GLOUCESTERSHIRE

VCS
ALLIANCE

AN INDEPENDENT VOICE FOR THE VOLUNTARY AND COMMUNITY SECTORS

State of the Sector
2023

Executive Summary

By any measure, over the last three years Gloucestershire's VCSE has performed exceptionally well, despite the significant challenges it has faced. Never before has the sector been more high profile, more in demand, or integrated into county systems and structures. The VCSE has risen to the challenge of COVID, the vaccine roll out, the cost-of-living crisis and the repercussions of these events, and has been at the forefront of supporting our communities from the outset.

The sector has shown incredible resilience and leadership throughout, and despite facing unprecedented pressures on capacity and funding, continues to provide high quality provision throughout the county. There seems to be a renewed recognition of the value and quality of the VCSE sector and its unique ability to reduce inequalities. However whilst VCSE organisations are uniquely flexible and often able to sustain changes in income from one year to the next, this year-on-year real-term decrease in income indicates the "salami-slicing" of VCSE services, which, coupled with ever increasing core costs, is likely to begin to expose financial vulnerabilities within the sector.

The level of collaboration within the sector, but also within the wider system has improved dramatically over the last eighteen months. During this time the VCSE has come together as a sector to establish the infrastructure it requires to engage with the newly formed Integrated Care System (ICS). This has involved establishing a Memorandum of Understanding (MOU) with the ICS, taking up places on the Integrated Care Partnership, having two formal representatives on each integrated Locality Partnership, and establishing a VCSE Leadership Board (the VCSE Strategic Partnership). This working together makes us stronger, more resilient, increasingly able to influence, and reduces repetition of effort. The level to which this is already working is remarkable and should be celebrated by our sector.

Although this paper concentrates on charities operating within Gloucestershire, a special mention needs to be given to the community groups that operate within our communities, often under the radar. These organisations make up an integral part of these communities and their dedication, reach, agility, and quality mean that they offer an incredibly important part of the support available at a hyperlocal level.

The following document makes the case, backed by evidence, that the following changes are happening within the VCSE in Gloucestershire:

- Micro, small and medium organisations have seen a reduction in income and are financially vulnerable.
- Funding is not following need thematically or geographically.
- Funding is allocated reactively rather than preventively, and this is inhibiting the sector doing preventative work that it is good at.
- Funding is following historic need rather than emerging need.
- Funding is focussed on illness rather than wellness.
- There is an overwhelming need to build capacity within the sector.

Although these are challenging times for the sector, it can overcome these challenges and continue its positive trajectory. As demand soars, inequalities widen, and more emphasis is put on place-based support, the VCSE finds itself in a position where it's needed more than ever. We remain resolute in our view that a well-connected, well-resourced VCSE sector is the backbone of supporting our communities and that investing in the VCSE is the key to a happier, healthier Gloucestershire.

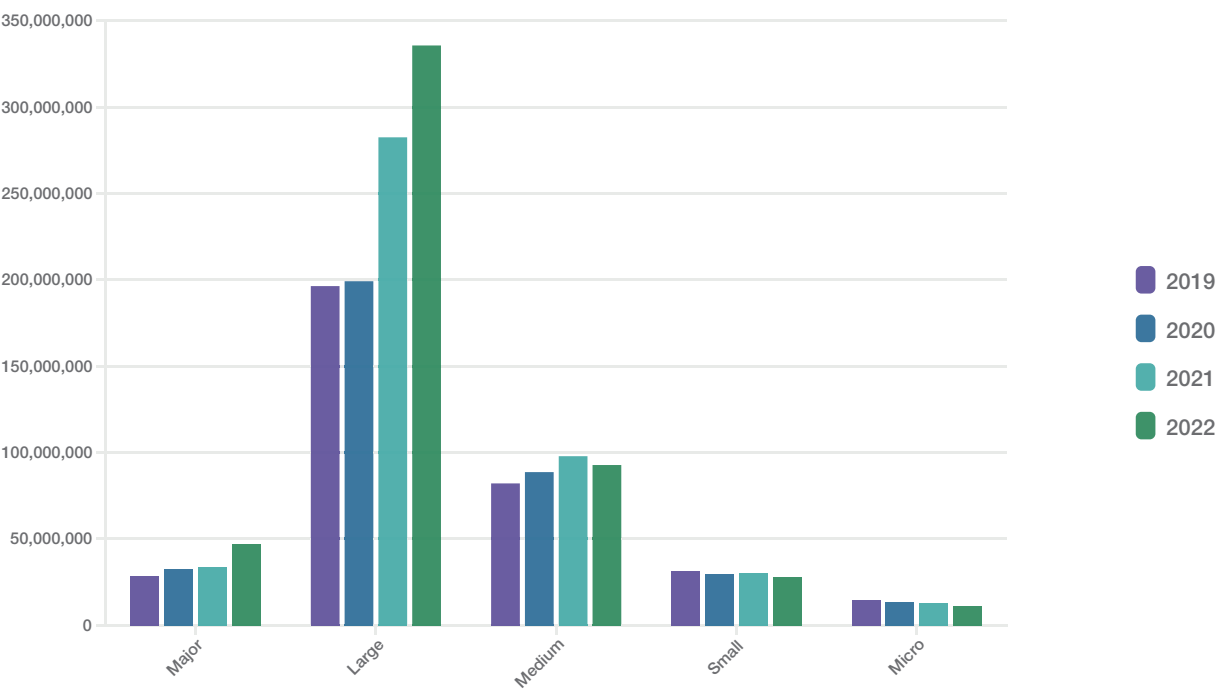**Matt Lennard – Chief Officer**
Gloucestershire VCS Alliance

Reduction in income for 46% of Gloucestershire's registered charities

Micro, small, and medium charities are the heartbeat of their communities. They provide essential services quickly, effectively, and in a location that people want services to be provided – in their communities. During the Covid-19 pandemic, we witnessed these organisations stepping up and responding in real time to the needs of their communities. They were at the forefront of that response and are currently at the forefront of the cost-of-living crisis. The unmeasured value of these organisations is enormous. They are the key to reducing inequalities, have unmatched reach into communities, and provide specific and niche services tailored for their population.
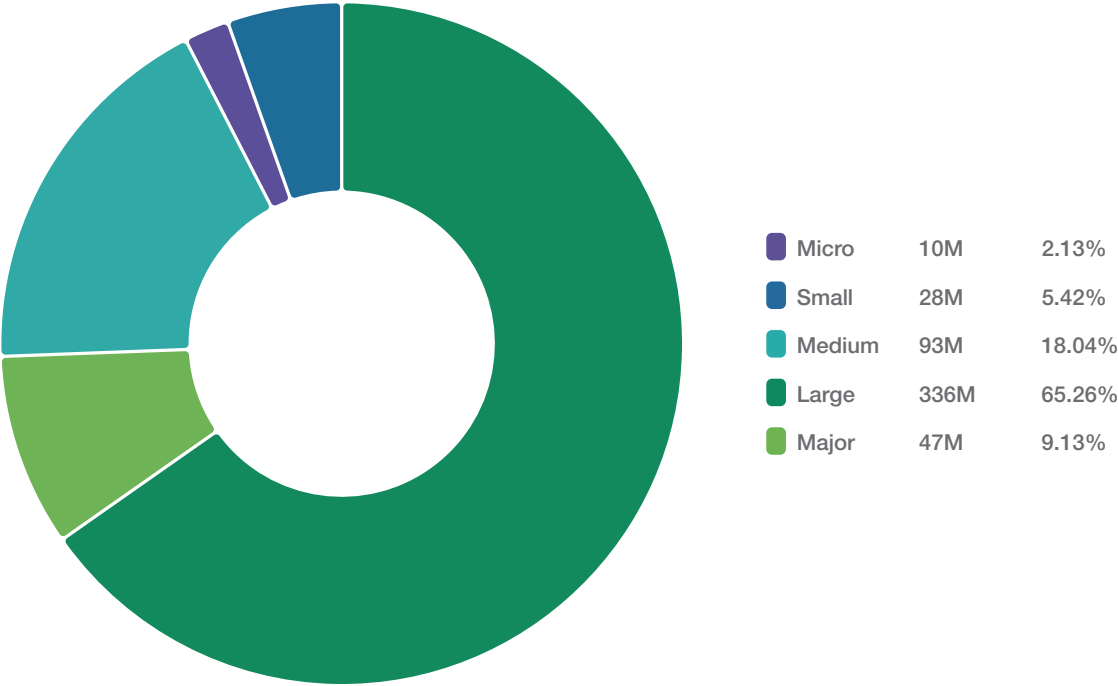
The income received by charities registered in Gloucestershire increased by 12.5% during 2022, however this growth has not benefited the sector equally. Only large and major charities have seen any increase in income, whilst medium and small organisations have both seen a 6% decrease, and micro-organisations have sustained a huge 15% reduction in their annual income.

