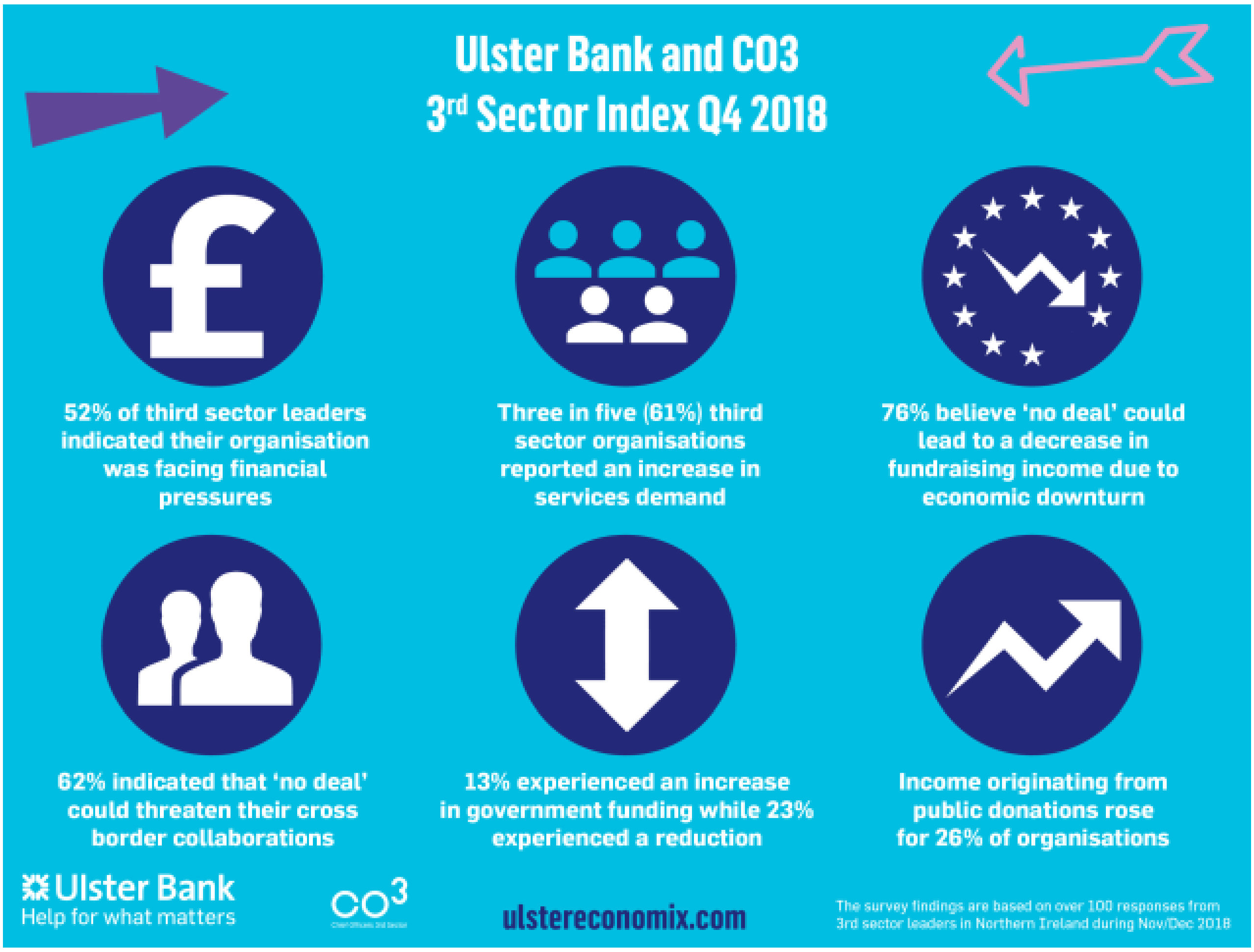
Third sector organisations are facing increased financial pressures heightened as demand for services maintains its sharp incline and reductions in government funding continue, according to new research.



The Ulster Bank and CO3 3rd Sector Index is a key barometer of Northern Ireland's third sector, involving a quarterly survey of CO3 members who include the leaders of some of Northern Ireland's largest charities and social enterprises. Services they provide range from care, to counselling and support, and training and development.

Any faint glimmer of optimism recorded in Q3 concerning third sector organisations' outlook for turnover expectations was short-lived. Then, almost half (47 per cent) expected turnover to increase in the 12 months ahead, falling 13 percentage points in Q4 to just over one-third (34 per cent) of organisations.

Far from ending the year on a high note, over half (52 per cent) of third sector leaders indicated their organisation was facing financial pressures. They cited a variety of reasons for the strain, among them was pressure meeting National Joint Council (NJC) salary uplifts (32 per cent). Last February, Unison's national pay committee voted in favour of a two per cent pay offer, one the committee had narrowly voted to reject the previous month. NJC pay scales are used widely in the voluntary and community sector. They are local government scales negotiated by the employer and trade union sides of the National Joint Council for Local Government Services.

Other sources of financial pressure included general overheads (21 per cent), pay settlements (11 per cent), redundancies (10 per cent) and a downturn in funding or contracts (5 per cent).

In the shadow cast by financial pressures was yet another significant spike in demand for services. A recurring theme throughout 2018, three in five (61 per cent) reported an increase in service demand.

The latest index reports ups and downs in tandem, however it was largely the challenges facing the sector on the rise and positive outlook within the sector on the decline, bar a few noted exceptions.

Three quarters (76 per cent) described their organisation's cash flow as "stable." While 13 per cent experienced an increase in funding from government, almost one quarter (23 per cent) experienced a reduction.

Percentage of income originating from public donations rose in the last quarter of 2018 for 26 per cent of third sector organisations, increasing by 12 per cent on the previous quarter.

Linked to the Withdrawal Agreement, Secretary of State Karen Bradley announced a £300m fund from the UK government to support cross-border peace-building projects. Given the potential for the UK to leave the EU without a deal this adds to existing funding concerns in the sector. Three quarters (76 per cent) of third sector leaders believe a no-deal scenario may lead to a decrease in fundraising income due to economic downturn, and 62 per cent state no-deal may threaten their cross-border collaborations.

Nora Smith, Chief Executive of CO3, says: “Last year was one of demand for the third sector. It was demanding on services and financially demanding. As the pool of funding drained the sector continually adjusted to retain its vital services, without neglecting quality in the delivery of these services. Such uncertainty surrounding funding fashions an increasingly challenging environment for the sector to operate in. The final quarter of 2018 was less than ideal for the sector. Outlook for the year ahead is likely to follow suit as economic and political expectations dwindle.”

Commenting, Richard Ramsey, Chief Economist, NI, at Ulster Bank, says: “Yet again, the third sector has experienced a marked increase in demand for its services; a common thread throughout the past year. Often, as the story of 2018 showed, this increased demand is accompanied by a reduction in public funding and strain on resources as a result – employment levels, retaining skilled employees, overheads. Two-and-a-half years after the referendum vote, with the “finish line” in sight, apprehension hasn’t receded either with mounting pessimism for Northern Ireland’s political and economic outlook.”

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