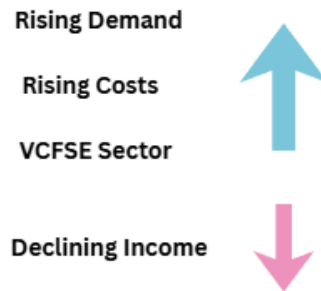


Mental Health, Learning Disability and Neurodivergence (MHLDA) VCFSE Sector Report

1. Context: The “Triple Squeeze”

The VCFSE sector continues to face a sustained “triple squeeze” of **rising demand, soaring costs, and declining income.**



Economic hardship, cuts to statutory services, and falling standards of living are creating more demand for support for essential services and impacting mental health. The Charity Commission for England and Wales (CCEW, 2025) reports that 9% of people have received support for essentials from a charity, an increase of 6% of the population over the last 5 years, while CAF research (June 2024) demonstrated that 86% of charities reported an increase in demand for their services. 72% of NHS providers have seen a rise in cases linked to stress, debt, and poverty (NHS Providers Research, 2022), while 31% of adults felt anxious in the last month due to their financial situation (Mental Health Foundation, 2023).

Declining income and soaring costs make it impossible for charities to meet this increased demand.

Government funding to the sector is reducing, dropping to 26% of sector income in 2022 (Association of Charitable Funders, 2025). This amounts to £1 billion in real terms, since 2020 alone. While charities are looking to other sources to fill this gap, it cannot come from grantmaking organisations alone – this income rose by 7%, but accounts for only 20% of sector income (UK Grantmaking, 2025) – and we are seeing huge surges in competition, with some funders reporting an increase of 400% in applications for funding (Association of Charitable Funders, 2025).

Costs continue to rise. Between 2019 and 2023, larger charities increased programme spending by 23% (CCEW, 2025), which still isn’t enough to meet the demand. These increases will now be compounded by the increases to National Insurance costs – which are estimated to cost the sector a total of £1.4 billion (NCVO, 2025). As a result, a growing percentage of charities are reporting deficits – this grew by 5% from 38.3% to 42.6% in the year ending 22/23, and there’s no indication that this will reverse (CCEW, 2025).

This combination is placing significant and ongoing pressure on organisations delivering frontline MHLDA support. To understand the potential risk and impact of this in Northamptonshire, MHNC conducted a survey of MHLDA organisations. This report summarises our findings.

2. Rising Demand and Increasing Complexity

“We know what would help people earlier and more effectively, but the lack of sustainable funding means we are often focussed on maintaining existing provision rather than developing the preventative or innovative approaches that could reduce demand and improve outcomes in the longer term. Without increased investment in the VCFSE sector, there is a real risk that organisations like ours will continue to operate at maximum capacity while demand keeps rising.”

The Northamptonshire picture mirrors the national picture in terms of rising demand and increasing complexity. Every respondent reported an increase in both the demand for their services and an increase in the complexity of needs that people are presenting with. 70% of respondents estimated that they have seen an increase in demand of up to 25% - the remainder estimated an increase of up to 75%. Respondents told us that this results in more staff time required to provide more support and for longer, greater numbers of safeguarding referrals, and staff needing more support in order to provide services.

Organisations are trying to respond with flexibility and innovation: 70% are developing new services, 63% are working in partnership, and more than half are looking to increase capacity of services with additional staff, volunteers, and increasing their staff skillset. However, it's not enough. 42% of organisations are implementing waiting lists for their services. One respondent said: “At least 1-2 times a year, demand exceeds supply and our waiting lists increase to over 16 weeks- then we have to "pause" inwards referrals to focus on clients already on our waiting list.”

Respondents told us that this is having an impact on the services that can be delivered, staff and volunteer wellbeing, and more people are likely to reach crisis point before they receive the support they need.

“We run the group on a voluntary basis and with very little funding, if this is not resolved soon we may end up with burn out.”

3. Workforce Pressures and Soaring Costs

“Rising costs are having a real impact on small charities like ours. Core costs such as staffing, utilities and food have all increased while funding has not kept pace. This means more time and energy must go into securing income just to maintain existing services.

The result is a constant balancing act between financial sustainability and frontline delivery. We remain committed to protecting direct support for our client group but the pressure on small organisations to do more with less is significant and ongoing.”

Cost pressures are intensifying across the sector, and again this reflected in the survey responses.

81% of MHNC survey respondents are seeking additional funding to offset the increased costs of staffing from National Insurance and Living Wage increases. However, given the significant competition for funding, organisations are also taking other measures, including;

- 38% are absorbing the cost of the increases

- 10% are reducing service capacity, for example with shorter opening hours, fewer delivery venues, and digital rather than face to face delivery
- 20% have reduced staffing levels in the last year – either through redundancies, not replacing staff when they leave, or reducing hours – and a further 20% are considering reducing staffing in the next financial year

Absorbing soaring costs is having an impact on staff, with limited resources to give meaningful pay increases to staff and limited investment in staff development and training. 38% of respondents telling us that staff are leaving their organisation due to wages, and the same percentage again saying that staff are leaving due to their own wellbeing and burnout. This is then reflected in 65% struggling to recruit new staff.

