



Treatment for the charity sector's unhealthy status quo

An analysis of the VCSE Sector Barometer, in partnership with NTU National VCSE Data and Insights Observatory


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Summary

Recent riots have put the instability of the UK's communities in the spotlight. And as night follows day, they have also highlighted the communities' strengths: the people who freely give their time and money to respond to need, the leaders who reach across divides, and the organisations which coordinate, build partnerships and ensure this action can take place at scale. As the Secretary of State for Culture, Media and Sport has rightly recognised, charities and community groups are often those crucial organisations. They are essential to the immediate response and the long-term rebuild and restoration of communities nationwide.

The pandemic and cost of living crisis both tested charities' ability to respond to challenges in a rapid and agile way. While charities rose to those occasions, they also cost the sector some of its own resilience.

Now, as the economy gradually returns to growth – albeit a sluggish growth – the charity sector has in turn emerged from existential crisis. It has now reached a new status quo. But that new status quo is neither healthy, nor stable for the people who rely on, volunteer with and work for charities.

The perennial financial challenges that plague the charity sector continue, with a third (32%) of charities expecting their finances to deteriorate while a further 35% expect their finances to stagnate.

Financial challenges are compounded by those stifling the workforce. While charities – particularly the largest ones - have continued to recruit at pace, recruiting the right people has been challenging. 4 in 10 (40%) charities are struggling with recruitment, and 57% of vacancies in the sector are now defined as hard to fill.

With both financial and human resources constrained, the ability of charities to meet ever-rising demand is also held back. 70% of charities expect demand for their services to increase over the next three months, and while the majority will just about be able to meet it, over one third of charities (35%) do not expect to be able to meet demand through the Autumn. That means people in need of charities' support will not receive it, and if there are future crises that require charities' support, other areas will have to fall away.

These triple tidal forces of restricted income, workforce challenges and ever-rising demand mean many organisations are in a constant state of adaptation and flux. This is leading to service cuts and cost increases for users, as a stretched workforce drops some of the balls they've been trying

to juggle. 1 in 5 (18%) charities have had to cut the level or number of services they offer as a result of rising costs.

This means many charities cannot play their fullest possible role in building resilient communities. But they have the potential to. Charities have the infrastructure, organisation and knowledge to make a real difference to efforts to strengthen the UK's communities – and could do so all the more effectively if they were strengthened in turn.

To enhance the charity sector's ability to forge stronger communities, the government and funders should look to solutions that can both improve the financial picture and the challenges affecting the sector's workforce. Revitalising local community infrastructure organisations is essential for spreading best practice, strengthening connections, increasing skills, and improving efficiencies. Sharing evidence of what works through the sector through a Civil Society Evidence Organisation has long been called for.

The newly formed government should embrace the chance provided by the establishment of Skills England to offer additional backing to address the skills shortage in the charity sector. With charities three times less likely to invest in leadership development than the wider economy, and digital skills a real weakness – with just 9% of charities exploring the potential of automation, there is real potential for this new body to make a difference.

Ultimately, the future of many of the pressures on the charity sector will depend on how the government tackles the long-term causes of demand for many of their services: poverty, ill health, broken public services, poor housing and more. But there are steps that it can take now to build a charity sector that itself is more resilient. In doing so, the government can unlock the charity sector's capacity to build more resilient, more connected, and happier communities.

70%

of charities expect demand for their services to increase over the Autumn.

Staff training and development has fallen by

25%

since 2011.

As a result of rising costs

1 in 5

charities have been forced to cut back on the number or scope of services they offer

Recruitment challenges are affecting

40%

Of charities, further disrupting delivery of vital services.

Charities and civil society continue to be at the centre of building resilient communities

Although the conversation on community resilience is not new, the riots that took place across England early this month have thrown local resilience into even sharper focus. Civil society organisations quickly mobilised to support vulnerable communities, counter hatred and promote unity. Local charities were key in providing immediate relief and fostering dialogue. The commitment and need for the sector were immediately recognised, with Lisa Nandy, Secretary of State for Culture, Media and Sport, writing to sector leaders that their “continued efforts, at both a national and local level, are so crucial, particularly where people who are already vulnerable are put at even greater risk.”¹ The response to the riots, like the pandemic, was the latest example of charities responding quickly and effectively to crisis.

Charities were able to be so responsive in part because many are so embedded in the everyday lives of people across local communities. With approximately 164,000 charities across the country, these organisations are made up of campaigners and advocates, community builders and leaders, researchers and policy-influencers, as well as frontline service providers.² From care homes to community hubs, and refuges to rehabilitation centres, to arts and cultural programmes, charities deliver multiple services to support people’s wellbeing. And by providing touchstones for social interaction within and between communities, organisations also build trust, cooperation and reciprocity – in both the sector and in society itself.³

Yet charities’ ability to provide robust community support rests on unstable foundations, given the sector’s unstable finance and workforce, and rising demand. The latest VCSE Sector Barometer surveyed over 550 charities and voluntary organisations in July this year to explore the impact these triple forces are having on the charity sector’s ability to help people and build back ties among the UK’s communities.

¹ L Nandy, [England riots: Letter to civil society from DCMS Secretary of State](#), National Council of Voluntary Organisations (NCVO), 8 August 2024.

