5%	14.3%	9.5%	21
Wear Valley	33.3%	28.6%	38.1%	0.0%	0.0%	21
Derwentside	21.7%	34.8%	17.4%	21.7%	4.3%	23
Carlisle	20.4%	18.4%	30.6%	26.5%	4.1%	49
Copeland	16.1%	9.7%	61.3%	6.5%	6.5%	31
Allerdale	15.7%	15.7%	34.3%	27.1%	7.1%	70
Durham City	10.2%	20.3%	10.2%	22.0%	37.3%	59
Chester le Street	9.1%	63.6%	0.0%	27.3%	0.0%	11
Castle Morpeth	3.0%	9.1%	27.3%	33.3%	27.3%	33
Tynedale	2.7%	8.1%	29.7%	48.6%	10.8%	37
Alnwick	0.0%	10.0%	60.0%	10.0%	20.0%	20
Berwick upon Tweed	0.0%	37.5%	54.2%	8.3%	0.0%	24
Eden	0.0%	7.4%	54.4%	33.8%	4.4%	68
South Lakeland	0.0%	2.5%	23.5%	51.9%	22.2%	81
Teesdale	0.0%	4.5%	31.8%	40.9%	22.7%	22
All areas	29.5%	16.6%	22.8%	20.8%	10.3%	1050

3 The concentration of TSOs of different sizes in more and less affluent areas

Figure 1 presents data on the concentration of TSOs in richer and poorer areas. The evidence shows that 'larger' and the 'biggest' TSOs are much more likely to be concentrated in the poorest areas. Micro TSOs are reasonably evenly spread across most IMDs with the exception of the middle income areas (IMD5-6) where many more are located. Small TSOs are reasonably equally distributed across all areas of affluence or deprivation as the (green) trend-line indicates.

Figure 1 Concentrations of organisations of different sizes which operate in richer and poorer areas



4 income fluctuation by areas of affluence of deprivation

Figure 2 shows levels of income fluctuation or stability for TSOs depending upon the level of affluence of the area where they are based. It is clear from these data that TSOs are progressively more likely to have stable income if they operate in more affluent areas: rising from just 51% in the poorest areas to 80% in the most affluent. TSOs are more than *three times as likely* to have experienced significantly falling income over the last two years if they are located in the poorest area (33%) when compared with the richest (10%).

Figure 2 **TSO income fluctuation in the last two years by level of affluence or deprivation in area of location**

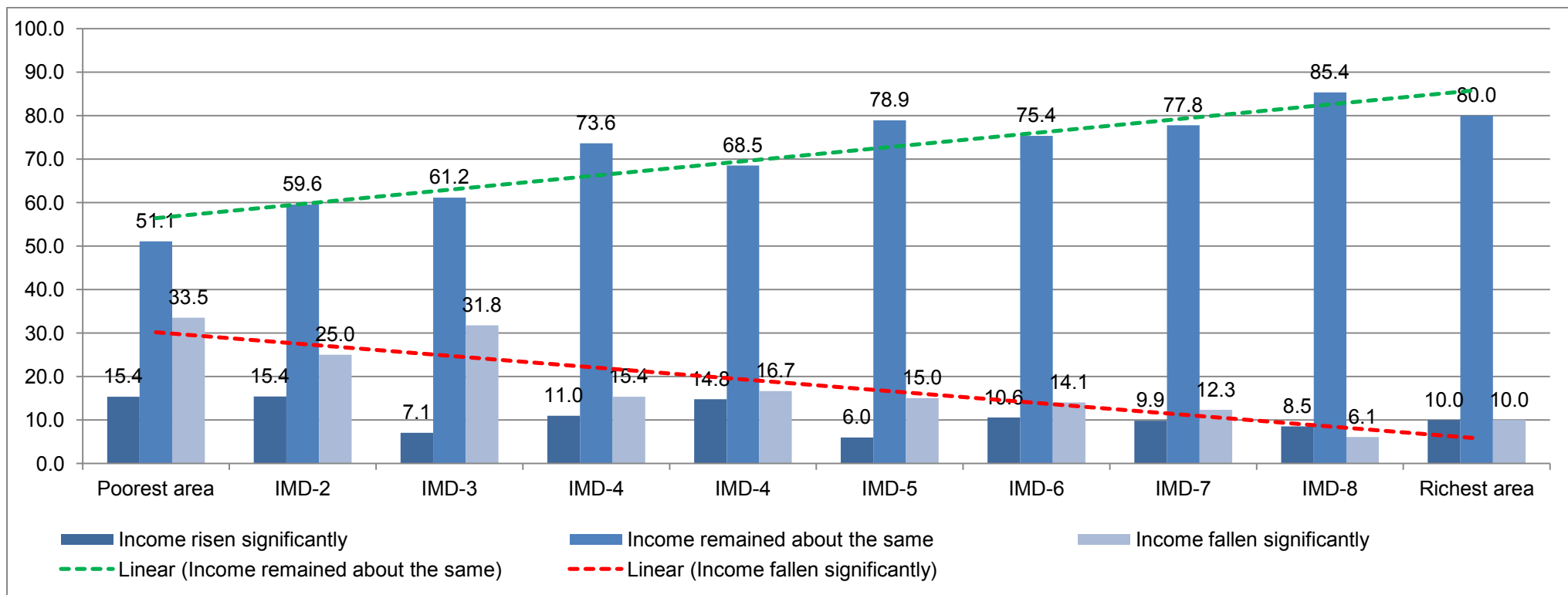
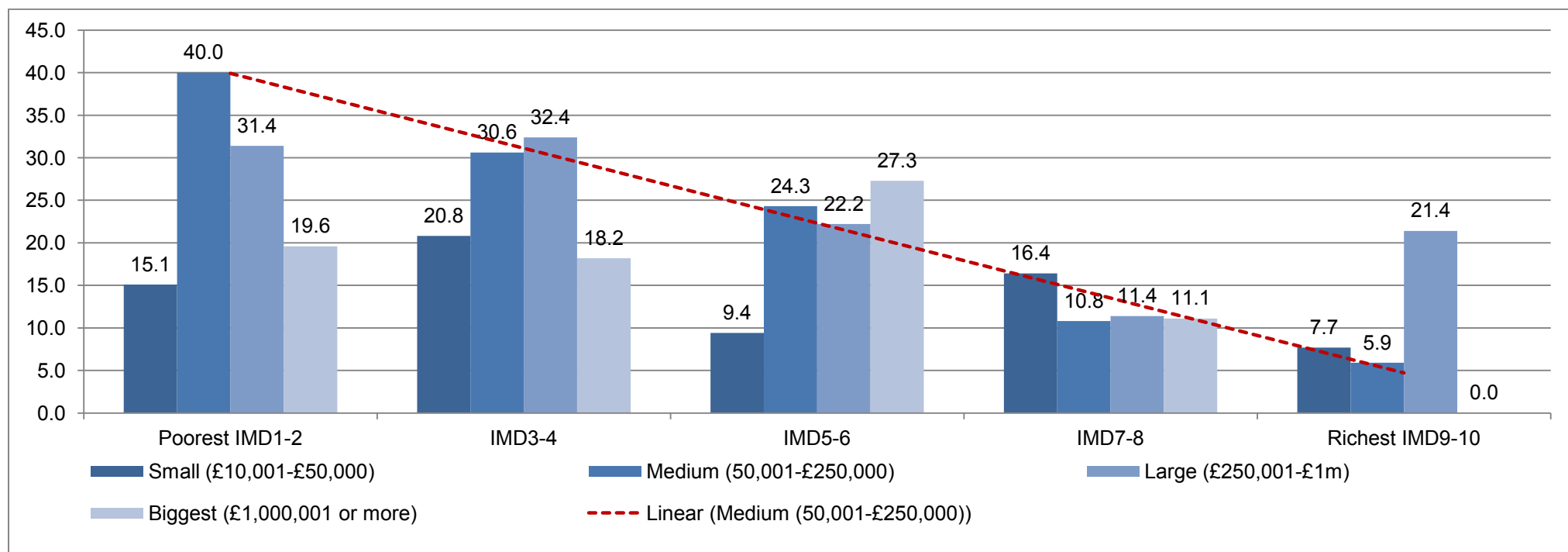


Figure 3 shows the percentage of TSOs which have experienced significantly falling income over the last two years. TSOs are compared by size and the relative affluence of the area within which they operate. It is clear from these data that medium sized TSOs operating in poorer areas are much more likely to have had falling income (40% in the poorest areas compared with just 6% in the richest).

The same pattern exists for larger organisations too, but the effect is less pronounced (falling from 31% in the least affluent areas to 21% in the most affluent). Small TSOs are less affected in this respect, but there is still evidence of an association between the relative affluence of the area of operation and falling income over the last two years. The pattern for the biggest organisations is more difficult to discern – but as they tend to practice across a much wider area in operational terms the data are, in any case, less meaningful.