In free text responses, organisations told us that it was a constant balancing act to manage cost increases when funding hasn't kept pace. This was felt more acutely in smaller organisations, organisations delivering in rural parts of the county, and organisations with their own buildings.

“A huge issue is the lack of cost of living inflationary rises to Local Authority contracts. This, in conjunction with rising staffing and operational costs, means real time less income and rising demand year on year.”

“I am spending more time trying to secure additional funding to support rising costs and increase demand, which means I have less time to deliver the services as we are a small team.”

4. Declining and Uncertain Income

“We are just about hanging on this year with limited funds. If we can't get much funding for next year, we will not be able to deliver a lot of what we do against an increase in demand and many areas in Northamptonshire not being reached.”

The issues of declining income at a national level are having a significant impact locally.

28% of organisations that responded to our survey reported that their income has fallen over the last two years, and over 40% of these reported that this reduction is by more than 25%. This is a significant loss to absorb, particularly in light of soaring costs and rising demand.

44% of respondents have not achieved their budget for this financial year – with just a couple of weeks left to go. As a result, 40% of organisations are reporting a deficit and 50% have had to utilise reserves to fund services this year. For 80% of those organisations with a deficit this year, this is an unplanned deficit. This is being reflected in the amount organisations are holding in reserves, which enable them to weather unforeseen changes in income. 39% of respondents will have less than the 3 months' operating costs that the Charity Commission recommend as a minimum reserves amount – and a worrying 8.5% have less than 1 month's operating costs in reserves which puts them at significant risk of closure. It is worth noting that none of the organisations we know are closing due to lack of funding have responded to the survey, suggesting that further organisations could follow suit.

Looking forward to next financial year, starting in April 2026, almost 80% of respondents have secured less than 75% of their budget for the next financial year, demonstrating the impact of the lack of long-term funding arrangements. 40% of those organisations have secured less than 25% of their budget for next financial year,

meaning services could be at significant risk. Mental health, learning disability and neurodivergent support services seem to be only slightly less at risk, with 54% of respondents reporting that they need to secure more than 50% of their budget for these services for the next financial year.

“We do not receive statutory funding, so our services rely heavily on grants, donations and trading income, all of which are increasingly competitive and uncertain.”

“A significant proportion of our income is only secured for the next 12 months. This makes it incredibly difficult to plan and deliver against a longer-term strategy.”

“We are assured our funding will remain the same for the 2026-7 financial year however our commissioners never confirm until the last minute.”

5. Key Messages and Recommendations

As a sector, we need our partners and stakeholders to recognise that:



1. **Demand is outstripping capacity**

The sector cannot sustainably meet current or future need without additional support.



2. **Prevention is being squeezed out**

Organisations are forced into crisis response, limiting long-term impact.



3. **Workforce sustainability is at risk**

Recruitment and retention challenges are undermining service delivery.



4. **Financial instability is widespread**

Many organisations face deficits, depleted reserves, and uncertain futures.



5. **There is strong appetite for collaboration**

Organisations are willing and ready to work more closely with statutory partners and each other.

To stabilise and strengthen the system, we recommend that our partners prioritise:

- **Long-term, sustainable funding**
Multi-year, inflation-linked grants and contracts that reflect true delivery costs
- **Earlier funding decisions**
To enable planning and avoid service disruption
- **Greater integration between statutory and community services**
Supporting earlier intervention and reducing pressure on crisis pathways
- **Investment in prevention and innovation**
Allowing the sector to shift from reactive to proactive delivery

- **Coordinated system-wide working**

Particularly across geographic boundaries, to reduce duplication and maximise reach

6. Conclusion

The VCFSE sector remains a critical partner in delivering MHLDA support across the system. However, it is currently operating at or beyond capacity, with increasing financial and workforce risks. The combined pressures are resulting in:

- Reduced access to timely support
- Increased risk of crisis escalation
- Strain on statutory services due to unmet need
- Reduced ability to deliver preventative interventions