Worryingly, this is an ongoing trend for small and micro-organisations who have seen a total decrease in income of 18% and 28% respectively since 2019.
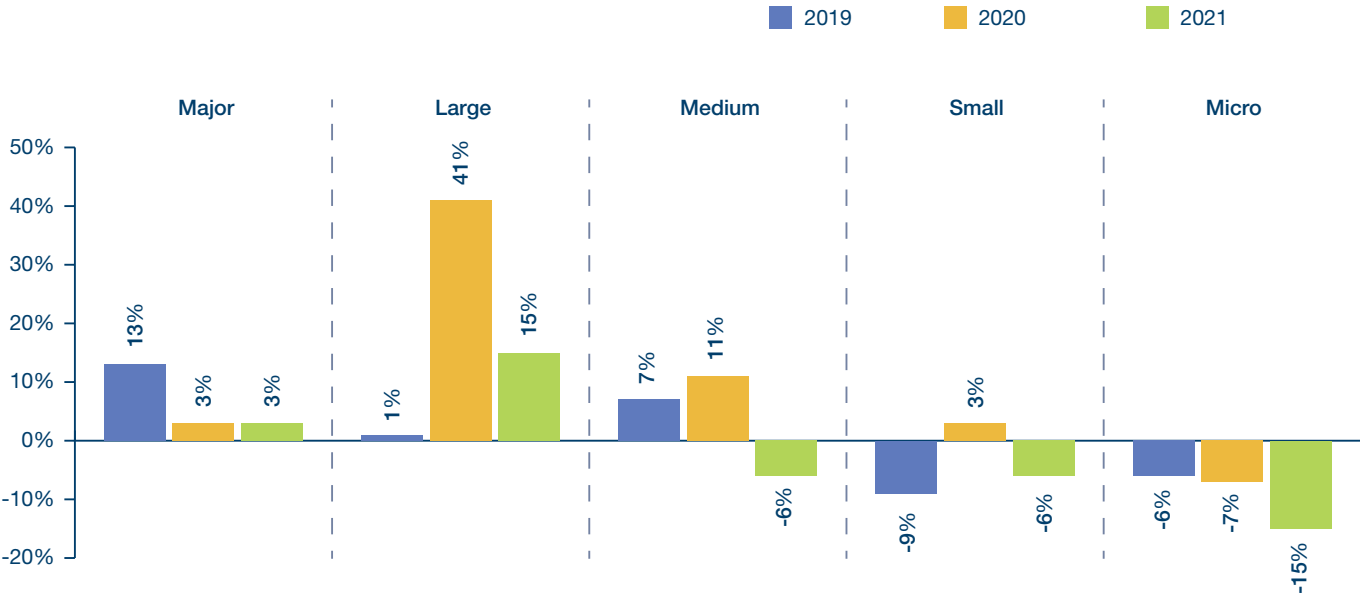
Income 2019, 2020, 2021, 2022 by NCVO Size

Income by NCVO size 2022

Micro	10M	2.13%
Small	28M	5.42%
Medium	93M	18.04%
Large	336M	65.26%
Major	47M	9.13%

% Increase/Decrease in income by NCVO size

Legend: 2019 | 2020 | 2021

Major: 13%, 3%, 3%
Large: 1%, 41%, 15%
Medium: 7%, 11%, -6%
Small: -9%, 3%, -6%
Micro: -6%, -7%, -15%

Organisations by NCVO Subsector

Legend:
- Culture and Recreation
- Development
- Education
- Environment
- Grant Making Foundations
- Health
- Housing
- International
- Parent and Teacher Associations
- Playgroups and Nurseries
- Religion
- Scout and Youth Groups
- Social Services
- Umbrella Bodies
- Village Halls
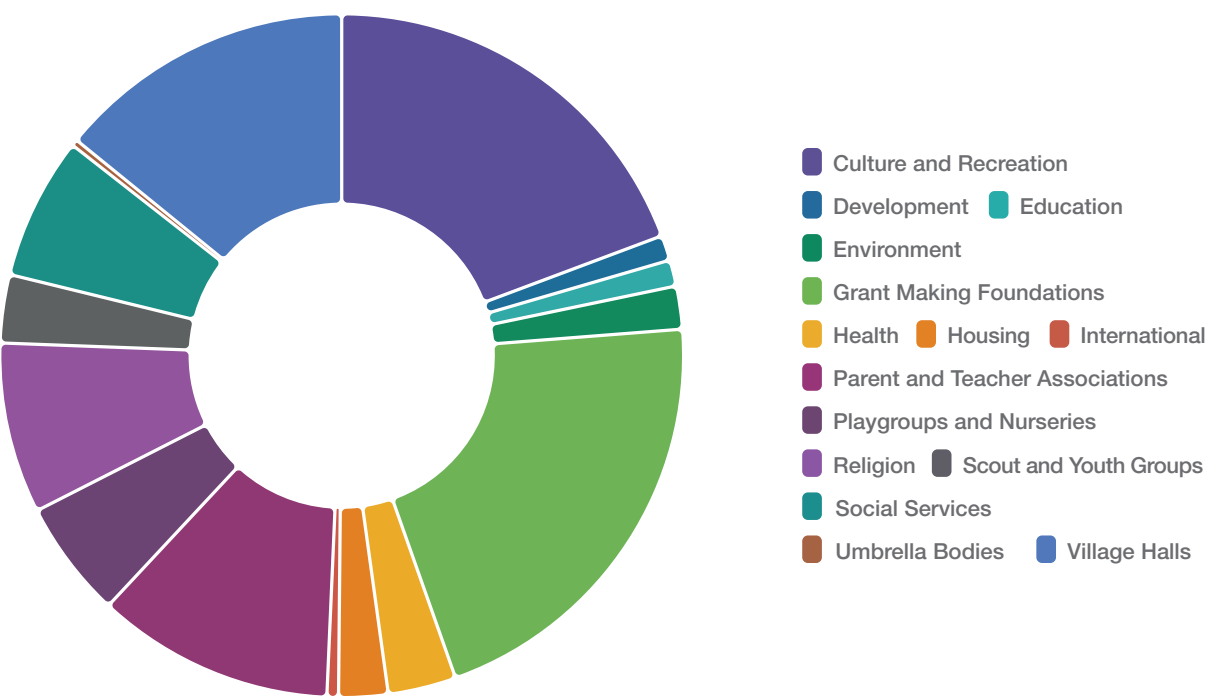
NCVO Income Band Category	
Micro	Less than £10,000
Small	£10,000 - £100,000
Medium	£100,000 to £1m
Large	£1m to £10m
Major	£10m to £100m
Super Major	More than £100m

Medium, small and micro-organisations make up 85% of Gloucestershire's charities, they span all sectors and significantly contribute to the vibrancy and resilience of our communities:

- 81% of our small and micro charities working in the health sector, and 85% of our small and micro social services charities have seen a reduction in income and are vulnerable.
- 83% of the county's Culture and Recreation organisations are in the same position.