Figure 3 **Percentage of TSOs of different sizes experiencing significant falls income in the last 2 years by affluence of area**

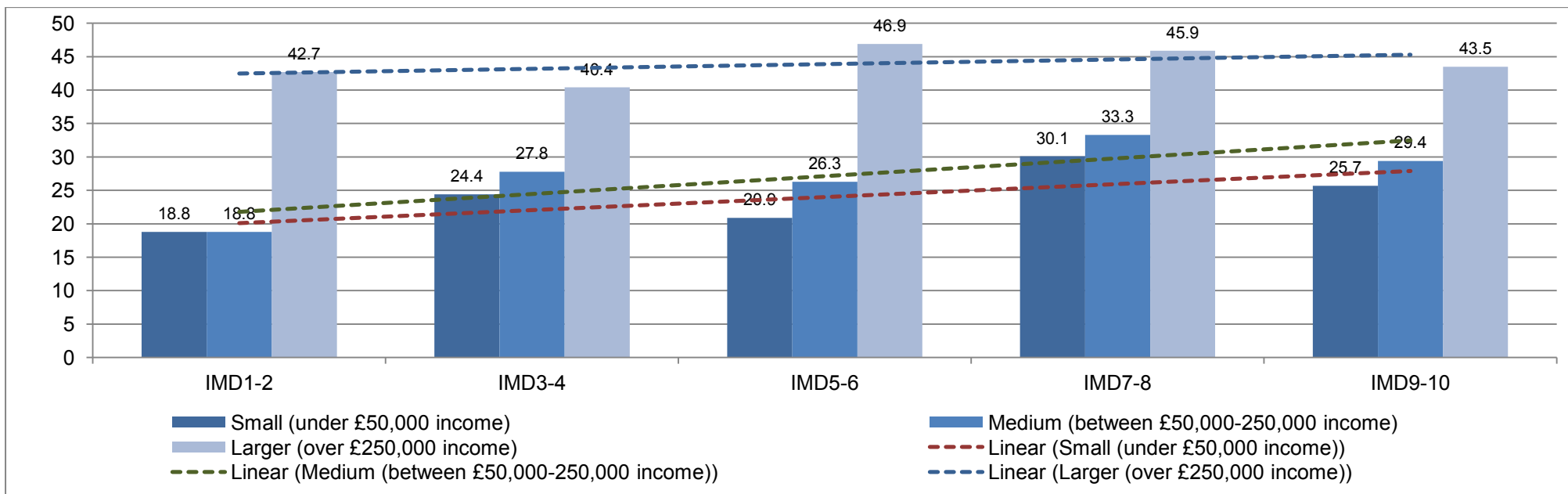


5 Are TSOs in poorer areas less enterprising?

Does this mean that TSOs in poorer areas are less enterprising in their outlook and practice? Figure 4 shows what percentage of TSOs earn more than 60% of their income from trading and contracts to deliver services. The data show that there is only a very slight association between the relative affluence of an area and the propensity of TSOs to be amongst the most enterprising.

Organisations in richer areas are more likely to earn over 60% of their income, possibly, because there are more options for trading in such areas. But such an advantage is likely to be offset by a more limited scope for winning contracts to deliver services. While the interpretation of these data is inconclusive in that respect – it is clear that enterprising activity is not dominant in richer areas.

Figure 4 **Percentage of TSOs with more than 60% earned income based in areas of deprivation or affluence**

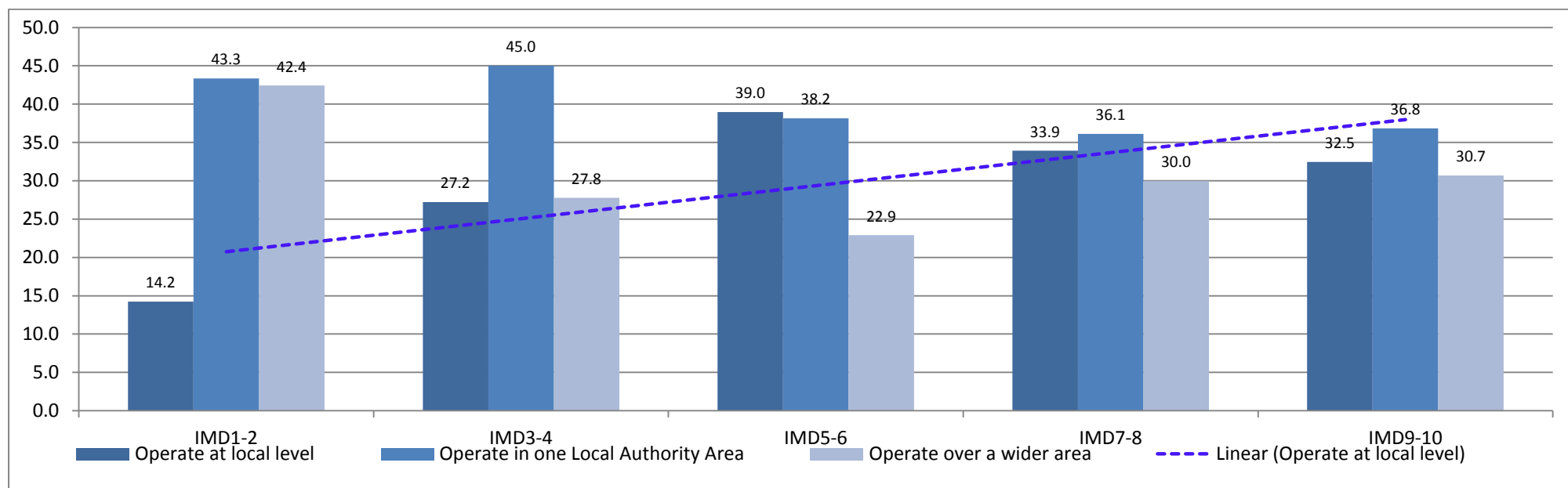


6 The situation of TSOs which operate only locally or more widely

Figure 5 shows the extent to which TSOs, which are based in areas of different levels of affluence or deprivation, work in neighbourhoods/villages, within a single local authority area or on in a wider area (ranging from just two local authorities to international level). The trend-line shows that organisations working solely at the neighbourhood or village level are more numerous in more affluent areas.

The proportion of TSOs which operate within a single local authority or county council district differs little by area of affluence or deprivation. Organisations which work on a wider area are also distributed in a similar way across most areas of affluence and deprivation (IMD 3-10), although they are clearly predominant in the least affluent areas.

Figure 5 **Percentage of TSOs working at neighbourhood, local authority and wide geographical levels by IMD (2014)**



To what extent did the geographical range of TSOs’ activity affect the likelihood of having rising, falling or stable income in the last two years?

Figure 5(a) shows what percentage of TSOs had **rising income** in the last two years depending on the relative affluence or deprivation of the area within which they were based and whether they operated at a neighbourhood/village, local authority, or wider level.

Caution must be taken in the interpretation of individual bars in this graph as the number of TSOs with rising income is small.

The (blue) trend-line shows that for TSOs operating only at the local level there is no clear association between area of deprivation and the proportion of organisations which have enjoyed rising income.

For TSOs operating on a local authority wide basis, the (green) trend-line shows that TSOs in poorer areas were more likely to have rising income, as is the case with TSOs working across wider areas (red trend-line).

Figure 5(a) **TSOs with rising income by geographical range of operation and IMD**

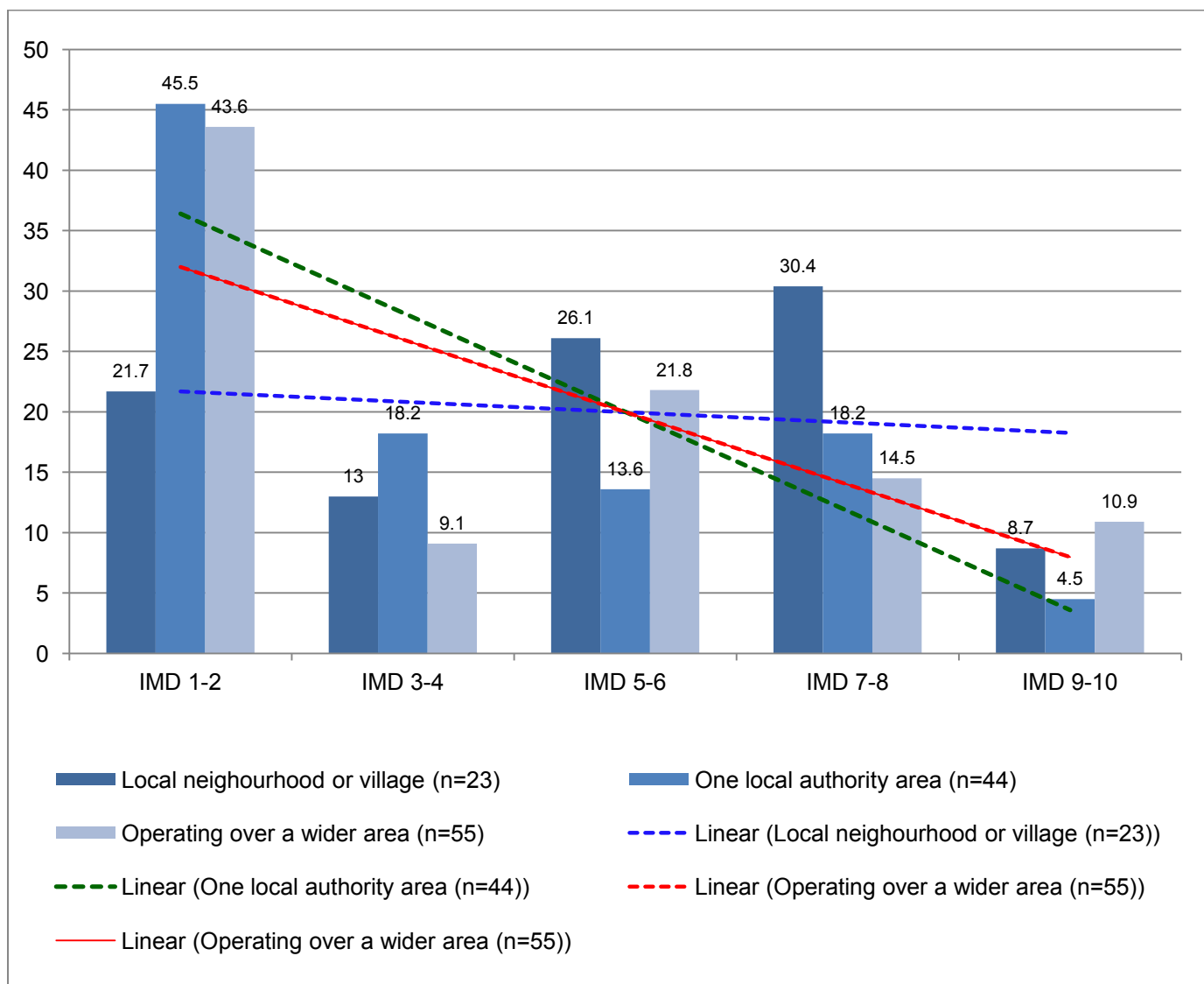


Figure 5(b) shows what percentage of TSOs had **stable income** in the last two years depending on the relative affluence or deprivation of the area within which they were based and whether they operated at a neighbourhood/village, local authority, or wider level.

