



LEARNINGS FROM  
THE STATE OF THE  
THIRD SECTOR IN  
LEEDS UPDATE  
2022

**FROM THIRD SECTOR LEEDS**

October 2023

## ABOUT THE STATE OF THE SECTOR

Forum Central and Voluntary Action Leeds have released their co-funded and co-produced research [The State of the Third Sector in Leeds 2022](#). Building on [previous research](#) completed in 2021, this report gives an insight into the reach, scale and diversity of the third sector of Leeds. It also highlights the sector's strengths and some of the current challenges it faces.

Third Sector Leeds welcomes and endorses this report, which was prepared by [Nifty Sustainability CIC](#) and draws primarily on data held on the Charity Commission's register of charitable organisations, alongside local understanding and insight into what this means for Leeds.

## KEY LEARNINGS

The report shares a picture of a sector that is valuable because of organisations focus on enabling communities to make positive change across all areas of life. It encompasses organisations at every scale, from totally volunteer delivered, to multi-million pound, multi-service providers.

Third Sector Leeds particularly welcomes the finding which suggests that an increasing amount of investment is flowing towards organisations working with culturally diverse communities.

However, the report also paints a picture of a sector that - like our partners in the public sector - is under severe stress. Compared to December 2020 data, some of the key findings that lead us to question the long-term health of the sector include:

- 10% drop in the number of registered (charitable) organisations
- 25% drop in the number of volunteers reported to the charity commission
- 34% drop in the paid workforce

Additionally, whilst investment in the sector has been sustained in cash terms, it has significantly reduced in real terms - when inflation, additional demand and the complexity that organisations are dealing with is taken into account. We remain concerned that the increasingly challenging funding environment will, in the coming months and years, continue to have a negative impact on the sustainability of the third sector.

Reflecting on the findings relating to the composition of the sector, we noted a significant increase in organisations reporting no income and that there has been a particular reduction in the number of small and medium sized organisations. This suggests that the future innovators of our sector, and/or those that focus on the assets and needs of particular communities, may be finding it harder to emerge, survive and thrive.

More positively, we note that there appears to be a welcome trend towards longer-term funding arrangements.

## LOOKING TO THE FUTURE

Notwithstanding some positive findings, this report shines a light on a third sector facing very significant headwinds. There are no easy answers to the challenges we face.

We know from the response of the sector through Covid-19 and the subsequent Cost of Living crisis that the sector plays a critical role in supporting and enabling communities. We are concerned that the changes detailed in the report will already be having a negative impact on community resilience. Moreover, we are concerned that the sector is becoming less resilient and that if steps are not taken to mitigate the mid-term challenges the sector faces, our communities will lose the vital resources that enable them to make positive change.

## Short-term action

In the short-term, Third Sector Leeds and others across the sector have been working closely with statutory partners to explore ways to mitigate impacts. For example:

- Third Sector Leeds has worked with the third sector and with commissioners to develop guidance on developing effective consortia which aims to support and enable creative responses to the challenging funding environment.
- Non-recurrent (2023/24) Power of Communities funding through West Yorkshire Integrated Care Board (managed in Leeds by Forum Central) will provide foundations to underpin sector resilience.
- Voluntary Action Leeds is working closely with Leeds City Council to develop a second Welcome Spaces programme, enabling neighbourhood-based organisations to play their part in bringing communities together and supporting individuals in recognition of the impact of the Cost of Living crisis during the winter months and beyond.

## Mid-term action

In October 2023, Third Sector Partnership (the body that brings together the third and public sectors) will launch a Third Sector Strategy and Volunteering Strategy. These two documents, which are informed by the learning in this report, will focus on action we can take together in the medium term to build a stronger more stable sector. Third Sector Leeds calls on all partners to offer all they can to support delivery of these critical strategies.

## Building the evidence base

The State of the Sector 2022 is valuable in that it shows some high level trends of the shape and scope of the third sector. However, whilst this report can quantify the third sector in Leeds and show what has changed since 2020, the data available does not allow for drawing definitive conclusions on why some of these changes have occurred.

There are a number of areas where Third Sector Leeds would wish to understand more about how our sector is changing and the difference our sector makes.

We are therefore calling on partners who have research expertise, or who are in a position to support research activity, to work with the third sector to explore the answers to some important questions, including:

- What are the trends in organisations led and governed by people with lived experience of exclusion?
- How does the third sector contribute to creating an inclusive economy in our city?

## READ THE REPORT

Review an infographic setting out some of the key findings: [The Third Sector in Leeds Infographic](#)

Read the full report: [The State of the Third Sector in Leeds 2022](#)