It is widely acknowledged that "VCSE organisations and the social value they create play a crucial role in how, smart, thoughtful, and effective public services are delivered" (The role of Voluntary, Community, and Social Enterprise (VCSE) organisations in public procurement, Department for Digital, Culture, Media & Sport 2022). In Gloucestershire, over a quarter of our VCSE organisations deliver a vital public service, tackling issues which are proven to widen inequalities such as housing, poverty, food insecurity, and health and social care. Yet with 84% of those organisations fitting into the medium, small or micro categories, the sustainability of these crucial organisations is at risk.

Small and Micro Organisations by NVCO Subsector

Legend:
- Grant Making Foundations
- Culture and Recreation
- Village Halls
- Parent and Teacher Associations
- Religion
- Social Services
- Playgroups and Nurseries
- Youth Groups
- Health
- Housing
- Environment
- Development
- Education
- International
- Umbrella Bodies
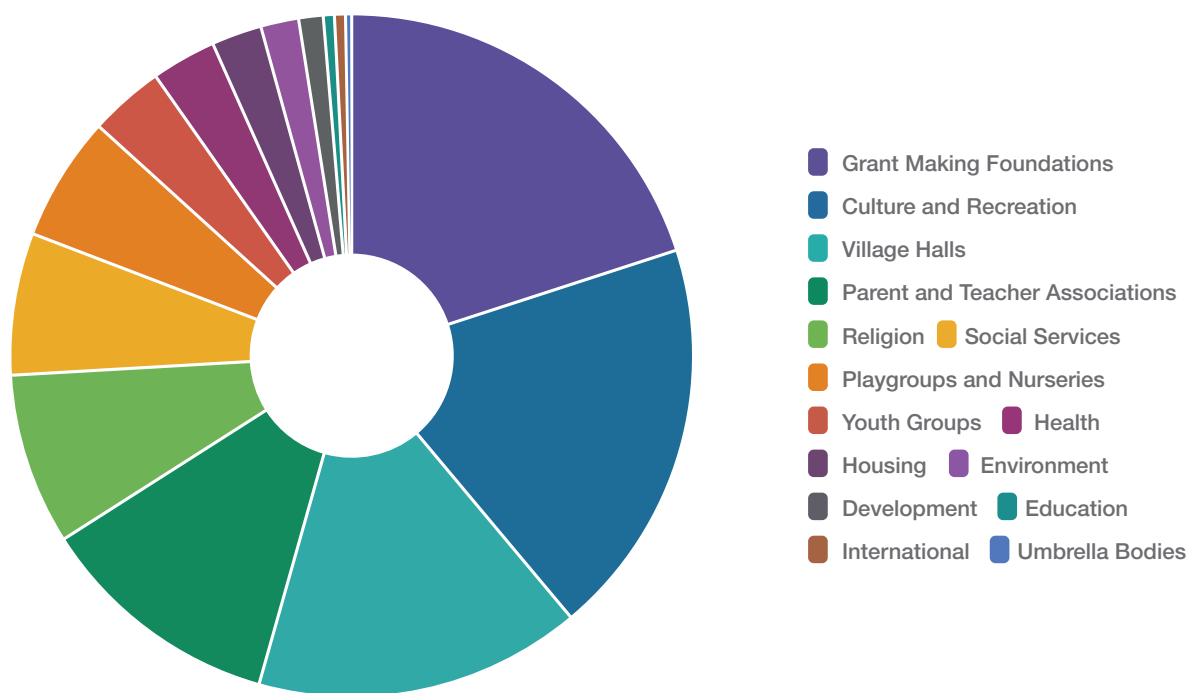
The majority of small and micro-organisations operate on a hyper local basis. The place-based solutions to local issues implemented by these organisations create a greater impact for those in need, and this was evident during the Covid-19 pandemic where Gloucestershire's VCSE proved its agility and responsiveness by setting up new services including shopping and prescription delivery, befriending, online and outdoor support groups, as well as adapting existing services at speed. Further evidence of the value of these organisations during crises can be seen in the eighty-nine warm spaces set up within the county for the current cost of living crisis. These grassroots organisations can identify and respond to need quickly, and they understand the nuances of the community they operate within because they are intrinsic to those communities.

Small and micro-organisations are not only important during a crisis. The daily impact they have on our communities and individuals cannot be ignored. Chris Brown CEO of FVAF explains "97% of the registered charities in The Forest of Dean are medium, small or micro. Over the past four years we have seen our charities struggle under the pressure of a huge increase in demand, decreases in funding and increasing costs. These volunteers and groups that are pivotal in sustaining happy and healthy communities are too often not receiving the support and resources required to maintain their capacity, and consequently they are becoming burned out and, in some instances, even unsafe. Funders need to be more proactive in developing the vital infrastructure required to adequately support the community heroes who keep our society together through the good times and the bad."

Smaller organisations understand the locality, what infrastructure is in place, and instinctively know where the need lies. The future of grassroots organisations is further placed at risk by the 22% reduction in income seen by grant making organisations in the last reporting year. Research by the University of Birmingham, University of Plymouth, and FVAF in 2022 highlighted the reliance of small and micro-organisations on grant funding. With their main funding streams contracting and having already sustained a year-on-year decrease in income since 2019, there is serious concern around the sustainability of these incredibly important organisations.

Distribution of funding is not reflective of district demography

Gloucestershire's six districts are distinct in their demographic make-up and individual needs, however, when charitable income is broken down by district it is evident that income isn't always mirroring those individual needs and characteristics.

The Cotswolds saw the largest increase in VCSE income between 2019 and 2022 (at 70%) however the district does not feature in the 20% of most deprived areas nationally, and only 23% of its LSOAs (Lower Super Output Areas) are in the two most deprived county quintiles. This is in direct contrast with the Forest of Dean and Gloucester which have seen only a 16.8% and 5% increase in income respectively.