In this figure the bar graph is more reliable because of larger numbers of TSOs in each category.

The (blue) trend-line shows that TSOs operating only at the local level were more likely to have a stable income if they were based in more affluent areas. The bar graph suggests that those TSOs enjoying stability, in income terms, were clustered in the middle income areas.

For TSOs operating on a local authority wide basis, the (green) trend-line shows that TSOs in poorer areas were less likely to have stable income than richer areas, as is the case with TSOs working across wider areas (red trend-line).

Figure 5(b) **TSOs with stable income by geographical range of operation and IMD**

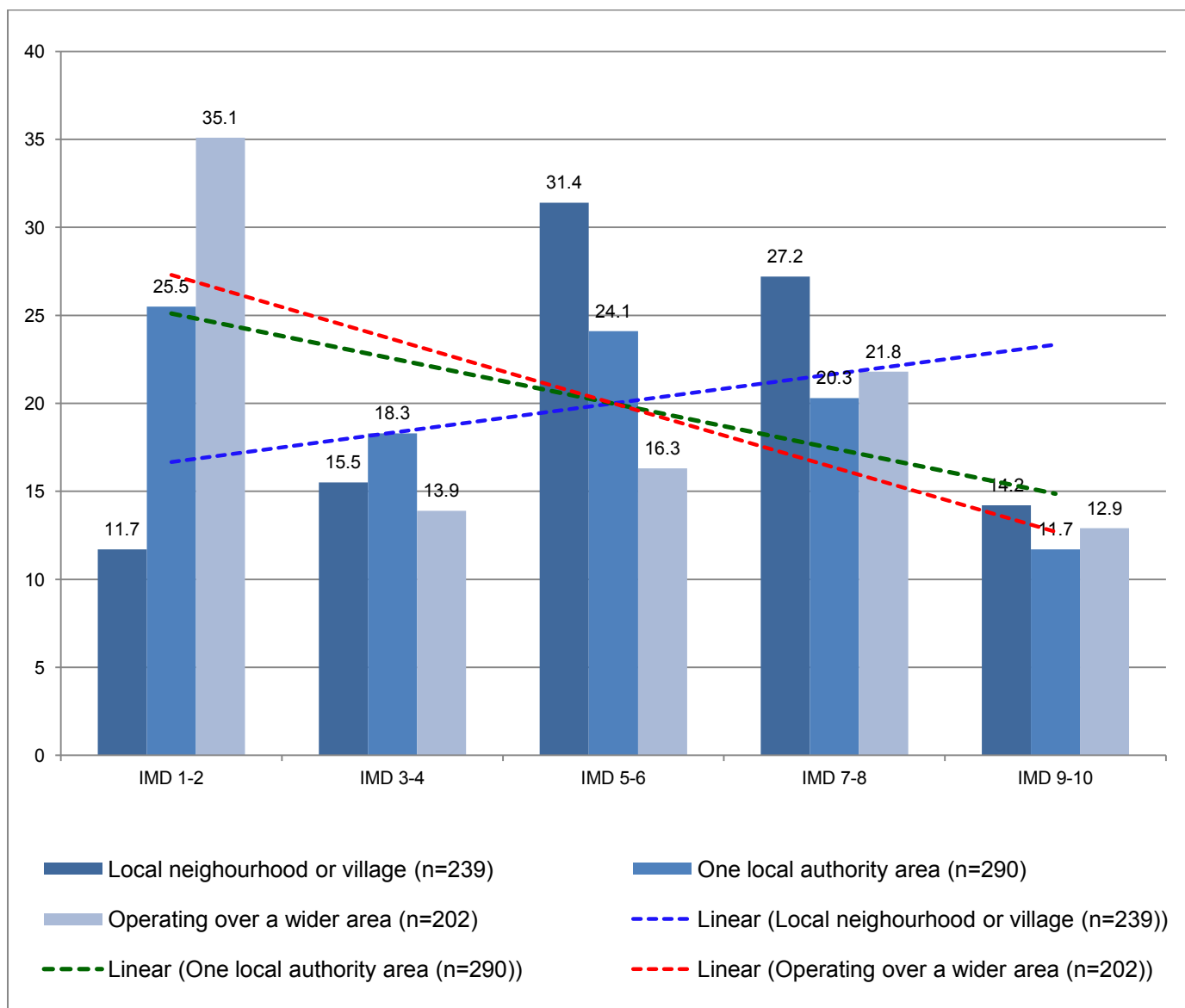
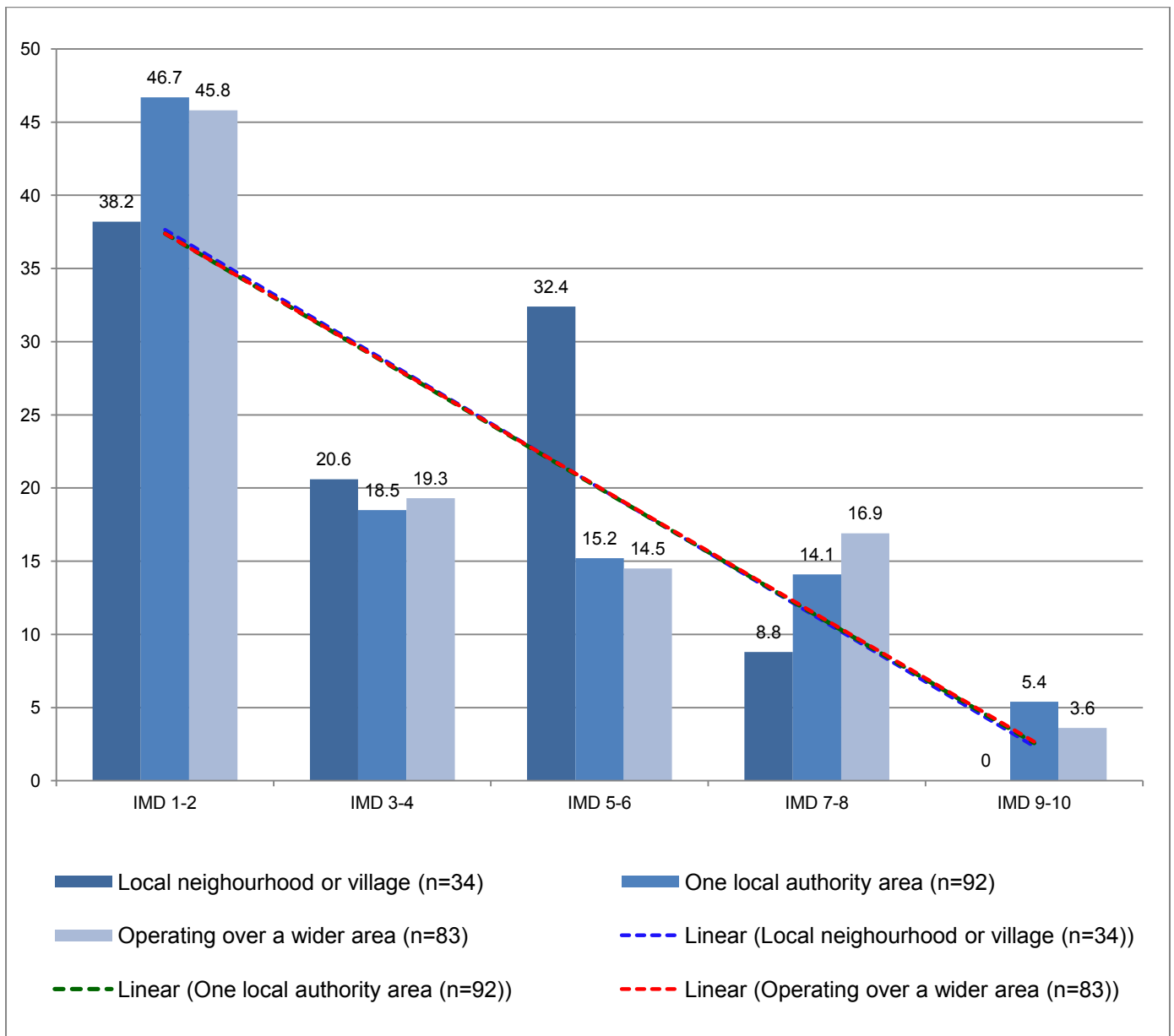


Figure 5(c) shows what percentage of TSOs had **falling income** in the last two years depending on the relative affluence or deprivation of the area within which they were based and whether they operated at a neighbourhood/village, local authority, or wider level.

All three trend-lines follow the same path in this figure: showing that irrespective of the range of TSOs' geographical area of operation, organisations were significantly more likely to have falling income over the last two years if they were located in a more deprived area.