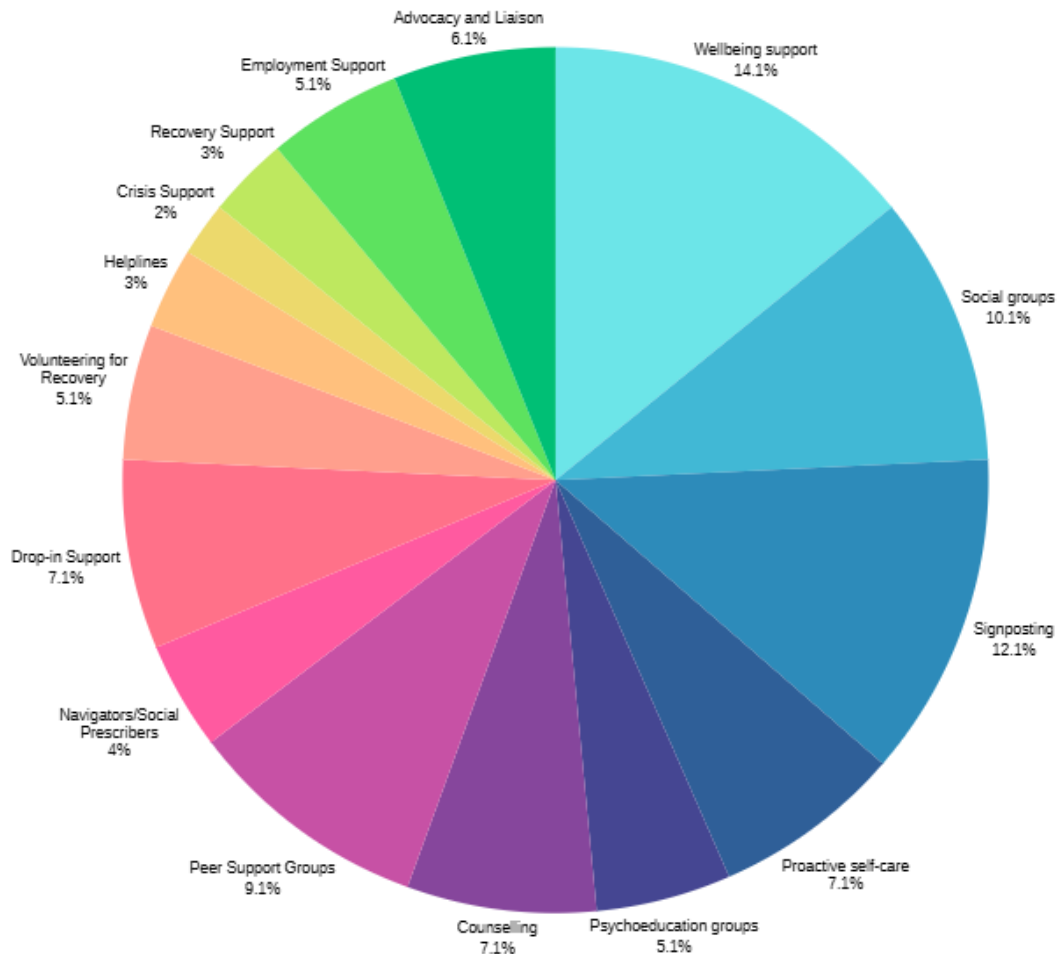
Without coordinated action and sustained investment, there is a real risk of reduced provision, widening inequalities, and increased pressure on statutory services.

With the right support, the sector can continue to play a vital role in prevention, early intervention, and community-based care.

Survey Respondents

Respondents to the survey represented a broad range of VCFSE organisations delivering mental health, learning disability and neurodivergent support services:

- Organisations ranged in turnover from £10,000 per year to over £3m. 42% have an annual turnover below £500,000 per year, 46% have an annual turnover over £1m.
- 26% of organisations deliver services across Northamptonshire, while the remainder either work across North Northamptonshire, West Northamptonshire, or at neighbourhood level only.
- 25% of organisations support the wider determinants of mental health, however this support may sit alongside other types of support. 17% of organisations provide neurodivergent support services, 15% offer all-age mental health support, 15% provide support for children and young people's mental health, 10% provide adult-only mental health services, and 10% provide support for people with learning disabilities.
- For 42% of respondents, mental health, learning disability and neurodivergent support services account for all of their work; for the remainder this was part of their services or the wider impact of their support.
- Organisations provide a broad range of support, including:
 - Wellbeing support – 14%
 - Social groups – 10%
 - Signposting – 12%
 - Proactive self-care – 7%
 - Psychoeducation groups – 5%
 - Counselling – 7%
 - Peer support groups – 9%
 - Navigators/Social Prescribers – 4%
 - Drop-in support – 7%
 - Volunteering for recovery – 5%
 - Helplines – 3%
 - Crisis support – 2%
 - Recovery support – 3%
 - Employment support – 5%
 - Advocacy and liaison – 6%



About MHNC

Mental Health Northants Collaboration (MHNC) exists to ensure people in Northamptonshire are able to access mental health, learning disability, and neurodivergent support services that understand and meet their needs. We are an infrastructure organisation that brings together charities from across the county that provide support and services to improve mental health and wellbeing. These organisations are our members.

We are led by our members, for our members. We are recognised as a beacon of strength within a voluntary sector often fractured by the need to compete for funding.

We now have over 25 members, covering all ages and spanning mental health, learning disability and neurodiverse services through to charities supporting people affected by health inequalities, for example carers, people who are homeless and in insecure accommodation, and survivors of domestic abuse.

Working together enables us to identify gaps between services and unmet need across Northamptonshire, and then develop and deliver collaborative services that meet those needs. For examples of our work and a full list of our members, please visit www.mhnc.uk