² N Tabassum, [UK Civil Society Almanac 2023](#), NCVO, 12 October 2023.

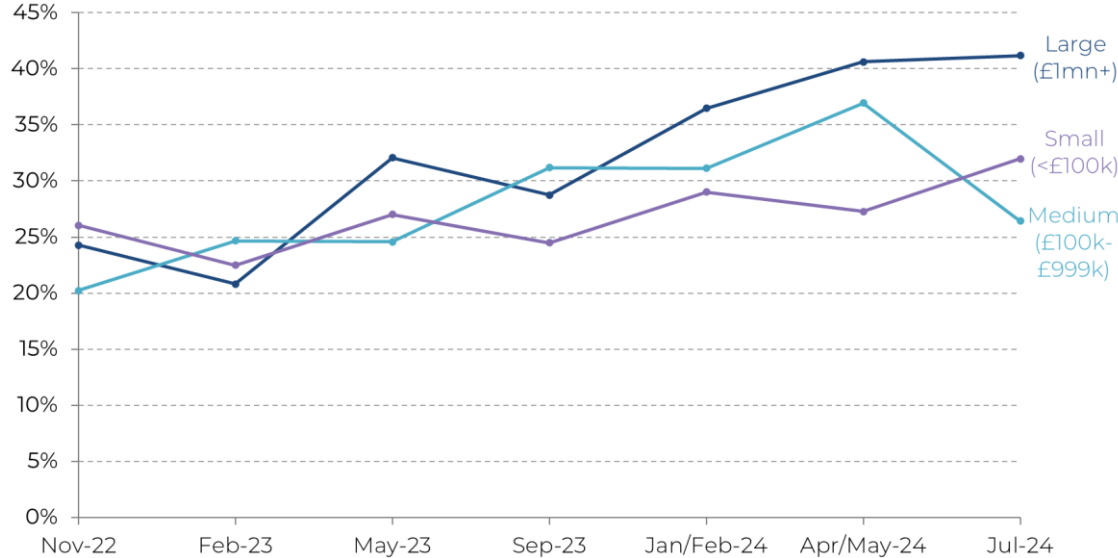
³ M Williams, [Third pillar not gap filler. Reimagining the role of civil society](#), Law Family Commission on Civil Society, June 2021.

Charity finances, demand and workforce challenges have reached an unhealthy status quo

Despite the apparent easing of the pressures charities experienced during the height of the pandemic and cost of living crisis, many charitable organisations still feel financially precarious. There has been some financial stabilisation, where, despite some fluctuations, the general trend has been positive. Charities of all sizes are now more likely to say their financial position has improved compared with November 2022, the peak of the cost of living crisis, as seen in Figure 1. However, a third (33%) of charities of all sizes reported a deterioration in finances in the quarter to July, while a remaining 35% suggested no change.

Figure 1: Charities of all sizes are more likely to report financial improvement over the last three months compared with the peak of cost of living

Proportion of respondents reporting that their financial position improved in the last three months, November 2022 versus July 2024, by size



Notes: Wave 1 conducted 7 - 21 Nov 2022. N= 177 large, 267 medium, 192 small
 Wave 7 conducted 3 - 31 July 2024. N = 85 large, 193 medium, 247 small
 Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, VCSE Sector Barometer, Waves 1-7

Financial unease and instability are expected to continue in the months ahead, with 32% of organisations expecting their finances to deteriorate while a further 35% expect their position to stagnate. One international development organisation which has previously had success in applying for

grants, describes the situation as feeling very unsettled , “as the wind can change at any moment.”

These worrying expectations reflect the unstable nature of charities’ funding models and indicative of long-term structural challenges. However, the crisis in local government funding has highlighted this particularly strongly. Local government funding makes up around 13% of the charity sector’s income,⁴ and as such the financial situation in local government is a big threat. Over half (53%) of charities that work with local government suggest that the financial situation in local authorities is a moderate to high risk.⁵ As local government’s budgets tighten, some charities have made the decision to no longer apply to them for grants or contracts.

Workforce concerns further add to the sector’s unease. In many ways, the charity sector’s story could be read as one of labour market resilience. Over the past decade, the charity workforce has grown at twice the rate of the wider economy,⁶ and in recent months almost 3 in 10 (29%) charities have increased staffing levels. The ability to expand has largely been observed in organisations which already have a significant number of staff. Almost half (46%) of large charities were able to increase their workforce in the last three months, compared with just under one-quarter (24%) of medium-sized charities and 20% of small charities, as can be seen in Figure 2.