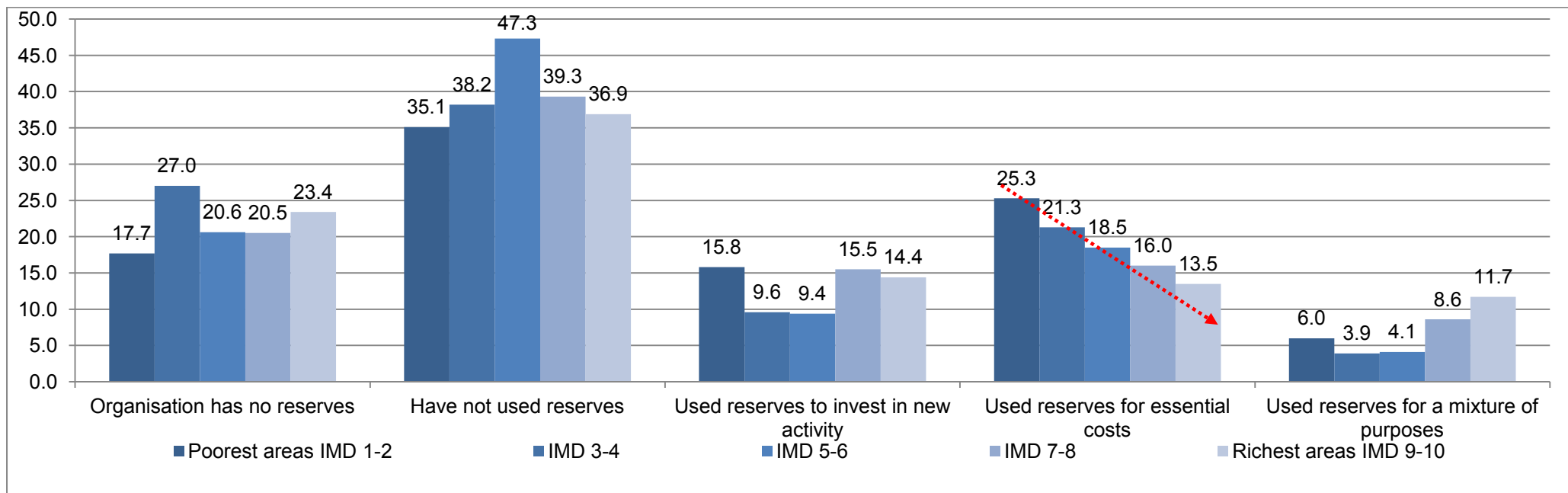
Figure 5(c) **TSOs with falling income by geographical range of operation and IMD**



7 Do TSOs in poorer areas rely more heavily on their reserves?

Figure 6 shows the percentage of TSOs which have drawn upon their reserves in the last year. It is evident from these data that between 18-27% of TSOs have no reserves – although this does not appear to be clearly affected by the area within which they operate. Between 35-47% of TSOs have reserves but have not used them in the last year – organisations operating in middling areas of affluence seem to be the least likely to have used reserves. Some TSOs invested reserves in new areas of work: ranging from 9-16% of TSOs although there is no discernible pattern by area of affluence. There is, however, a clear link between area of affluence or deprivation and the propensity of TSOs to have used reserves for essential costs: 25% of TSOs have done so in the poorest areas, compared with just 14% in the richest. This provides more evidence to suggest that TSOs in poorer areas have been struggling financially in the last two years.

Figure 6 **Percentage of TSOs using reserves in the last year by location in area of affluence or deprivation (2014)**



8

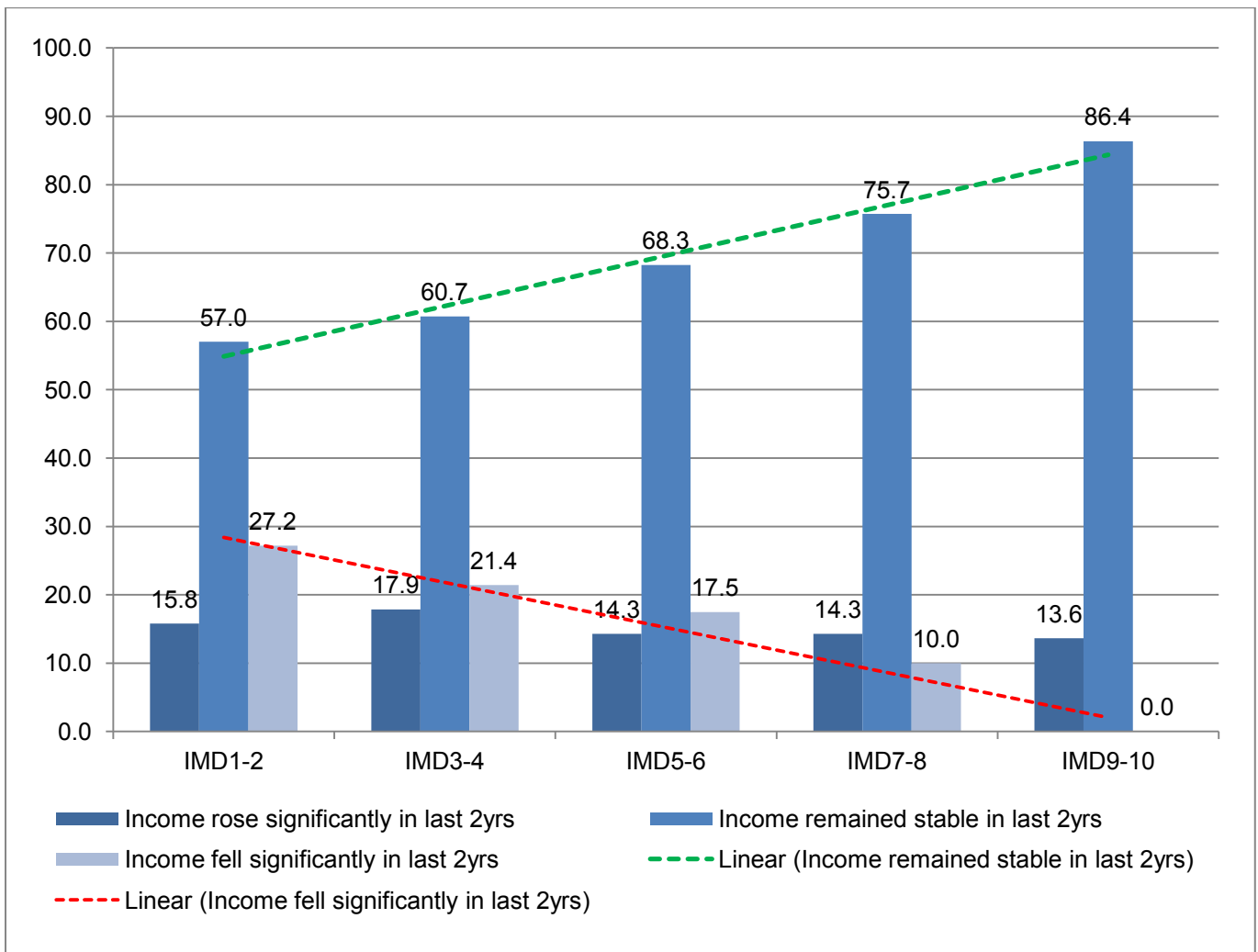
Service provision of TSOs and income fluctuation

It is useful to examine whether TSOs which serve different functions are more or less affected by significantly falling income if they are located in poorer areas. The four graphs which follow (*Figures 7(a) to 7(d)*) compare the situation of TSOs delivering primary, secondary and tertiary services, or smaller non-service delivery groups or organisations.

TSOs delivering primary service

Primary services are defined as the delivery of front-line services to beneficiaries such as accommodation, care services, training, etc. Organisations which deliver primary services were more likely to have experienced significantly falling income if they were based in poorer areas. The more affluent an area TSOs were based in, the more likely they would have stable income.