Income by District 2019, 2020, 2021 and 2022
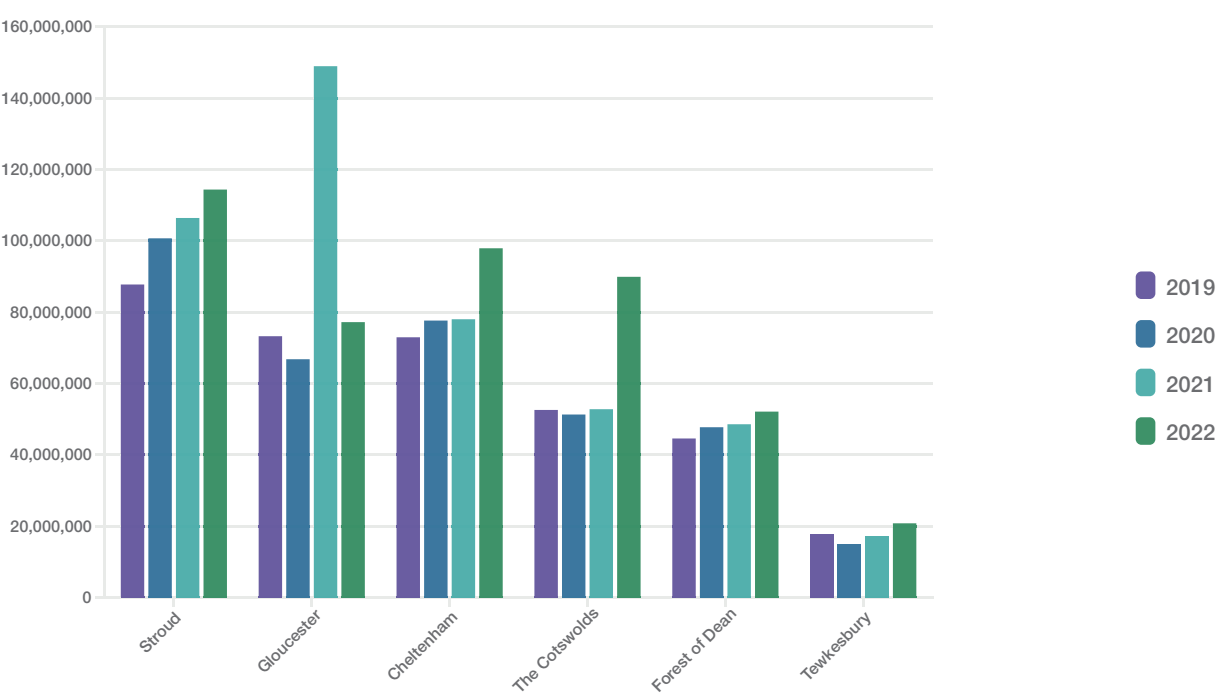
This disparity in the distribution of charitable income is further evident when viewed as income per capita, as well as against specific demographic characteristics.
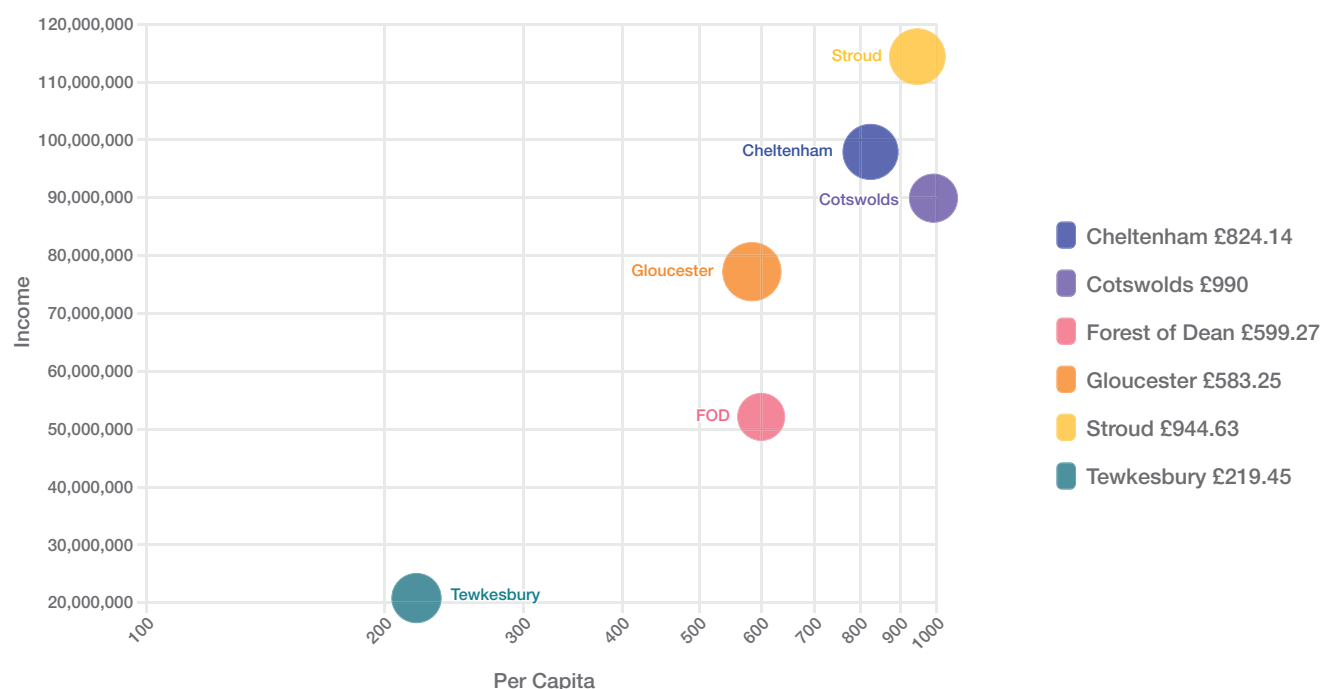
VCSE income is addressing an important need, however the data suggests that it is not being strategically targeted to those who are in the greatest need, nor where the VCSE can have the greatest impact. Sally Byng, CEO of Barnwood Trust, explains "Gloucestershire's VCS sector is a vibrant mix of locally focused organisations that create thriving resilient communities. However, the data on the allocation of funding doesn't reflect the vibrancy within the sector. When placed in the context of the whole sector, the data suggests that funding is predominantly being allocated to larger service-based organisations operating within the health and social care space, rather than also being invested in building community capacity."

Some organisations and sectors lend themselves more easily to data collection and impact analysis. It is more challenging to collect impactful data from a community memory cafe or group lunch than from a targeted falls prevention project. However, both are incredibly impactful for those who use them.

Without working closely together and having strategic oversight of the sector, funders are left distributing funds on a case-by-case basis. This results in organisations and sectors which are better able to prove their impact gaining access to a larger proportion of the funding. This type of funding landscape lends itself to larger, service-based organisations, and not the smaller place-based organisations which make our VCSE and communities so vibrant and resilient.
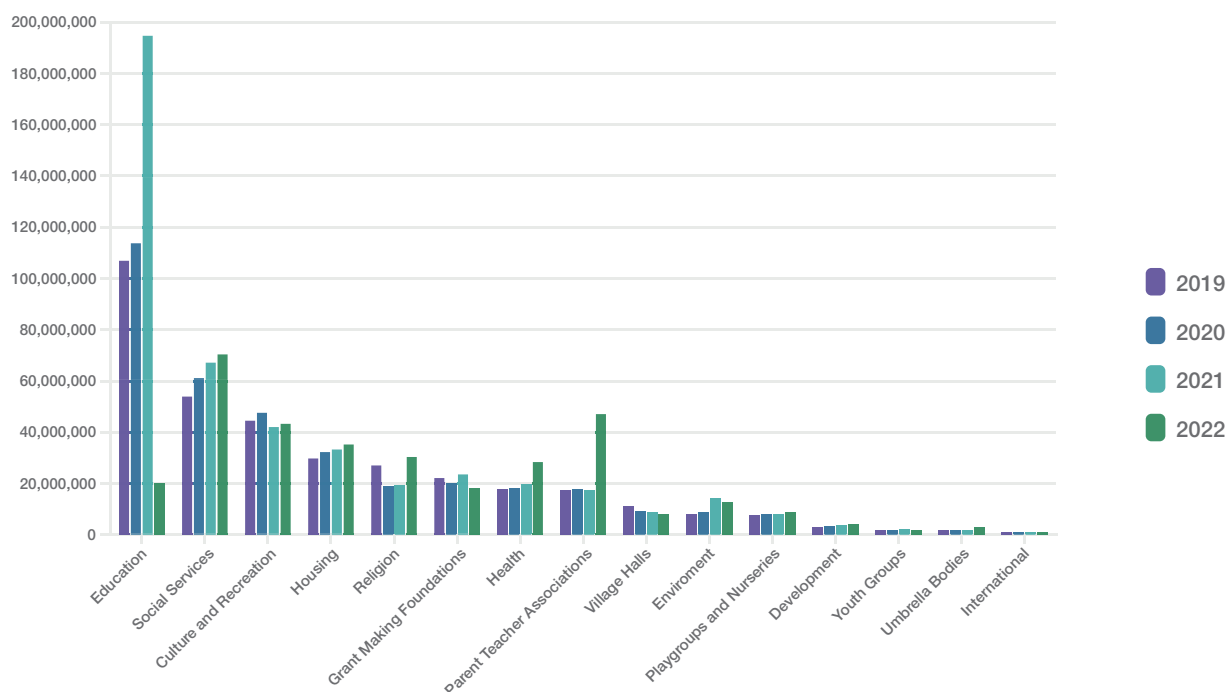
This will be having a detrimental effect on our communities and individuals within them. Rather than addressing inequalities, without a funding system which works for the whole sector, we run the risk of deepening them.