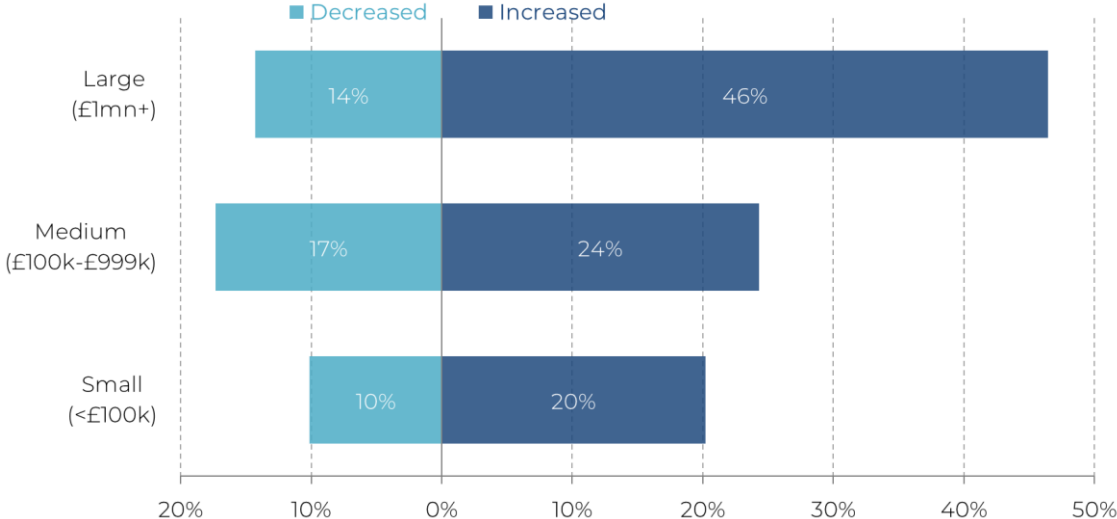
⁴ N Tabassum, [UK Civil Society Almanac 2023](#), NCVO, 12 October 2023.

⁵ B Kitson, [Tethered fortunes: the threat to charities from trouble in local government](#), Pro Bono Economics, February 2024.

⁶ J Larkham, [Inequality in civil society: the data](#), Pro Bono Economics, March 2022.

Figure 2: Charities have been more likely to report paid workforce increases, but this is more likely for larger organisations

Proportion of charities responding whether their workforce has increased or decreased in the previous 3 months



Notes: Online survey conducted 3 - 31 July 2024, N = 84 large 185 medium 89 small, non-responses and organisations reporting that they do not have a paid workforce not included

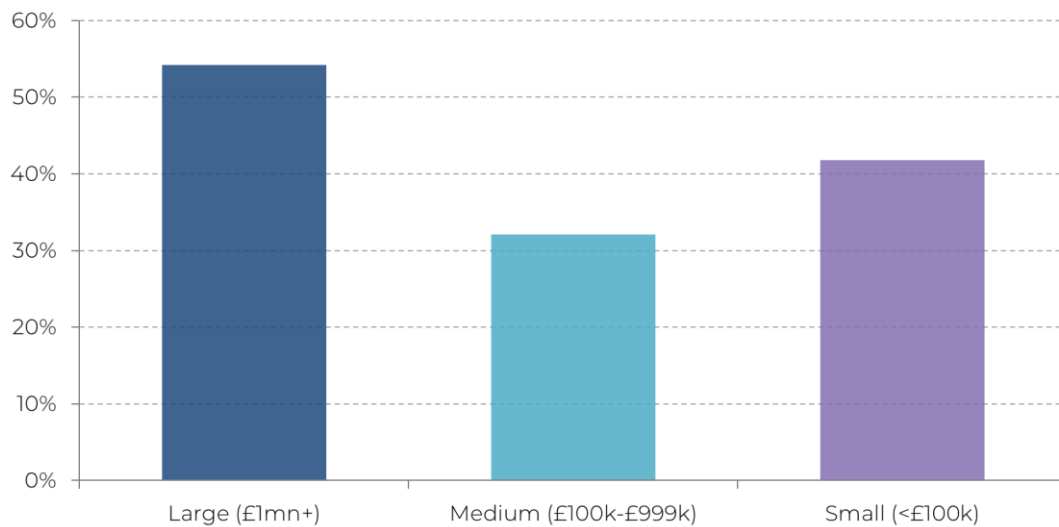
Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Wave 7

This expansion exists in the context of a challenging recruitment context. Recruitment, including persistently vacant roles have more than tripled since 2011.⁷ While the evidence suggest an improvement in the last couple of years it is still affecting a significant proportion of organisations, especially smaller ones, as shown in Figure 2. Now 4 in 10 (40%) charities are struggling with recruitment, and that rises to over half (54%) of large charities - as shown in Figure 3.

⁷ T Uppal, [Vacancies and skills vacuum in the social sector](#), Pro Bono Economics, February 2024.

Figure 3: The recruitment context is challenging across the sector, even for large charities

Proportion of organisations currently experiencing recruitment difficulties



Notes: Online survey conducted 3 - 31 July 2024, N = 83 large 187 medium 237 small
 Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Wave 7

This recruitment challenge further compounds other workforce issues the sector faces around innovation, technology adoption, management and leadership, alongside staff, diversity and wellbeing,⁸ Spending on training and development has fallen by 25% since 2011,⁹ and charities are three times less likely to invest in leadership development than the wider economy.¹⁰ Despite the social sector's willingness and ability to rethink, respond and innovate, it lags behind the public sector in training, and while the private sector is behind both sectors on development opportunities, the social sector is behind on new technology, as seen below in Figure 4; all perhaps contributing to missed opportunities to increase productivity.