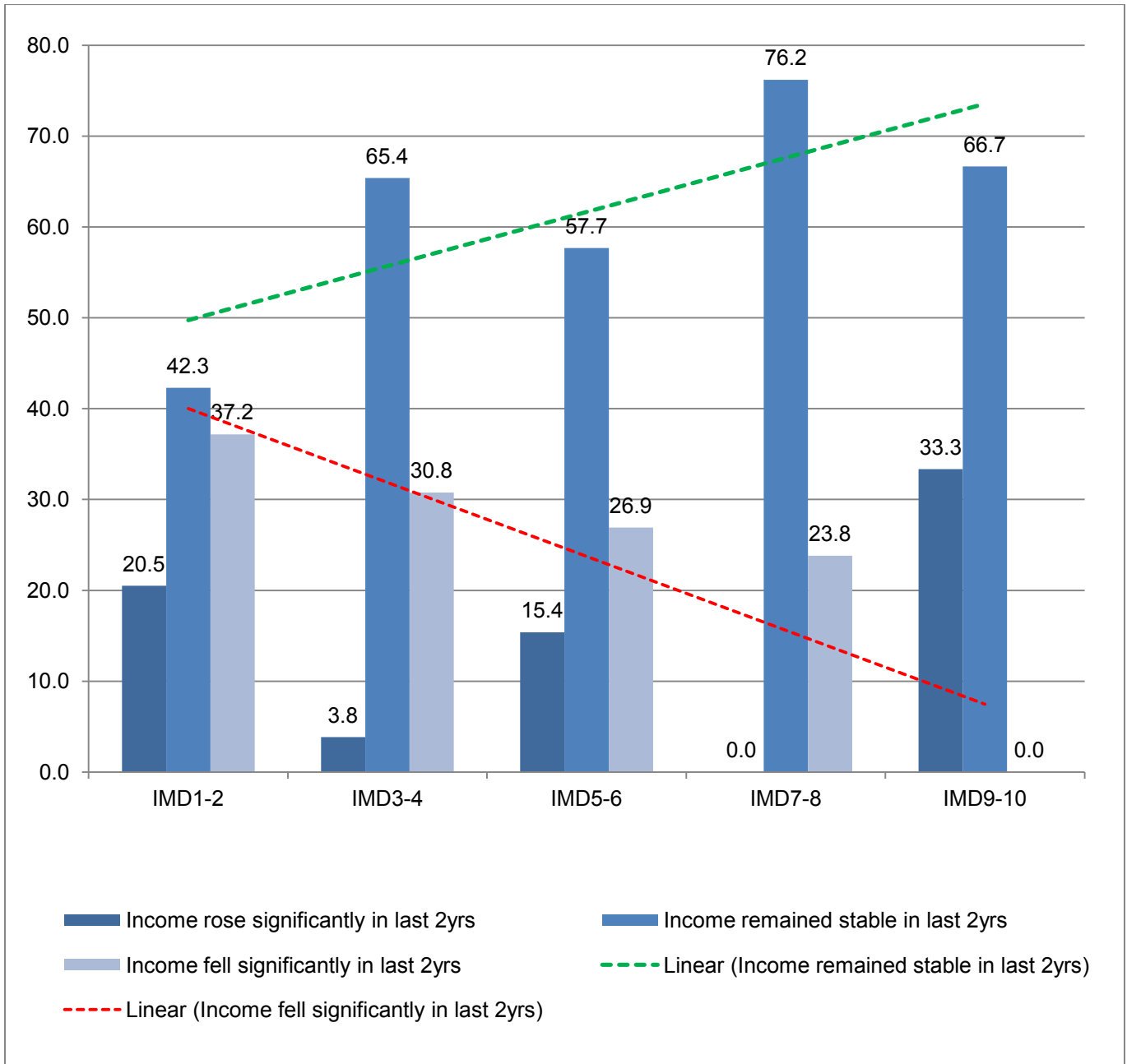
Figure 7(a) **TSOs delivering primary services: income fluctuation by area**



TSOs delivering secondary services

Secondary services include direct support services to beneficiaries such as advocacy, advice and guidance, etc. Organisations which deliver secondary services were very much more likely to have experienced significantly falling income if they were based in poorer areas. The situation is less clear cut for stable income, but the general trend indicates greater stability in more affluent areas.

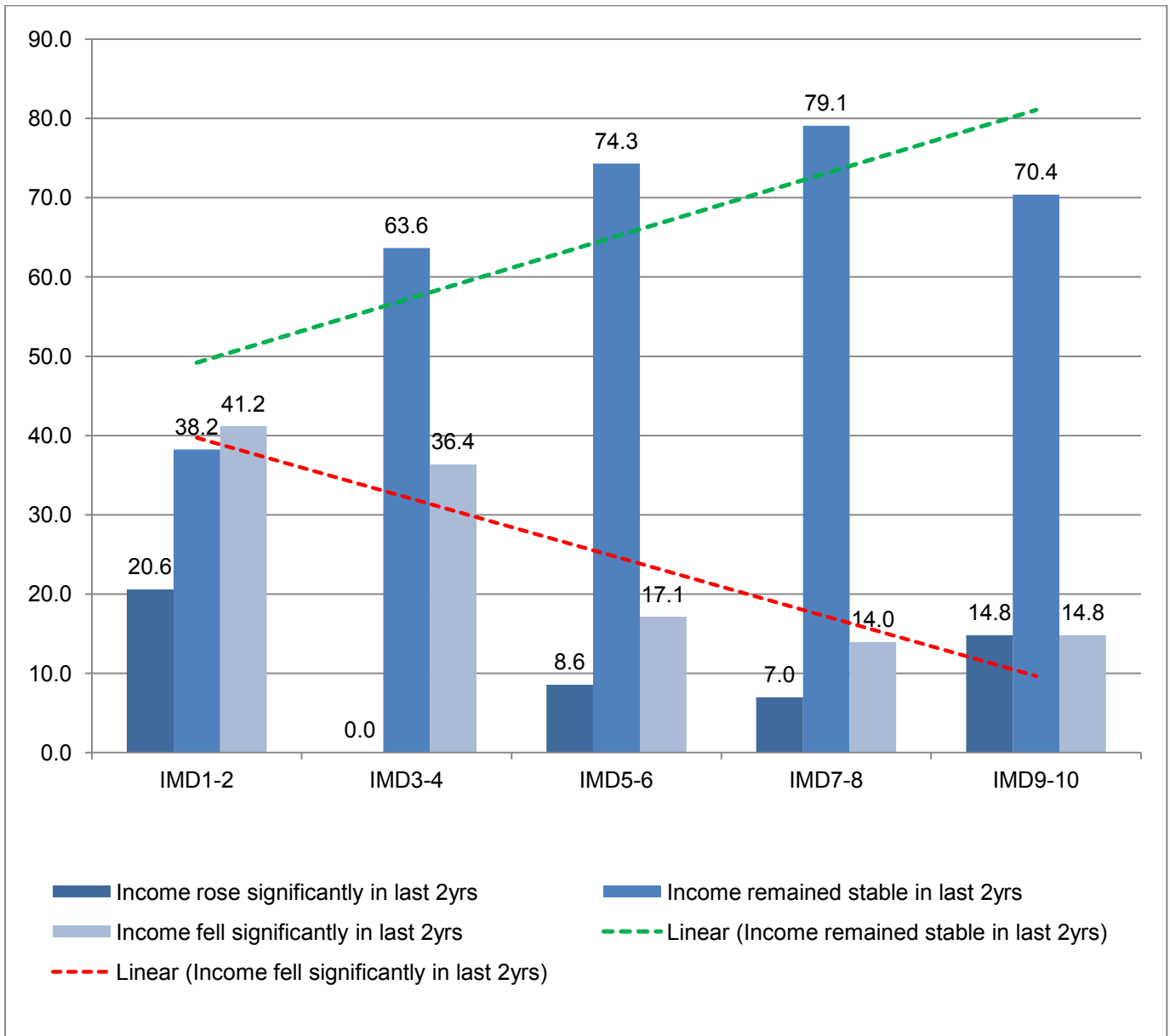
Figure 7(b) TSOs delivering secondary services: income fluctuation by area



TSOs delivering tertiary services

Tertiary services provide indirect support to beneficiaries. Such organisations offer support to other third sector organisations (such as infrastructure support), are grant makers, or provide research, policy development or campaigning services. Organisations which deliver tertiary services are more likely to have experienced significantly falling income if they were based in poorer areas (41% in the poorest areas compared with 15% in the richest). The general trend indicates greater stability for TSOs in more affluent areas.

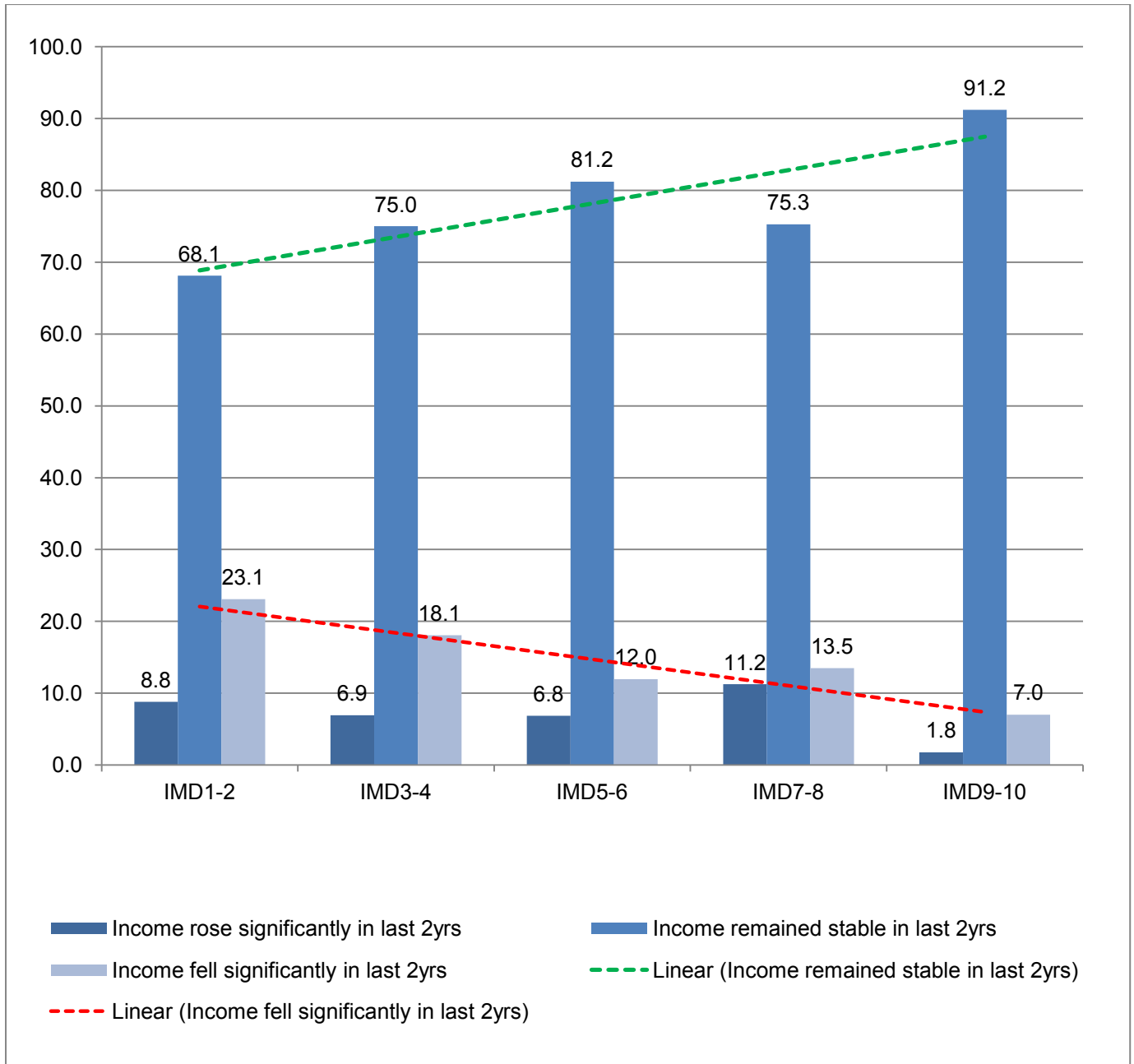
Figure 7(c) **TSOs delivering tertiary services: income fluctuation by area**



Smaller non-service delivery TSOs

Smaller TSOs which do not deliver services, as such, but more often serve the discrete interests of their members or volunteers tend to have been progressively likely to have experienced stable income if they are located in affluent areas. Fewer smaller organisations have experienced significantly declining income, but they are more likely to have had falling income if they are located in poorer areas.