GL11 is a community hub which covers Cam, Dursley, Uley and North Nibley. Their aim is to "bring people together and help them to make connections with each other". In working towards this aim they have built a strong community, where wellbeing activities and groups sit alongside targeted support. This model has enabled them to identify and adapt to the needs of their community quickly; they mobilised a huge team during the Covid-19 pandemic to act as street volunteers and to help with the vaccination programme, as well as more recently in helping the community navigate the cost-of-living crisis by setting up warm spaces and offering practical cost of living support services.
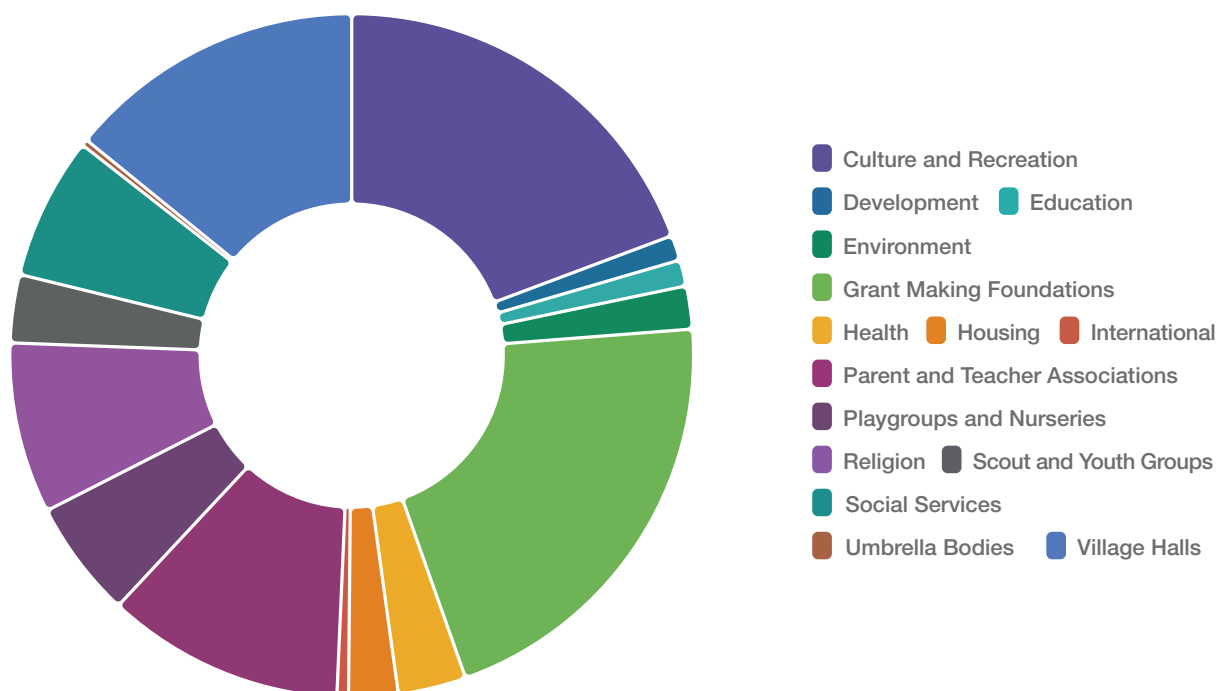
GL11 is an integral part of their community, however, they are in the uncomfortable position of having secured only half of the funding that they will require for the 2023 financial year. Indigo Redfern, CEO, explains "At GL11 we have always had a patchwork of funding. Pre-pandemic, we aimed for a mix of 50% multi-year grants, 25% yearly small grants and 25% generated income, such as donations, café income etc. During the pandemic, all our generated income ceased, and most of the multi-year grants dried up as funders shifted to short-term Covid-response funding. We are now in the process of building up our multiyear grants again, but our target for each aspect of funding has now nearly doubled. The Covid emergency funding has now all finished, and government austerity is beginning to dry up sources of public funding. This has meant that grant funding has become much more competitive. Even regular funders are now awarding us just 50% of the amount we applied for. We are aware that GL11 has a good reputation and track record, which puts us in a stronger position than many smaller charities, but we will all certainly be experiencing significant funding challenges ahead."

Gloucestershire's communities are changing but this is not reflected in the distribution of funding

## Income by NCVO subsector 2019, 2020, 2021, 2022

Legend: 2019, 2020, 2021, 2022

Organisations by NCVO Subsector

Legend:
- Culture and Recreation
- Development
- Education
- Environment
- Grant Making Foundations
- Health
- Housing
- International
- Parent and Teacher Associations
- Playgroups and Nurseries
- Religion
- Scout and Youth Groups
- Social Services
- Umbrella Bodies
- Village Halls