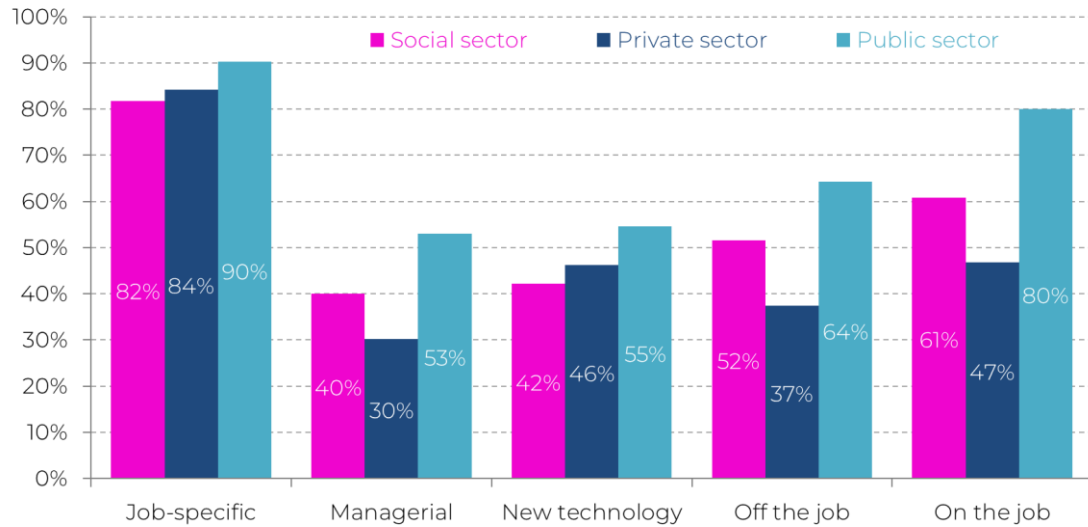
⁸ J Larkham, [Productivity of purpose: Bringing charities into the UK's productivity drive](#), Law Family Commission on Civil Society, January 2023.

⁹ T Uppal, [Vacancies and skills vacuum in the social sector](#), Pro Bono Economics, February 2024.

¹⁰ J Larkham, [Productivity of purpose: Bringing charities into the UK's productivity drive](#), Law Family Commission on Civil Society, January 2023.

Figure 4: The social sector offers less skills training compared to the public and private sectors

A comparison of the social sector, public sector, and private sector of how many employees were offered selected types of training



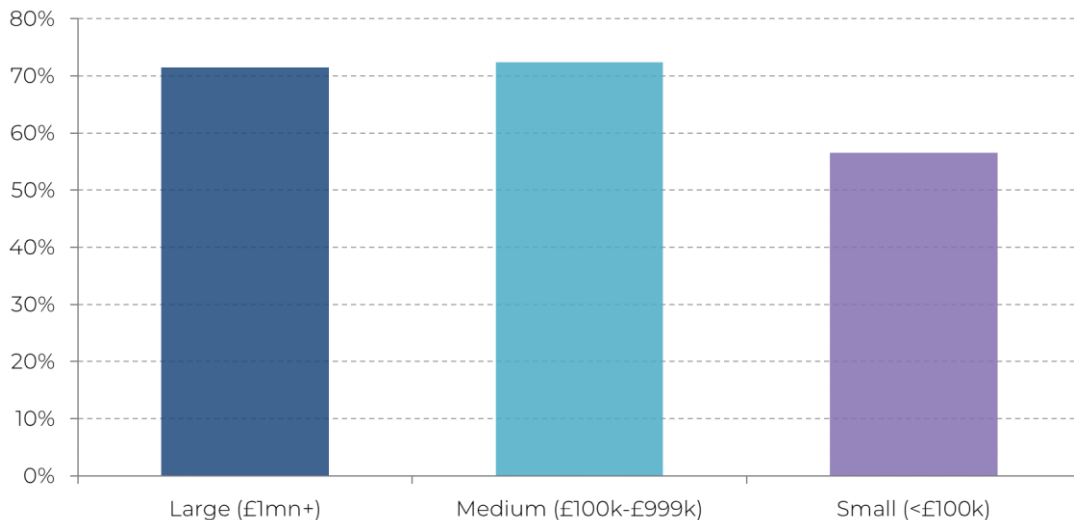
Source: Pro Bono Economics analysis of the Employers Skills Survey 2022

The charity sector’s long-standing difficulties with income and workforce matter in the context of the rising number of people turning to charities for support. Just as charities have rarely had enough funds and workforce pressures have been worsening for some time, experiences and expectations of increasing demand is another clear-cut sector-wide trend. Indeed, even in 2014 – long before the pandemic and cost of living crisis - the majority (60%) of charitable organisations were expecting demand to intensify in the next two years.¹¹ This long-term trend has solidified recently. Almost two-thirds (65%) of charities have observed an increase in demand for their services over the last three months. As can be seen in Figure 5, this includes the majority of small and medium-sized charities, at 57% and 72% respectively.

¹¹ T Chapman & F Robinson, [Third Sector Trends 2008 – 2014, Northern Rock Third Sector Trends Study](#), Community Foundation, December 2014.

Figure 5: Demand for services has increased for the majority of charities of all sizes

Chart showing the proportion of charities of all sizes reporting that demand for their services increased in the last 3 months



Notes: Online survey conducted 3 - 31 July 2024, N = 84 large 192 medium 246 small
Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Wave 7

Interpreting rising demand requires an appreciation of the sector's diversity. For some organisations, it means delivering specialist and appropriate support to different communities and groups in growing number. For example, one small children's charity has experienced a significant increase in demand for their services over the last 12 months with more and more children from disadvantaged backgrounds "becoming involved in sport, football training, coaching and physical activities."