Figure 7(d) **Smaller non-service delivery TSOs: income fluctuation by area**



9

Area of location and beneficiaries served

It is useful to explore whether the proportion of TSOs which serve a range of beneficiaries varies to any extent depending upon whether they are located in more affluent or more deprived areas.

Figure 8 presents data on TSOs serving 13 categories of beneficiaries. It should be noted that respondents to the survey were given the opportunity to record as many beneficiary groups served as they wished. So the likelihood is that, for example, TSOs which serve the interests of people in deprived urban areas may also support people with other discrete needs.

The data are sorted in such a way that TSOs serving beneficiary groups at the upper end of the figure are the most likely to be based in the poorest area (IMD 1-2) whilst at the base of the figure, are the TSOs which are the least likely to be based in the poorest areas.

It is interesting to note that those TSOs which serve people's needs (including those TSOs which: serve unemployed or workless people, people's housing or homelessness needs, the need of people in deprived urban areas, BME groups, carers, and people's health/mental health needs) tend to be focused in the poorest areas. This may be expected as such issues tend to be strongly associated with deprivation.⁶

Figure 9 takes the analysis forward by showing what percentage of TSOs had significantly falling income in 2012-14 (according to the beneficiary group they serve and where their office is located) by the index of multiple deprivation. Some beneficiary groups have been excluded from the analysis because the number of cases is too small.⁷

What these data show, almost without exception, is that whatever beneficiary grouping is considered, those organisations which are based in the poorest areas are much more likely to have lost significant levels of income than those TSOs in richer areas.

Why is this the case? One likely explanation may be that such areas, which were once well served by government programmes such as the Neighbourhood Renewal Fund, Single Regeneration Budget, New Deal for Communities, amongst others have since struggled to maintain levels of income due to the reduction or curtailment of funding regimes – forcing them into greater competition for different sources of income with TSOs in more affluent areas.

It is not yet known whether the decline noted for 2012-14 represents a continuous process from 2008-2014 (the period for which the Third Sector Trends study has comparable data) and so this may need to be explored further at a later date.

⁶ The number of organisations serving people with concerns about gender and sexuality is too small to be sure that there is a clear association so they are excluded from this list, although this does not preclude the fact that the prevalence of such issues may be more concentrated in such areas.

⁷ Beneficiary groups are excluded if they have fewer than 100 cases available for analysis.

Figure 8 **Beneficiaries served by area where TSO is based as defined by IMD**

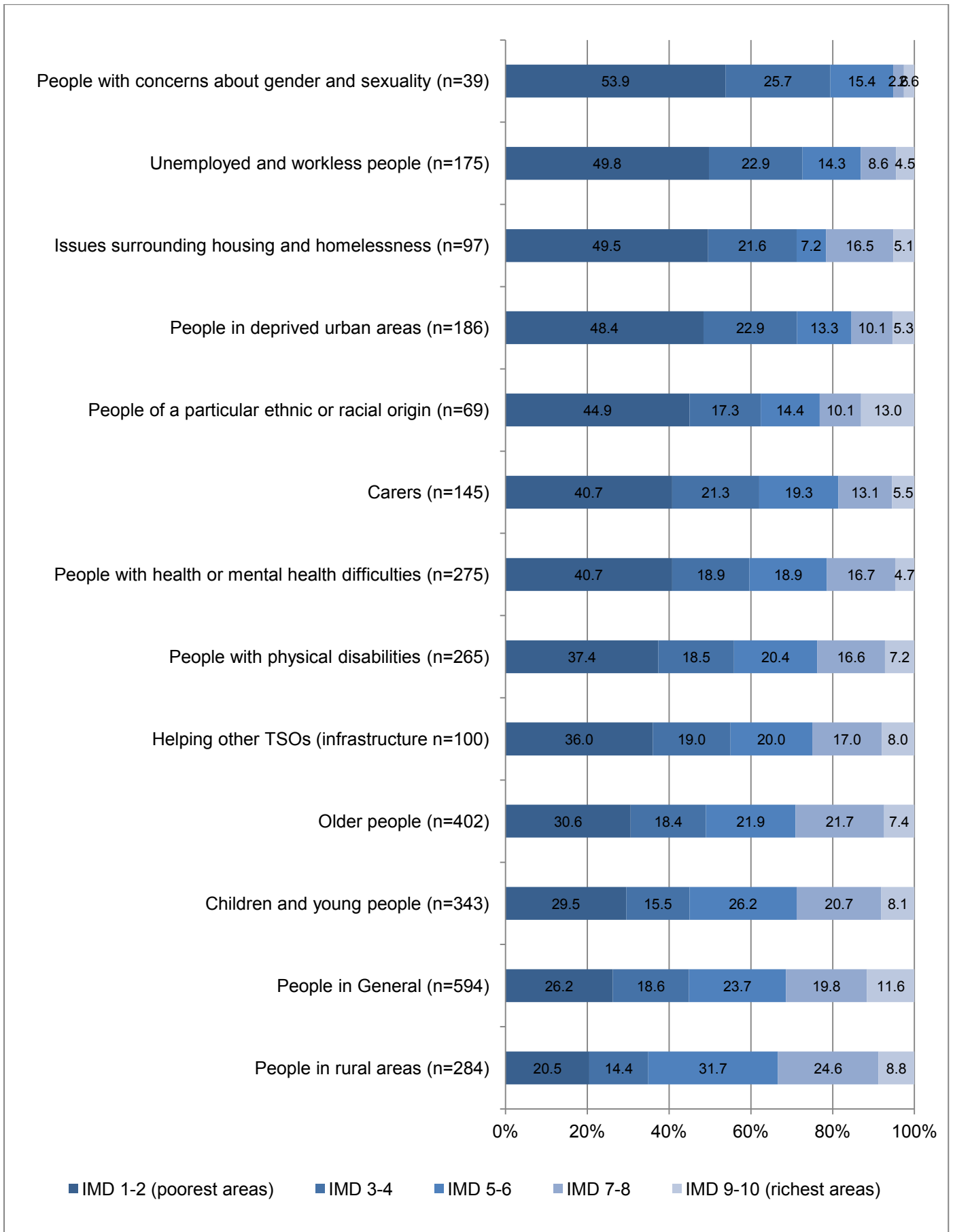
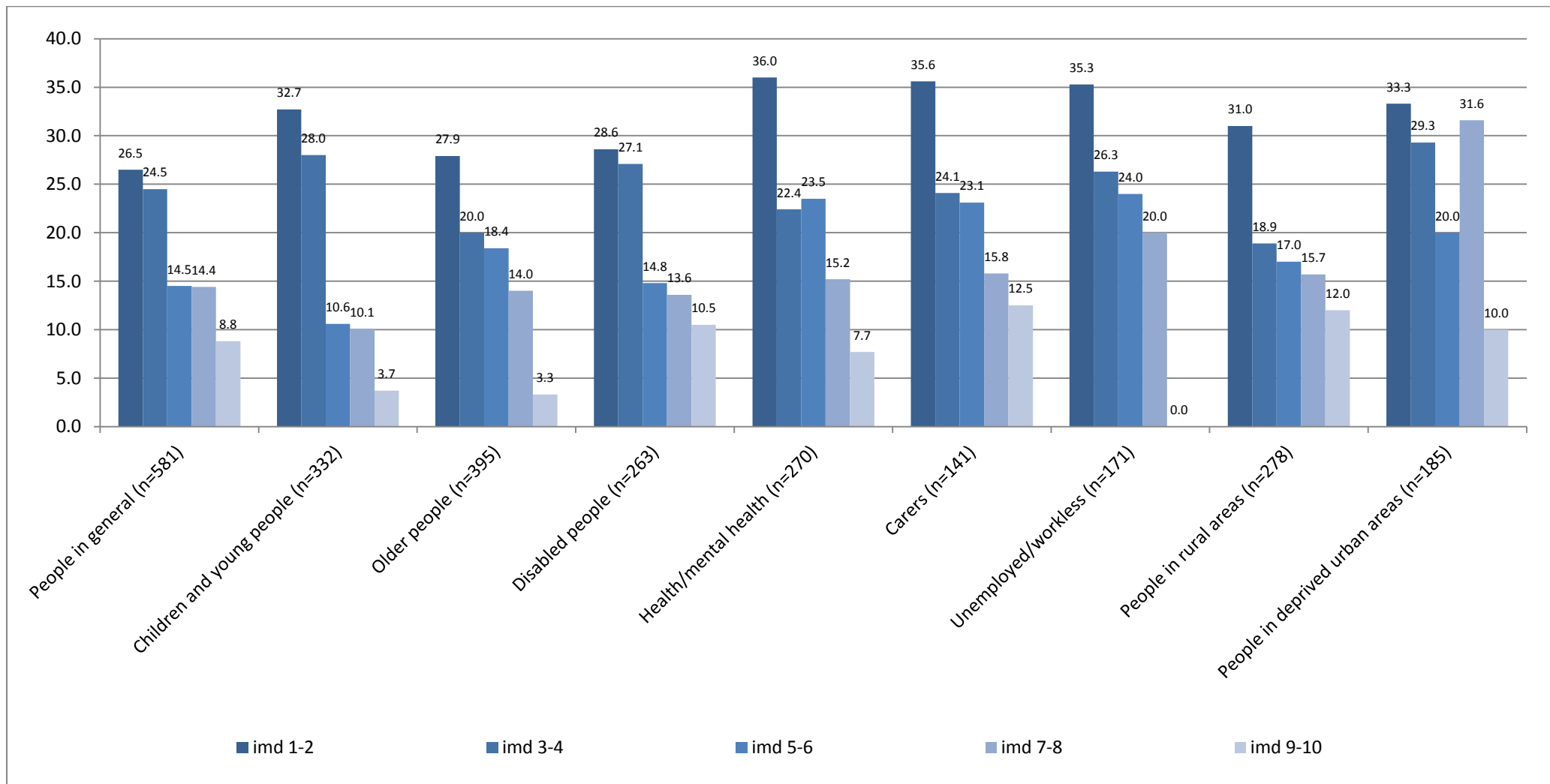