Gloucestershire has an ageing population. In the 2022 census, all age groups over 50 had increased in number, and the percentage of over 65s increased from 18.7% to 21%. This is predicted to rise further in the next twenty years, with 27.7% of the population predicted to fit into the over 65s category in 2043.
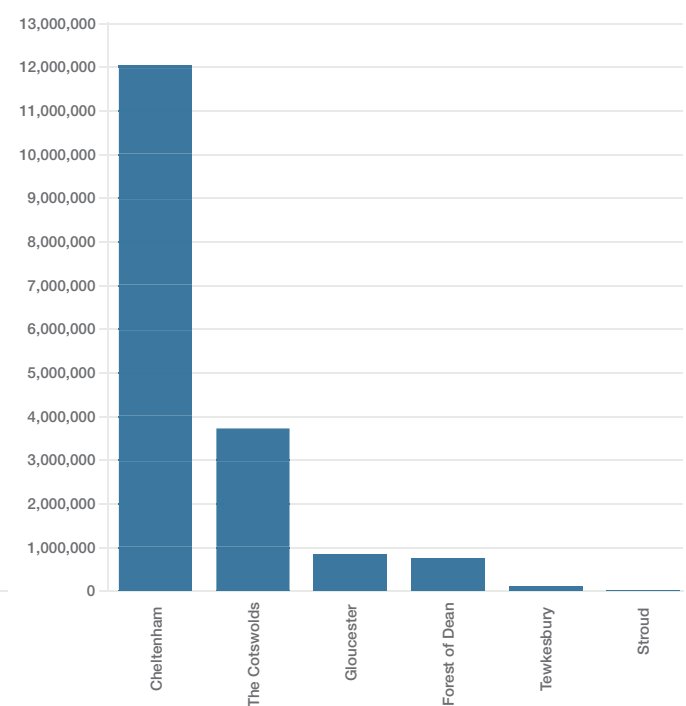
Age by District
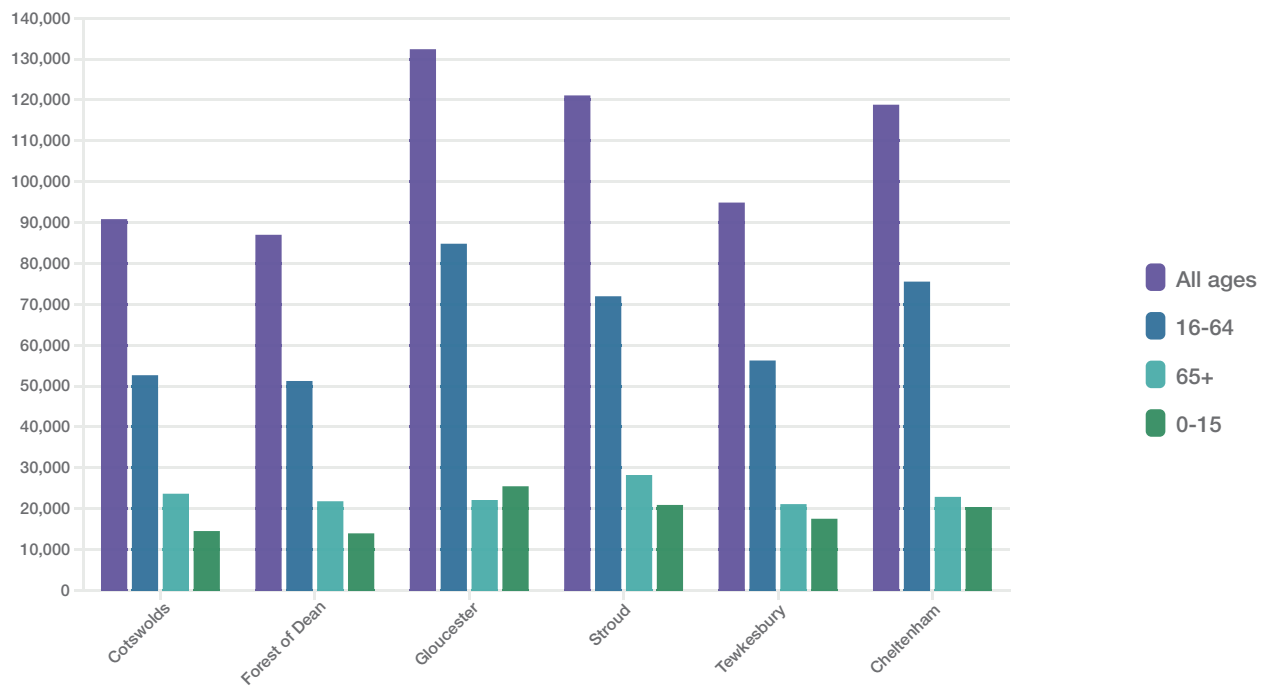
Income for young people by district
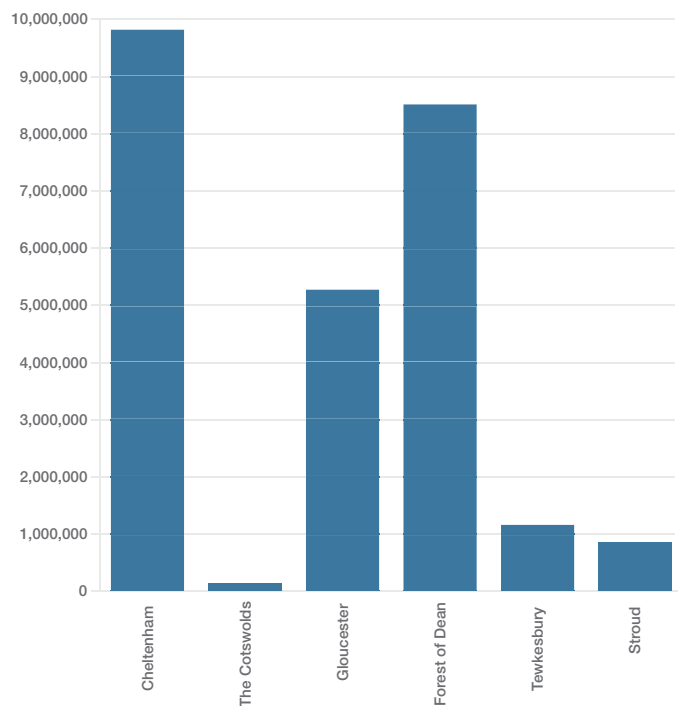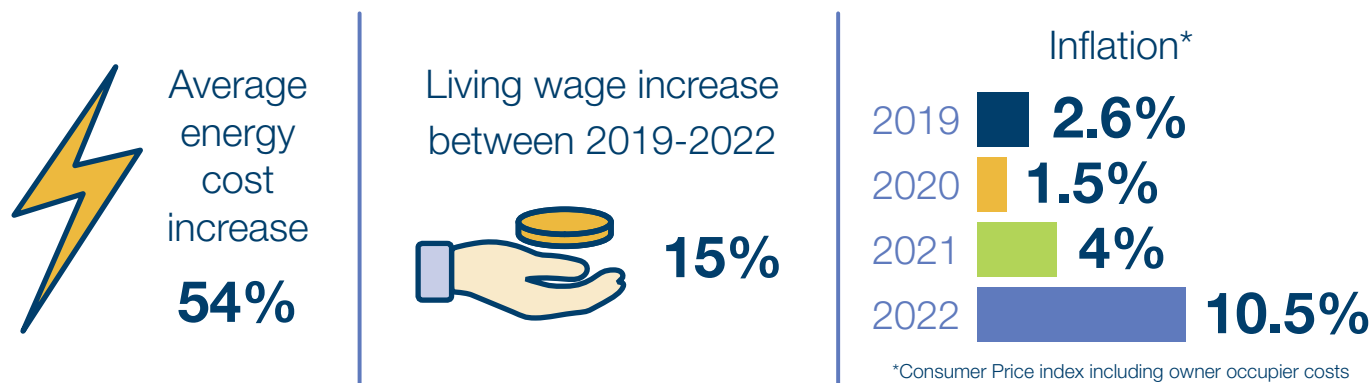

Income for older people by district

"Studies suggest that the level of unmet social care need is higher among older people on low incomes than those on higher income" (https://www.gloucestershire.gov.uk/media/2099482/op_prevalance_of_need_2020_final.pdf), yet income for older people's services within Cheltenham and Cotswolds is significantly higher than the rest of the county despite those areas having the lowest percentage of pension credit claimants within their population.

Persistent loneliness carries an increased health risk and is proven to compound the need for social care. The VCSE is ideally placed to provide community-based services for older people, reducing isolation and loneliness. However, analysis of the income into the sector since 2019 doesn't reflect this.
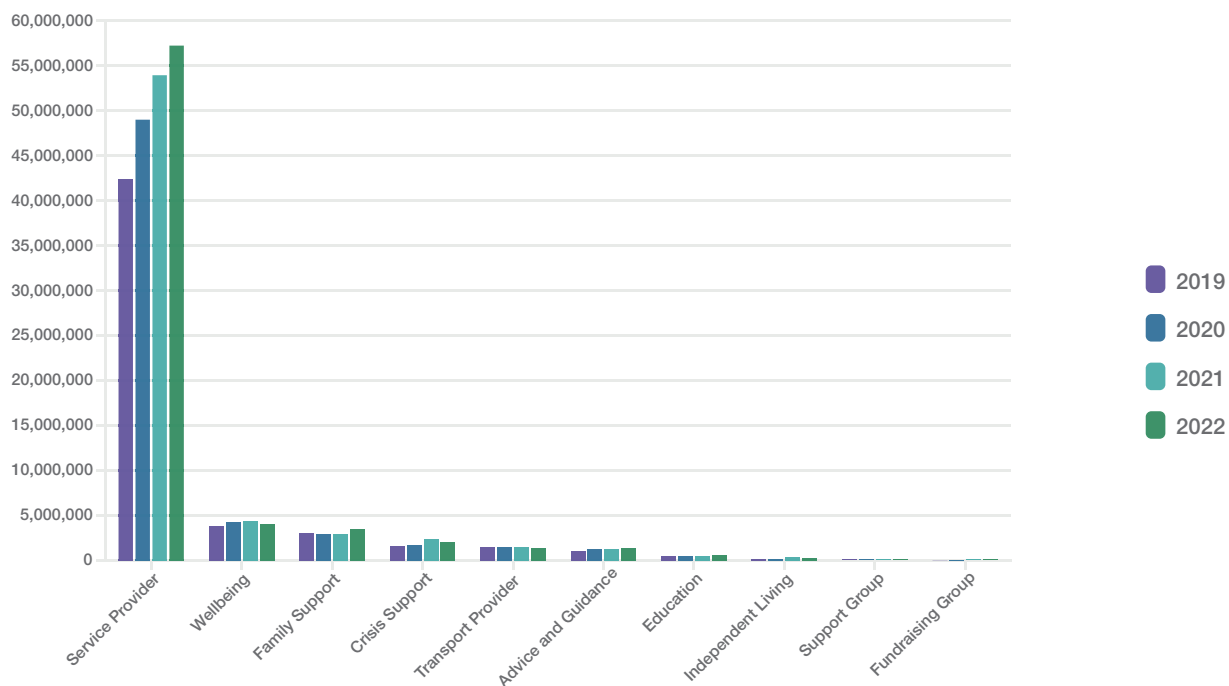
Since 2019, residential and nursing homes have seen a 7% increase in income – 4.36% in real terms. Whilst this increase is in line with the rate of inflation for that financial year, it is not reflective of the increasing demands faced by the sector. Without significant funding, it will not be possible to future proof those organisations to increase capacity and flex to meet the upcoming demands on their services from an aging population, and to protect their finances from current rises in inflation, energy costs, and minimum wage rates.