But when staff capacity, volunteer numbers and money are not available to meet demand, people's basic and necessary needs are not met. The Trussell Trust reports it distributed a record 3.1 million emergency food parcels to people facing hardship between April 2023 and March 2024.¹² Another organisation responding to this survey experienced a doubling of its foodbank's footfall, as it grew to over 12,500 people in the past 12 months.

For many charities, this rising need is also a rise in multiple needs, as various factors converge to require specialist and often longer-term support. For example, increases in overall life expectancy means people are living longer with more complex conditions, including frailty and dementia, meaning access to adult social care is an ever-growing need for the elderly,

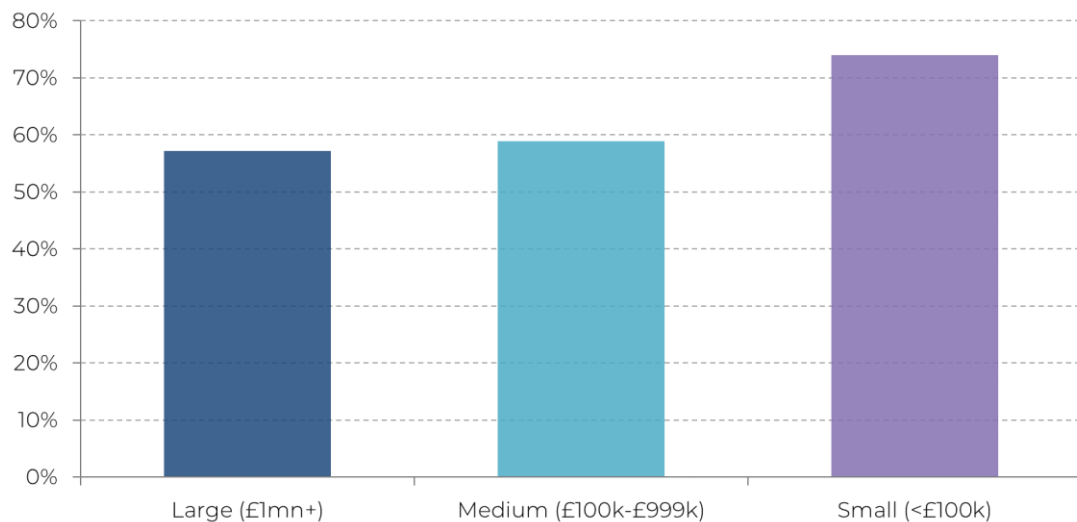
¹² B Orchard, [Here's what needs to change to end the need for food banks](#), The Trussell Trust, 15 May 2024.

just at a time when more younger adults also require support. Challenges in the public sector, from rapid discharges from hospitals, long waiting lists for GP appointments and for housing services, have only made complex needs more likely – with an impact on the size and cost of care packages ultimately required to support people to live the lives they want and should lead. Directors of adult social care services now rank increased costs due to increased complexity of needs as their greatest concern in relation to financial pressures.¹³

The majority (70%) of charities expect demand to increase further over the coming months, while 27% expect demand to stay at already-high levels. Concerns remain as to how many of these people and these needs will receive support in full. Although two thirds of (65%) charities expect to meet demand over the next three months, as shown in Figure 6, 87% of those meeting demand will be doing so with limited or no spare overcapacity. Over one-third (36%) expect to be unable to meet rising need.

Figure 6: The majority of charities expect to meet demand, although with limited or no spare capacity

Chart showing the proportion of charities expecting to be able to meet demand for their services over the next 3 months.



Notes: Online survey conducted 3 - 31 July 2024, N = 84 large 190 medium 238 small
Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Wave 7

Strikingly, even most large charities are expecting to struggle and over one-quarter (26%) expect to almost – but not quite – meet the needs of would-be beneficiaries. This long-running trend in demand is the third and final element of the unhealthy status quo the charity sector finds itself in,

¹³ Association of Directors of Adult Social Services(ADASS), [ADASS Spring Survey 2024](#), 16 July 2024

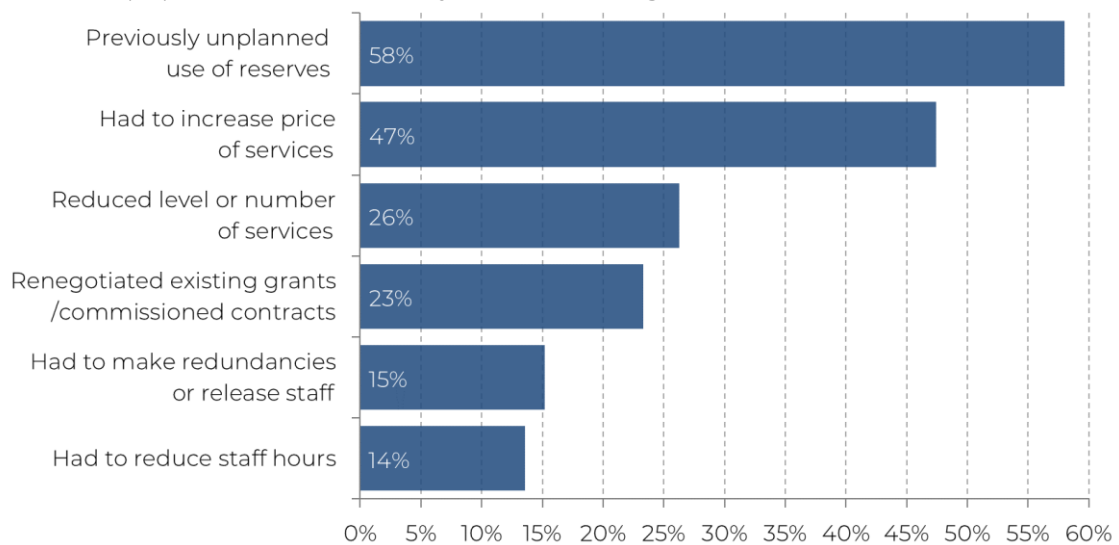
which is holding the sector back from its ability to offer meaningful and long-term support to communities to the fullest.