Figure 9 Percentage of TSOs with significantly falling income (2012-14) by beneficiaries and TSO location in IMD areas



10 Ethos and resources of TSOs

The above analysis has shown that TSOs in poorer areas are more likely, in a period of significant government cuts, to have suffered income loss over the last few years. The question is, why? To explore this in more depth, it is useful to consider the ethos of TSOs in terms of their practice and values, how reliant they are on different sources of income, where their volunteers come from and their planning ethos.

In each of the following tables, the proportion of TSOs which relate to or associate with the public sector, private sector or community sector, in each area of relative wealth or deprivation is compared.

Figure 10(a) shows the extent to which the values of TSOs are associated with people in the public, private or community sectors. The vast majority of TSOs say they associate mainly, in value terms with the community sector. Where they associate with the public sector or private sector, the effect of working in areas of deprivation or wealth does not seem to make a difference.

Figure 10(a) Values held by the TSO	IMD 1-2 (Poorest)	IMD 3-4	IMD 5-6	IMD 7-8	IMD 9-10 (Richest)	All TSOs
Closer to people in the public sector	6.9	7.4	6.2	5.6	4.4	6.3
Closer to people in the private sector	0.9	3.4	4.6	3.7	0.0	2.6
Closer to people in the community	92.1	89.1	89.2	90.7	95.6	91.1
N=	317	175	241	216	113	1,062

Figure 10(b) presents data on where 'most' of the TSOs money comes from. The table shows clearly that:

- 42% TSOs in the poorest areas get most of their money from the public sector compared with just 10% in the richest areas.
- While 15% of TSOs in the poorest areas are most likely to get most of their money from the private sector, the differences across IMD quintiles are too small to indicate causality.
- TSOs in the richest areas are much more likely to get most of their money from the community sector (78%) compared with those in the poorest areas (43%).

Figure 10(b) Most money for the TSO comes from	IMD 1-2 (Poorest)	IMD 3-4	IMD 5-6	IMD 7-8	IMD 9-10 (Richest)	All TSOs
From people in the public sector	42.3	31.0	24.8	19.5	10.4	28.5
From people in the private sector	15.1	10.1	10.7	13.7	11.3	12.6
From people in the community sector	42.6	58.9	64.5	66.8	78.3	58.9
N=	305	168	234	205	106	1,018

Figure 10(c) presents data on where 'most' of the TSOs' volunteers come from. The table shows clearly that there is no association between area of affluence or deprivation and the source of volunteers.

Figure 10(c) Most volunteers for the TSO come from	IMD 1-2 (Poorest)	IMD 3-4	IMD 5-6	IMD 7-8	IMD 9-10 (Richest)	All TSOs
Closer to people in the public sector	2.3	2.3	1.8	3.5	1.9	2.4
Closer to people in the private sector	3.9	1.7	4.4	3.0	0.9	3.1
Closer to people in the community	93.9	95.9	93.9	93.6	97.2	94.5
N=	309	172	228	202	106	1,017

Figure 10(d) considers TSOs' approach to organisational practice – asking whether they are closer in style to people in public sector, private sector or community sector organisations.

- 19% of TSOs in the poorest areas practice in a similar way to people public sector organisations compared with just 5% in the richest areas: four times as many.
- 15% of TSOs in the poorest areas practice in a similar way to people in the private sector compared with 11% in the richest areas.

Figure 10(d) Approach of TSOs to practice	IMD 1-2 (Poorest)	IMD 3-4	IMD 5-6	IMD 7-8	IMD 9-10 (Richest)	All TSOs
Closer to people in the public sector	18.9	12.0	6.3	7.4	5.4	11.2
Closer to people in the private sector	15.1	11.4	13.4	12.1	10.8	13.0
Closer to people in the community	66.0	76.6	80.3	80.5	83.8	75.8
N=	318	175	239	215	111	1,058

Figure 10(e) shows the percentage of TSOs which adopt an approach to practice which is closest to people in the public, private or community sector.

- About five times as many TSOs in the poorest areas (15%), compared with the richest areas (3%), say that their approach to strategy is closer to people in the public sector.
- Nearly twice as many TSOs in the poorest areas (21%) say that their approach to strategy is closer to people in the private sector compared with those in the richest areas (13%).
- 84% of TSOs in the richest areas say that their approach to practice is closest people in the community sector compared with 64% in the poorest areas.

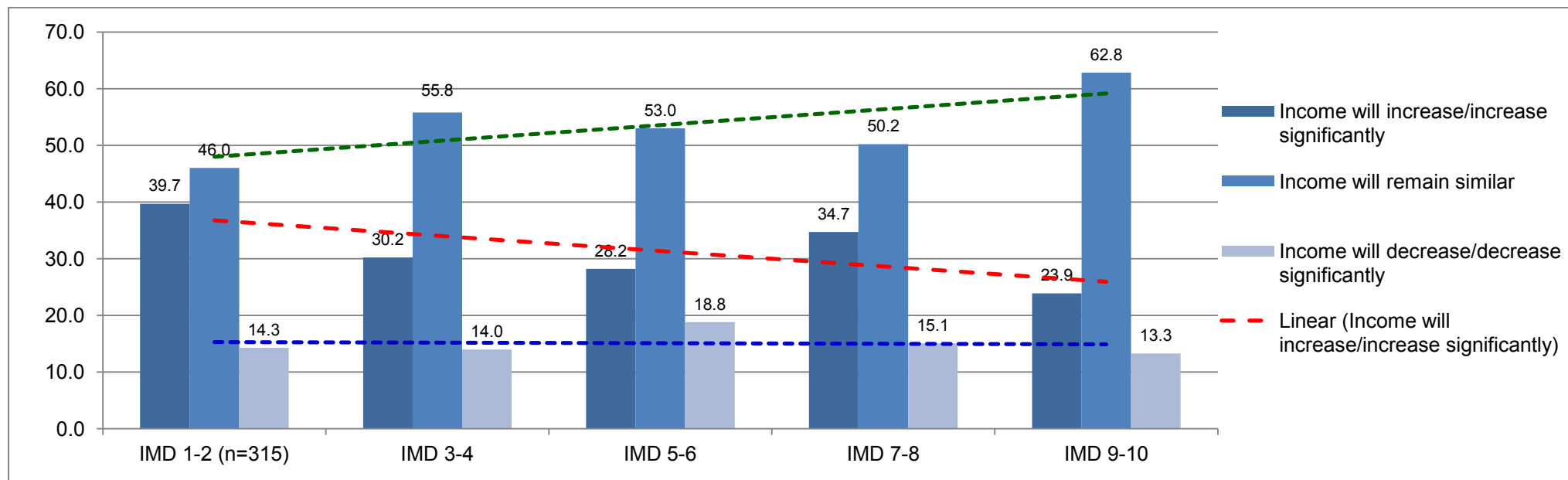
Figure 10(e) Approach to strategy and planning	IMD 1-2 (Poorest)	IMD 3-4	IMD 5-6	IMD 7-8	IMD 9-10 (Richest)	All TSOs
Closer to people in the public sector	14.5	10.5	9.9	8.3	2.8	10.3
Closer to people in the private sector	21.0	14.0	13.4	11.2	13.1	15.3
Closer to people in the community	64.5	75.6	76.7	80.6	84.1	74.4
N=	310	172	232	206	107	1,027

These findings indicate, in summary, that TSOs in poorer areas are much more likely to be associated with public sector organisations’ approach to planning and practice. They are also much more likely to be financially dependent upon public sector money when compared with TSOs in the most affluent areas.

11 How optimistic are TSOs about future income levels?

Figure 11 examines the extent to which TSOs feel optimistic or pessimistic about their income levels over the next two years. Contrary to the experiences of the last two years (2012-14), TSOs operating in the most deprived areas appear to be more optimistic about income rising in the future (40%) than TSOs in the most affluent areas (24%). TSOs in more affluent areas are more likely to expect that income will remain stable (63%) than TSOs in the poorest areas (46%). As the (blue) trend-line shows, relatively few TSOs in any area think that their income will decrease in the next two years (between 14-19% across all areas of affluence/deprivation).

