
Report to: Inclusive Growth and Public Policy Panel

Date: 16 September 2020

Subject: **Role of the third sector**

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1. Purpose

- 1.1 To consider the nature and role of the third sector across the region in the immediate response to the pandemic and its potential ongoing role in terms of ensuring the region benefits from an inclusive economic recovery.
- 1.2 It is also proposed that a time-bound ‘task and finish’ group is established to:
- Collect evidence and data to better understand the role, composition and scale of the third sector across West Yorkshire, and its interdependency with the public and private sectors;
 - Better understand the social and economic contribution being made by the sector, and the specific challenges it is currently facing; and
 - Identify how the sector could be further supported at regional level to help deliver an inclusive economic recovery.

2. Information

Introduction

- 2.1 There is no commonly held definition of ‘the third sector’ (also sometimes referred to as the Voluntary, Community and Social Enterprise or VCSE sector). The National Audit Office (NAO) for example uses ‘third sector organisations’ as a term to describe the range of organisations that is neither public sector nor private sector. It includes voluntary and community organisations (both registered charities and other organisations such as associations, self-help groups and community groups), social enterprises, mutuals and co-operatives.

- 2.2 A key overall role the third sector is engaging with our most disadvantaged communities and bringing about positive social change, social justice and equality, and economic and social inclusion. Third sector organisations are therefore motivated by the desire to achieve social goals (for example, improving public welfare, the environment or economic well-being) rather than the desire to distribute profit.
- 2.3 During the Lockdown period, a light was shone on the third sector as a strong deliverer and trusted partner.¹ There is now a greater appreciation of the sector's ability to galvanise local response and recovery efforts because of its connections with, and being trusted by, some of our most disadvantaged communities.
- 2.4 There are, conservatively, estimated to be some 6,000 third sector organisations currently operating in West Yorkshire, although this figure, and our understanding of the nature of the sector, is not considered to be very robust.
- 2.5 Nationally, the third sector is comprised of a large number of charitable and voluntary organisations and social enterprises with a small turnover relative to the private sector (having a median turnover of £22k vs £128k for SMEs) and - linked to this financial position - limited reserves. Hence the sector is considered particularly vulnerable to socio-economic shocks.
- 2.6 National statistics suggest that the third sector contributes a modest 1.4% of national GDP. This figure is however considered to greatly underestimate actual social and economic contribution of the sector because the value added of volunteer time is not included in the data. It has been estimated the third sector contributes appropriately 10% of GDP when up to 4 billion hours of volunteer time nationally is factored in². Pro rata, this equates to the third sector contributing circa £5bn p.a. to the economy of West Yorkshire annually.
- 2.7 As such, it is argued by the Bank of England's Andy Haldane and others, that the contribution of the third sector has been significantly undervalued and has therefore been underinvested in compared with the private and state sectors.

Third sector role in the WY Economic Recovery Plan

- 2.8 The West Yorkshire Economic recovery plan recognises that the impact of COVID-19 has demonstrated starkly the range of inequalities and injustices that permeate our region, as well as nationally and globally. The interventions contained in the Plan have been developed to make a positive impact in not just reducing, but eliminating, the unfairness individuals and communities in

¹ (see for example: <https://www.tnlcommunityfund.org.uk/news/blog/2020-08-03/how-can-we-better-support-community-organisations-to-deliver-during-times-of-crisis>).

² <https://www.probonoeconomics.com/news/andy-haldanes-full-speech-pro-bono-economics-10th-anniversary-lecture>

our region face in relation to the following draft Inclusive Growth Framework Goals of:

- Wellbeing – ensuring good physical and mental health;
- Connectivity and Accessibility – including to economic opportunities;
- Relevant and transferable skills - to enable social mobility; and
- Good work - which offers sustainable, high-quality employment

2.9 The fulfilment of these Goals is central to the achievement of the draft Framework's ambitions (as also set out in the Plan), such that:

- All individuals and communities in West Yorkshire are enabled to contribute to - and benefit from - our economic prosperity because: they are engaged, made confident and inspired;
- All West Yorkshire employers provide good work because: they value diversity (at all levels), promote employee wellbeing, and invest in their workforce (the idea of a Good Work Standard is considered elsewhere on the agenda); and
- West Yorkshire is a region which delivers an inclusive economic recovery because: every person - and every community - matters equally, economic and social disparities are not just reduced but eliminated, and diversity - including of our people and communities - is a key strength of the region.

2.10 It is recognised in the Plan that all our sectors will play an important role in terms of delivering an inclusive economic recovery and ongoing resilience. For example, the crucial role played by the third sector during the immediate response to the pandemic is recognised in terms of connecting with the people and communities that face the greatest inequalities and their continued operation during the crisis (supported largely by independent funders) was fundamental to mitigating some of the worst hardships.

2.11 It is therefore proposed in the Plan that the role of the third sector should be further strengthened and enabled, to ensure (by working closely and in a complementary way with the private and public sector) that our most disadvantaged people and communities benefit fully from recovery.

2.12 For example, ensuring all residents and communities have the relevant and transferable skills required to be able to take up high quality employment - or start in enterprise - is central to an inclusive economic recovery. During the Lockdown phase these communities, and the third sector, have been at the heart of response, coming together in positive ways to support, encourage and sustain, particularly the most vulnerable. This has taken different forms in our diverse West Yorkshire communities, and, because recovery will also impact communities differently, the Plan recognises that it will be important that communities - and the third sector itself - are supported to become more resilient and sustainable.

Proposed Next steps

- 2.13 In order to define the nature and extent of any support needed to enable the third sector to become more reliant and sustainable, and in order to maximise its capacity to support an inclusive economic recovery, it is proposed that a task and finish group of the Panel and other stakeholders, including people who run third sector organisations and private sector partners, supported by officers, is commissioned to gather evidence and formulate recommendations as per the proposed scope set out at Appendix A.

3. Clean Growth Implications

- 3.1 There are no clean growth implications directly arising as a result of this report.

4. Inclusive Growth Implications

- 4.1 The report identifies the opportunity to better understand and support the third sector in the region, which will have a clear focus on delivering more inclusive growth.

5. Financial Implications

- 5.1 Any costs arising out of progressing the work of the task and finish group, such as commissioning research, will be contained within existing budgets.

6. Legal Implications

- 6.1 There are no legal implications arising as a direct result of this report.

7. Staffing Implications

- 7.1 The proposed task and finish group will be supported by officers. There are no additional staffing requirements arising as a direct result of this report.

8. External Consultees

- 8.1 No specific or official external consultations have been undertaken in relation to this report.

9. Recommendations

- 9.1 To recognise and welcome the role that the third sector has played in the response to the pandemic and its potential role in securing an inclusive economic recovery.
- 9.2 To comment on the contents of the paper and proposed scope for a time-bound task and finish group as proposed in Section 2.12.

- 9.3 To delegate the formation and terms of reference of the Task and Finish Group to the Chair and lead Chief Executive.

10. Background Documents

There are no background documents referenced in this report.

11. Appendices

11. Appendix A - Proposed scope for a time-bound task and finish group to consider the role of the Third Sector in delivering an inclusive economic recovery.