As charities adapt in the face of uncertainty, some support and services are withdrawing

This unhealthy status quo of strained finances, a stretched workforce and increasing demand requires individual charities to adapt – often continuously. As shown by Figure 7, almost 6 in 10 (58%) charities facing financial difficulties have dipped into their reserves unplanned, while a further 23% have renegotiated existing contracts and grants. A number of open responses also noted their organisations have revised fundraising strategies, from spending more time applying to new grants to increasing suggested donation levels.

Figure 7: Financial difficulties are leading charities to dip into reserves and change their service delivery models

The most popular actions taken by charities facing financial difficulties



Notes: Online survey conducted 3 - 31 July 2024, "Charities facing financial difficulties" is calculated based on organisations responding "yes" to question "Has your financial position deteriorated as a result of rising costs?" N= 369

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Wave 7

Around 1 in 10 charities (12%) experiencing financial difficulties have reconsidered their office lets and premises costs too. For some, this will create a leaner organisation that may be more attractive to work for if potential employees prefer homeworking. However, for other organisations this is a retreat from their goals - as they may no longer have the space to provide all the services they wish to. For example, a small arts and heritage group based in the South East had to cut down its activities taking place in

rented spaces due to costs, and this has led to the local community centre missing out on vital income – hitting its sustainability too.

Recruitment challenges have also had an impact on charities' ability to support people. Over one-third (35%) of charities with recruitment challenges have had to ask employees to work increased hours. In some cases, this has meant managers getting drawn into day-to-day coordination and being pulled away from strategic decision-making and organisational capacity-building – to the detriment of staff and organisational wellbeing, and it's ability to deliver meaningful change.

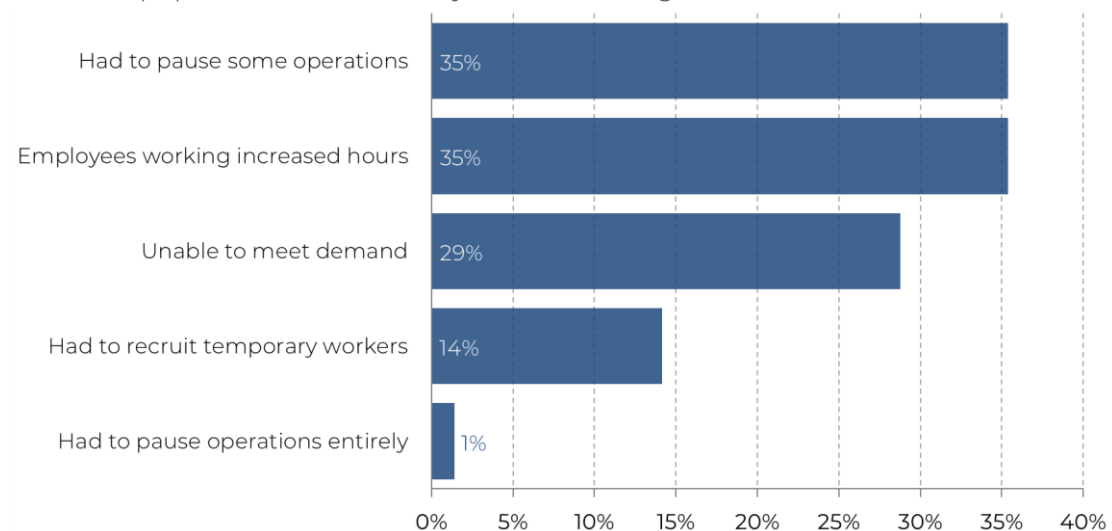
“The charity is doing really well on paper, winning awards, receiving great feedback from beneficiaries and families- but behind the scenes the staff team are run absolutely ragged trying to maintain the services we provide. We have discussed closure and restructuring and revisit the topic regularly.”

“We are trying to increase traded income because grant funding is so difficult to obtain at the moment, but because of the pressures, lack time to plan and implement properly. It's been the most difficult 12 months in the charity's history.”