Residential and nursing homes are a very small part of the VCSE network supporting older people within Gloucestershire. Community transport, recreation, and community-based services all benefit our most vulnerable older people. They improve quality of life for many of Gloucestershire's residents, allow for earlier intervention, and were vital in quickly identifying those in need during the pandemic and again now during the cost-of-living crisis. Nevertheless, this is not reflected in the income received since 2019.

- Community transport has seen a 0.8% decrease in income in real terms (1% increase actual)
- Recreation and community-based services (lunch clubs, social groups etc) have seen a 0.07% real term increase in income (0.26% actual). Concerningly there has been a 13% real term decrease in income in the last reporting year. (8% actual)

Average energy cost increase

54%

Living wage increase between 2019-2022

15%

Inflation*

Year		Rate
2019		**2.6%**
2020		**1.5%**
2021		**4%**
2022		**10.5%**

*Consumer Price index including owner occupier costs

Income 2019-2022 by social services subsector

Further inequalities can be seen when we consider the data on a district level. Countywide community transport services have seen a 6% decrease in income in the past year. However, in the Forest of Dean, an area with a high risk of rural isolation, loneliness, the second highest pension credit claimant rate in the county, and thirteen wards falling into the highest deprived quintile in the county, the decrease in income is 8%.

Percentage of pension credit claimants by district

Cheltenham — 7.9%
Cotswolds — 6.1%
Forest of Dean — 8.5%
Gloucester — 10.2%
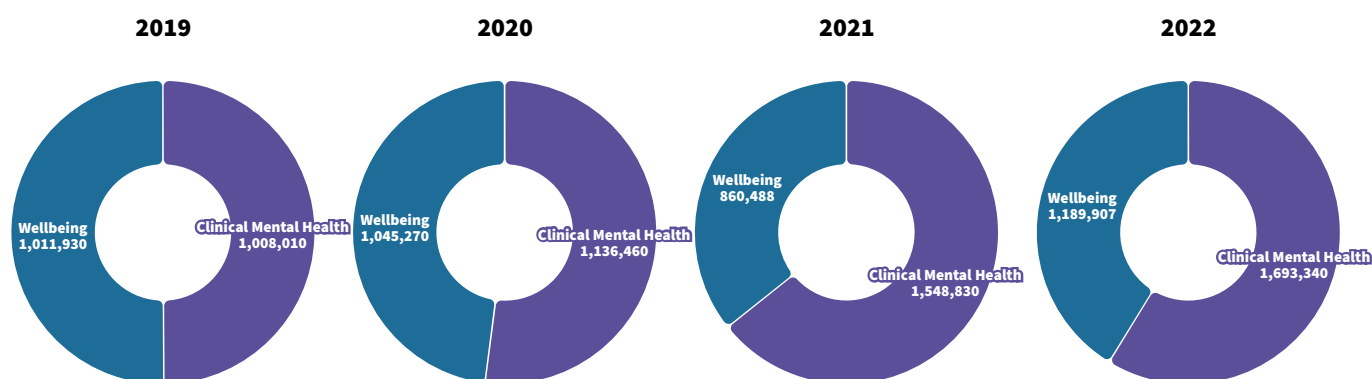Stroud — 6.6%
Tewkesbury — 6.5%
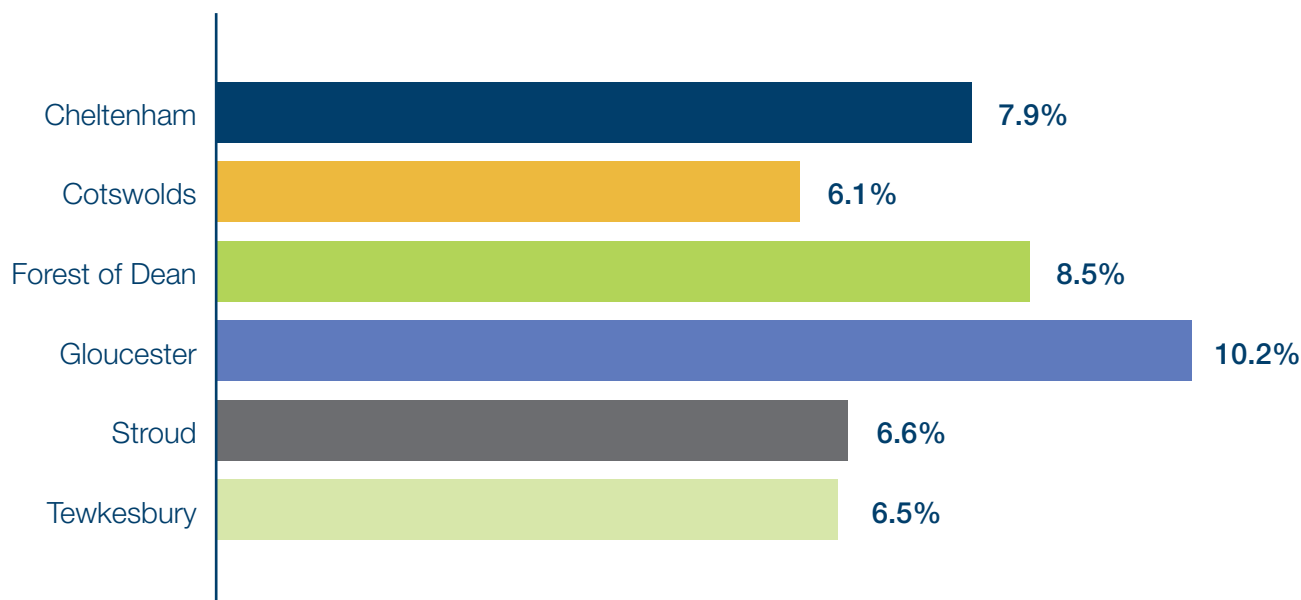
Community Connexions

This Gloucestershire charity provides community transport for the most vulnerable people in our communities, using a combination of accessible minibuses driven by professional drivers and volunteers using their own vehicles. In doing so it reduces social and rural isolation, combats loneliness and assists people to live independent lives. In 2021 – 2022 they assisted 53,787 vulnerable people to live independently by transporting people to health appointments, shops, and to services that improve wellbeing and inclusion (such as lunch clubs and day centres). However, in the same year due to high demand, they had to turn away 2,494 requests. Each one of these means a vulnerable person had to arrange alternative transport which they might have been unable to afford, or led to a delay in important health appointments or food provision. The immense positive difference the charity makes to people's lives is not immediately obvious, but it is an essential - a real lifeline to those people who use it.

It could be argued that current funding distribution, and thus capacity, is reacting to the issues and inequalities within our communities. However if capacity was increased within preventative services, those issues and inequalities would be significantly reduced. This is evident in the comparison of funding between mental health and wellness organisations.