Figure 11 **TSOs' optimism or pessimism about income levels in the next two years by affluence/deprivation of area of location**



12

Summary and implications

Income fluctuation or stability

- In income terms, TSOs are progressively more likely to have had stable income from 2012-2014 if they operated in more affluent areas: rising from just 51% in the poorest areas to 80% in the most affluent.
- Medium sized and larger TSOs which are concentrated in poorer areas are more likely to have falling income than their counterparts in richer areas.
- TSOs were more than *three times as likely* to have experienced significantly falling income over the last two years if they were located in the poorest area (33%) when compared with the richest (10%).
- The fact that more TSOs in poorer areas experienced significantly falling income is unlikely to be related to their propensity to be enterprising in their practice. Those TSOs which earned over 60% of their income from contracts or trading is about the same, irrespective of whether they were located in affluent or deprived areas.
- TSOs which operated from poorer areas were much more likely to have experienced significantly falling income from 2012-14 than in richer areas, irrespective of the geographical range of their operation (i.e. at neighbourhood, local authority or a wide area of work)
- There is a clear link between area of affluence or deprivation within which TSOs were located and the likelihood that they had used reserves for essential costs: 25% of TSOs had done so in the poorest areas, compared with just 14% in the richest.

Characteristics of TSOs in rich and poor areas

- In terms of *service delivery*, TSOs in more deprived areas were more likely to have experienced significantly falling income, whether they delivered primary direct front-line services (such as accommodation or social care) or (even more so) if they provided front-line support services (such as advice and guidance).
- The evidence shows, almost without exception, that whatever *beneficiary grouping TSOs served*, those organisations which were based in the poorest areas were much more likely to have lost significant levels of income over the last two years than those TSOs in richer areas.
- TSOs in poorer areas are much more likely to associate closely with the ethos of people in public sector organisations' when taking an approach to planning and practice.
- TSOs in the poorest areas are much more likely to be financially dependent upon public sector money when compared with TSOs in the most affluent areas.

Optimism about the future

- Contrary to the experiences of the last two years (2012-14), TSOs operating in the most deprived areas appear to be more optimistic about increasing their income in future (40%) when compared with TSOs in the most affluent areas (24%).
- TSOs in more affluent areas, by contrast, are more likely to expect that income will remain stable (63%) than TSOs in the poorest areas (46%).

Implications of the findings

In recent years there has been some debate about a perceived problem that there may be 'charity deserts' in more deprived areas. This analysis from the Third Sector Trends study finds little evidence to suggest that this is true. There is a concern, however, that competition over resources in more deprived areas is likely to be intensifying when compared with richer areas.

It is not the case that TSOs which operate in poor areas are the only ones which deal with issues of concern to disadvantaged people. But the evidence presented here suggests that they provide the bulk of that support. But this is only an indicative finding and needs more exploration in future.

It is not certain why TSOs in poorer areas appear to have been more likely to have experienced more significant funding decline than in richer areas. The evidence presented here shows that this is not due to levels of 'enterprising activity' of TSOs in poorer areas, and nor is it related to their principal service functions or the groups of beneficiaries they serve.

One explanation may be that cuts in local authority funding, which have fallen hardest in more deprived areas, is feeding through into the third sector more severely than is the case in richer areas.⁸

These research findings (which may be of some interest to those individuals, organisations and agencies which fund charities in North East England and Cumbria) suggest that that consideration may need to be given to the possibility of rebalancing the distribution of resources to TSOs which work in poorer areas to compensate for loss of income from other sources.

⁸ For analysis of the intensity of funding reductions in poorer local authorities, see: Watt, N. (2014) 'Local government cuts hitting poorest areas hardest, figures show: cuts average 25.3% in 10 most deprived areas of England, and 2.54% in 10 least deprived areas', *The Guardian*, Thursday 30 January; see also, Robinson, F. Houston, M., Braidford, P. and Allinson, G. (2014) *Challenging Times: prospects for Local Government in North East England*, Newcastle-upon-Tyne, Association of North East Councils.

Appendix: Publications from the Third Sector Trends study and related projects

Reports and working papers

- Chapman, T. and Robinson, F. (2015) *Key findings from the Northern Rock Foundation Third Sector Trends Study in North East England*, Newcastle, Northern Rock Foundation.
- Chapman, T. (2015) *An assessment of third sector organisations' willingness to borrow money: evidence from Yorkshire, North East England and Cumbria*, Newcastle, Northern Rock Foundation.
- Chapman, T. and Robinson, F. (2014) *Third Sector Trends in North East England and Cumbria: headline trends 2008-2014*, Newcastle, Northern Rock Foundation.
- Chapman, T. and Robinson, F. (2014) *Keeping it simple: how to work effectively with the third sector, a discussion paper and evidence review*: Durham: Institute for Local Governance.
- Chapman, T. (2014) *Third Sector Trends in Yorkshire and Humber*, Leeds: Involve Yorkshire and Humber.
- Pharoah, C., Chapman, T. and Choudhury, R. (2014) *An insight into charity funding in the North East*, London: Garfield Weston Foundation.
- Robinson, F. and Chapman, T. (2013) *The Reality Check: final report from the second phase of the Third Sector Trends Study*, Newcastle: Northern Rock Foundation.
- Chapman, T. and Robinson, F. (2013) *On the Money: how does the way third sector organisations think about money affect the way they work?*, Newcastle: Northern Rock Foundation.
- Chapman, T. and Robinson, F. (2013) *The Crystal Ball: how do Third Sector Organisations see their future, and what are they doing about it?* Newcastle: Northern Rock Foundation.
- Chapman, T., Robinson, F., Bell, V., Dunkerley, E., Zass-Ogilvie, I. and van der Graaf, P. (2013) *Walking a Tightrope balancing critical success factors in hard times*, Newcastle: Northern Rock Foundation.
- Robinson, F., Bell, V., Chapman, T., Dunkerley, E., Zass-Ogilvie, I. and van der Graaf, P. (2013) *Taking the Temperature: how are third sector organisations doing?*, Newcastle: Northern Rock Foundation.
- Chapman, T., Robinson, F., Bell, V., Dunkerley, E., Zass-Ogilvie, I. and van der Graaf, P. (2012) *Journeys and Destinations: the impact of change on third sector organisations*, Newcastle: Northern Rock Foundation.
- Chapman, T. and Robinson, F. (2011) *Taking Stock, Moving On: a summary report on the results of the Northern Rock Foundation Third Sector Trends Study*, Newcastle: Northern Rock Foundation.
- Mohan, J., Rajme, F.G. and Kane, D. (2011a) *Paid work and volunteering in the Third Sector in North East England*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.
- Mohan, J., Rajme, F.G. and Kane, D. (2011b) *Paid work and volunteering in the Third Sector in Cumbria*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.
- Robinson, F., Bell, V. and Chapman, T. (2011) *Building Better Boards: What's the problem?* Newcastle: Northern Rock Foundation..
- Bell, V., Robinson, F., Chapman, T., van der Graaf, P., Shaw, S., Brown, J. and Chinaka, G. (2010) *Forearmed with Foresight: speculations on the future development of the third sector in North East England and Cumbria*, Newcastle: Northern Rock Foundation.
- Chapman, T., van der Graaf, P. Bell, V., Robinson, F. and Crow, R. (2010) *Keeping the Show on the Road: a survey of dynamics and change amongst third sector organisations in North East England and Cumbria*, Newcastle, Northern Rock Foundation..
- Chapman, T., Robinson, F., Brown, J., Crow, R., Bell, V. and Bailey, E. (2010) *What makes third sector organisations tick? Interactions of foresight, enterprise, capability and impact'*, Newcastle: Northern Rock Foundation.

Kane, D. and Mohan, J. (2010a) *Mapping registered Third Sector organisations in the North East*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.

Kane, D. and Mohan, J. (2010b) *Mapping registered Third Sector organisations in Cumbria*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.

Mohan, J., Kane, D., Wilding, K. Branson, J. and Owles, F. (2010) *Beyond 'flat earth' maps of the Third Sector*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.

Chapman, T. Robinson, F., Brown, J. Ford, C., Shaw, S. Crow, R. and Bailey, E. (2009) *A Mosaic, Jigsaw or Abstract: getting a big picture perspective on the Third Sector in North East England and Cumbria*, Newcastle: Northern Rock Foundation.

Chapman, T. and Crow, R. (2008) *A Thriving Third Sector: a study of North Yorkshire and City of York*, Middlesbrough: Social Futures Institute.

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Academic articles

Chapman, T. (2013) 'Regeneration through Social Enterprise: government-driven and community-led initiatives in Britain and Japan', in M. Leary and J. McCarthy (eds.) *Companion to Urban Regeneration*, London: Routledge.

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Chapman, T., Brown, J., Ford, C. and Baxter, E. (2010) 'Trouble with champions: local public sector – third sector partnerships and the future prospects for collaborative governance in the UK', *Policy Studies*, Vol. 30, No,6, pp. 613-630.

Chapman, T., Crow, R. and Brown, J. (2008) 'Entering a Brave New World? An assessment of third sector readiness to tender for the delivery of public services', *Policy Studies*, Vol. 28, No 1, pp. 1-17.

Chapman, T., Forbes, D. and Brown, J. (2007) 'They think they have God on their side': the impact of public sector attitudes on the development of social enterprise', *Social Enterprise Journal*, Vol. 2, No. 1, pp. 78-89.



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