A medium sized disability charity

Figure 8: Recruitment is impacting capacity

The most popular actions taken by charities facing recruitment difficulties



Notes: Online survey conducted 3 - 31 July 2024. “Charities facing recruitment difficulties” is calculated based on organisations responding “yes” to question “Is your organisation currently experiencing recruitment difficulties?” N= 212

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Wave 7

When organisations have to adapt too often or are forced to bow to too many pressures, these changes can have significant consequences on the ability of charities to support communities. As seen in Figure 7, almost half (47%) of charities with financial difficulties have increased the price of services, and almost 4 in 10 (37%) charities with financial difficulties have reduced the level or number of operations, while acknowledging this can shut out support. One large poverty-prevention charity described this as a “rationing” of services, meaning that while it can “maintain and improve the quality of the service” it inevitably “limits access to the service meaning that there are more people who we now cannot help.” Another medium-sized human rights charity similarly highlighted its discomfort in having to set a “quota” for offering support to “high-risk” clients.

Meanwhile other organisations, including those working in adult social care, have moved away from longer-term preventative or recovery measures, into focusing on primarily on urgent and/or acute care. Some working in mental health services, for example, have shifted the focus to group work, no longer offering one-to-one support.

While some organisations have held onto their number, level and type of services, they have found themselves unable to reach demand with pace. Waiting lists are now the norm, in a move away from the first-come first-serve model for many service providers. This move has not only frustrated many service users but is indicative of step away from the more typically flexible response the sector has previously been able to offer – and been appreciated for.

“Our waiting list for counselling continues to rise to the extent that our reputation is being aligned with statutory services who consistently have held long waiting lists which frustrate beneficiaries and their parents/carers.”

A large family support service

This shift in focus, ultimately risks charities simply delaying demand, rather than reducing it, and is in further contrast with the new government’s desire to end “sticking plaster” policies. One large disability charity has said, “the budget had been cut too much to deliver a good quality service.”

Yet services must be cut where staff cannot be found, or income delivered. Many organisations are in flux, having to move between feast and famine – or perhaps more accurately, a modest working lunch and famine – and cannot do the long-term work to prevent problems and improve outcomes to the best of its potential. With so little resilience in the sector, how can it build resilience needed in the country’s communities?

Building community resilience requires more than charities alone, but more can be done to unlock charities' power

To build community resilience, trust and support takes a village, with each sector and group of people playing their part. But it is vital that charities are resilient enough as a group to be able to play their part in this community recovery to their fullest, as well as to continue to advocate for themselves, and the people they serve. To be a strong voice, that is heard and listened to, as national and local government, businesses and enterprises, and public sector bodies also come together to bolster communities in the wake of disruption seen in recent weeks.

Government and funders have a major role to play in supporting charities to emerge from the unhealthy status quo they are forced into by the combined difficulties of demand, income and workforce. A long-term programme of reform is required to slow demand. But there are some immediate actions that can be taken to grow the charity sector's capacity, to bring in funding and to meet demand more effectively through a thriving, skilled workforce.

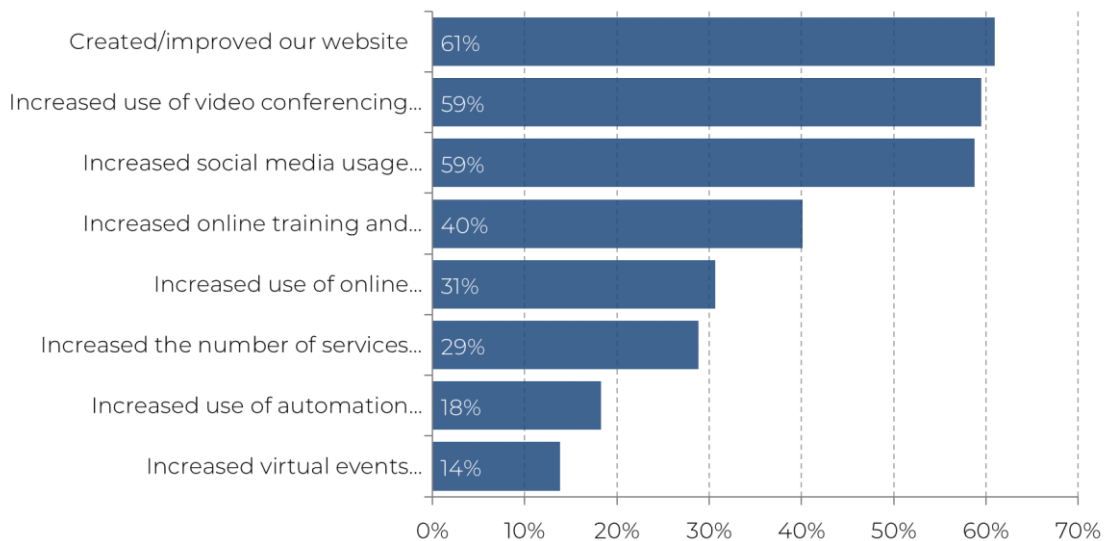
Unlocking the sector's capacity to develop and hone skills, to commit to training opportunities, and to harness its burgeoning appetite for digital will be crucial. Take technology, where digital skills can play a critical role in supporting the sector to meet the ever-increasing demand. If charities are supported to adopt and prioritise technology, organisations in turn have the potential to boost their impact and reach income targets, all while better supporting staff and their workloads. There is certainly a sector-wide desire for digital, with 8 in 10 charities see digital, from skills and tools, IT systems, data and digital services, as a top organisational priority.¹⁴

But in many organisations this appetite hasn't been matched by the kind of transformation that could change many lives. The majority of organisations that have been adapting to digital have focused on harnessing tech for communications processes, prioritising website development (61%) and social media usage for advertising (59%).