Comparison between clinical mental health services income vs wellbeing* income

2019	2020	2021	2022
Wellbeing 1,011,930 / Clinical Mental Health 1,008,010	Wellbeing 1,045,270 / Clinical Mental Health 1,136,460	Wellbeing 860,488 / Clinical Mental Health 1,548,830	Wellbeing 1,189,907 / Clinical Mental Health 1,693,340

*wellbeing includes support groups, public health and wellness education and preventative services.

Young Gloucestershire Case Study

Young Gloucestershire support young people by giving them the confidence, motivation, and skills to succeed. Their practical and emotional support helps young people to lead a happy and healthy life. During 2021/2022, Young Gloucestershire delivered support to 3,397 young people through counselling, mental health, and youth work sessions. During the last financial year, they saw a dramatic increase in demand for their mental health services, and despite increasing the number of services offered they are seeing waiting times doubling from three to six months. Tracy Clark, CEO of Young Gloucestershire, comments "This increase in demand and waiting times is putting enormous pressure on the staff and volunteers at Young Gloucestershire, but we are all too aware of the impact it will be having on the young people in need of our services."

Whilst both mental health services and wellbeing organisations have seen a growth in income which goes some way to reflecting the increasing demand for their services, clinical intervention services (targeted counselling/therapy) have seen a 67% increase in income since 2019, whereas wellbeing services have only benefited from a 17% increase in income. Furthermore, organisations in the culture and recreation sector saw a 9% decrease, and these organisations significantly increase individuals' wellbeing and contribute to thriving communities. They ensure we have community parks and green spaces; they support people to develop connections, improve access to learning for pleasure, and create opportunities for people to be active. We know this sector is vital for community cohesion and individual wellbeing, but the evidence suggests that the organisations within it are vulnerable, and without these organisations we risk widening inequalities.

Pippa Jones, Director of Create Gloucestershire, explains "Our experience in Gloucestershire, and evidence drawn from practice across the UK and internationally, confirms that arts, creativity, and culture are a fundamental part of living well. But despite robust and compelling evidence, art and health still sit at the margins of our health service. This isn't because laws or policies rule it out – but because the dominant model of healthcare in the West gives priority to medicine and too little to prevention or the management of chronic conditions. This can be seen in the allocation of funding within Gloucestershire's VCSE organisations, where limited resources are being allocated to wellness in comparison to illness. In Gloucestershire we are fortunate to be working with artists and other organisations doing ground-breaking work to champion community health and wellbeing, however this work would benefit from being seen as a priority if we are to tackle the increasing demand on the health service."

There is an urgent and overwhelming need to build capacity within the sector

In the past year there has been an increase in staff vacancy rates in all industries with high VCSE involvement (health and social care, arts and recreation). This trend has been supported by our own research, where 50% of respondents identified staffing as a significant concern, and 80% said they were operating over capacity (Gloucestershire VCS Alliance Pulse Check 2022). Social Care organisations are finding recruitment and retention particularly challenging with a 10% increase in vacancy rates over the past year and 1 in 5 people leaving their jobs within 12 months. (HFT Sector Pulse Check April 2022)

In addition, in the 2022 Almanac, NVCO raises the VCSE's ageing workforce as a potential concern, stating that 1 in 4 members of the VCSE's workforce are over 55 years of age, and the sector attracts fewer under 25s than the public and private sectors. Reasons for this could be lack of formal entry routes, development and training, a tendency to recruit on temporary contracts, and comparatively lower wages than other sectors.

> "I'll be leaving the voluntary sector at the end of this contract; I've worked for charities for the last nine years and I've never had a permanent contract. The anxiety it causes is horrible, I want to buy a house and start a family and I can't do those things without job security."

> "I can't afford to work in the sector much longer, I love my job and the organisation I work for but I have a family to support and I can't do it on this wage."

> "I love working in the voluntary sector, aside from the job the flexibility, and support I get, is so much better than elsewhere. But it's not formalised, I think people looking to join the sector would want to see wellbeing and flexible working policies as well as structured training and development opportunities."

With the sector already reporting capacity and staffing issues, a quarter of the workforce set to retire in the next 10 years, and a lower number of younger entrants, organisations are going to have to prioritise recruitment and retention strategies in the coming years in order to be sustainable.

Conclusion and recommendations

Grassroots organisations are operating on a knife-edge. Those organisations that are best placed to support communities and tackle inequalities at a local level are most financially vulnerable. Meanwhile the overall pattern of the allocation of funding is clearly inequitable and does not support the delivery of place-based solutions. In order to address these issues, we recommend:

1. A shift to a more strategic approach to funding decisions based on robust data and insights.
2. A commitment to building trusting relationships between funders and communities that become the bedrock for developing coproduced, community-led solutions.
3. The introduction of targeted, place-based approaches that enable local people to determine how funding can best serve the community.
4. The introduction of new and proportionate approaches to funding grassroots organisations that give them the stability they need to plan long-term and focus on delivery.
5. Developing the infrastructure for funders to work collaboratively and strategically through:
   - Improved access to data and insights, for instance by funders and grassroots organisations working together to develop locally appropriate approaches to data collection.
   - A well-informed and broader view of how funding can best be targeted to tackle inequalities and support wellbeing.
   - Building on existing approaches to collective decision-making in order to maximise the benefit of resources within the communities we serve.

Methodology

Financial information used in this report is based on financial accounts data submitted to the Charity Commission.

The data has been cleaned to remove error and has undergone a series of checks to ensure validity, these included:

- Comparison of income, expenditure and assets data between 2021 and 2022 to look for particularly large increases and decreases (which might indicate anomalies or errors).
- Construction of various ratios between financial variables to look for anomalies.
- Manual checking of annual accounts.

Once the data is cleaned ratios are produced for financial variables. This information was presented to key stakeholders for discussion.

Assigning organisations to a subsector

Subsectoral analysis in this report is based on assigning organisations to categories in the International Classification of Non-profit Organisations (ICNPO). The ICNPO is a classification system for non-profit organisations designed by the Center for Civil Society Studies at Johns Hopkins University in the US as part of efforts to draw up a UN Satellite Account for the non-profit sector.2 It is the most useful tool to classify and compare different groups of voluntary organisations, it is used in NCVO's almanac and will allow future reports to draw comparisons nationally. The classification was done manually through organisation searches. In reality, many organisations undertake multiple activities (e.g. housing and advice), but the ICNPO groups organisations into a single category based upon their primary activity. The advantage of the ICNPO over a multi-dimensional classifications system (such as the classification system used by the Charity Commission), is the ability to look at and compare discrete groups of charities. Like all classifications, this classification is not perfect. However, it does allow for the comparison of groups of charities and it does cover the activities of the whole sector.

Subsector	Types of organisations included
Culture and Recreation	Arts and architecture, historical and humanistic societies, sports clubs
Development	Economic, social and community development within UK communities (eg credit and savings associations, organisations that aim to improve public wellbeing)
Education	Vocational/technical schools, adult/continuing education
Employment and training	Job training programmes, vocational counselling and guidance
Environment	Animal protection and welfare, natural resources conservation, wildlife preservation and protection
Grant-making foundations	Charitable foundations or trusts
Health	Hospitals, public health and wellness education, rehabilitation services, fundraising bodies
International	International development organisations, international human rights and peace organisations, exchange/friendship/ cultural programmes
Law and advocacy	Advocacy organisations, civil rights associations
Parent-teacher associations	
Playgroups and nurseries	
Religion	
Research	Medical research, science and technology, social sciences and policy
Scout groups and youth clubs	
Social services	Family services, services for the elderly, temporary shelters, refugee assistance, income support and maintenance
Umbrella bodies	National, subsector and local infrastructure bodies (including councils for voluntary services (CVSs)), umbrella bodies
Housing	Organisations providing shelter or short-term accommodation, working in homelessness
Village halls	

We would like to thank everyone that contributed to this research.

Any feedback on the report please email **info@glosvcsalliance.org.uk**

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