¹⁴ Z Amar and N Ramsay, [The Charity Digital Skills Report](#), July 2024.

Figure 9: Charities' current use of digital is more focused on digital communications and marketing

The different ways charities have been able to use digital technology



Notes: Online survey conducted 3 - 31 July 2024, Calculated using responses to "over the last 12 months how has your organisation adapted to challenges associated with the adoption and use of digital" N = 274

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Wave 7

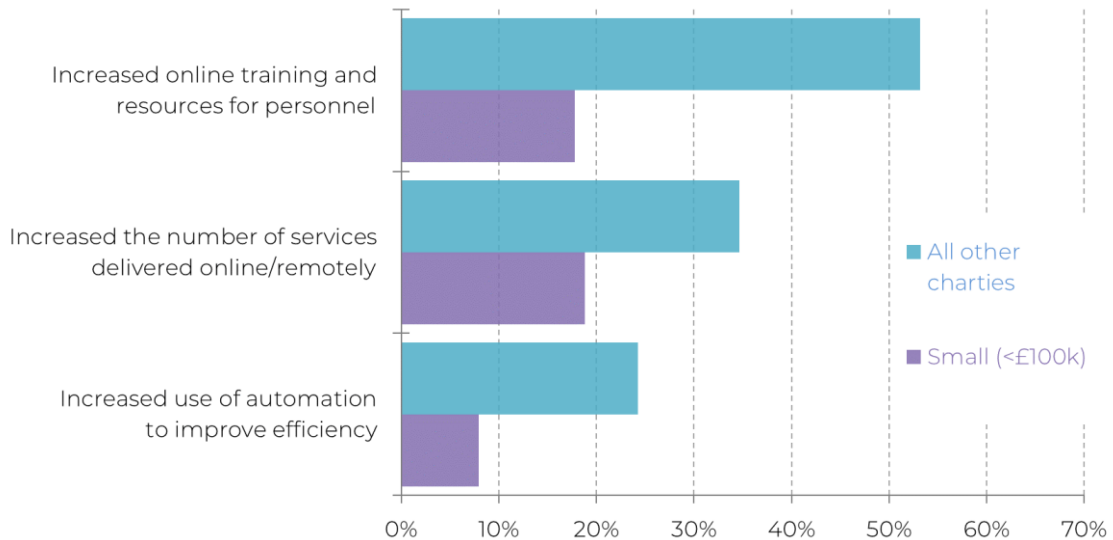
The use of digital to help with fundraising, services and working more efficiently has been somewhat less, although almost 6 in 10 (59%) of charities adapting to digital using video conferencing software, as well as almost one-third (31%) of organisations have increased usage of online donation platforms, as shown in Figure 9. There is a willingness – and need – to continue to adapt to forever-shifting funding needs.

These are good first steps, but sector's ability to develop and benefit from the potential of technology is currently limited. Just one-quarter of large (26%) and medium (24%) charities that have been adapting to technology have been able to explore and use automation over the past 12 months. Among small charities, this proportion is even lower at just 8%. It is predominantly smaller charities who struggle the most with other uses of technology, with 7 in 10 (71%) large charities that have adapted having offered online training and resources for staff and volunteers, compared with 4 in 10 (44%) of medium charities and just 18% of small charities over the last 12 months. This year's Charity Digital Skills Report echoes these findings, noting that 72% of small charities are struggling digitally, which it links to "squeezed organisational finances."¹⁵

¹⁵ Z Amar and N Ramsay, [The Charity Digital Skills Report](#), July 2024.

Figure 10: It is smaller charities in particular who have been less able to adopt technology for training, service delivery and productivity improvement

The most popular ways charities of different sizes have used digital



Notes: Online survey conducted 3 - 31 July 2024, Calculated using responses to "over the last 12 months how has your organisation adapted to challenges associated with the adoption and use of digital" N = 274 including 101 small organisations
Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Wave 7

With appropriate support, improvements in service delivery and community impact are achievable, particularly through strategically designed digital platforms that reduce administrative burdens on staff and volunteers. The social sector provides some good examples of where this has been taking place, as some charities in the sector have successfully streamlined referral and registration processes using securely managed databases, even amid rising demand. As digital transformation becomes central to NHS reform, staying updated with digital advancements is crucial for health and social care charities.

There are a number of steps that the government and funders could take to improve skills and digital adoption in the charity sector, which PBE has previously laid out.¹⁶ But the new government's approach may also provide a significant opportunity with the creation of Skills England. This new body is in the process of being set up to improve skills across the country. It has committed to partner with local training partners, businesses, trade unions and further education organisations. But its remit should be expanded to ensure that it also examines and improves the training available to

¹⁶ J Larkham, [Productivity of purpose: Bringing charities into the UK's productivity drive](#), Law Family Commission on Civil Society, January 2023.

charities; and encourages skilled volunteering from businesses to both improve private and social sector skills levels.

Through collaborative and targeted investment in the charity sector's workforce, communities could become more resilient, better equipped to respond to challenges such as the riots seen in recent weeks, and more capable of sustaining the UK's long-term wellbeing.

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