

SECTOR INSIGHT

Armed Forces Charities

An overview and analysis

2024

Chester Howarth and
Rhiannon Doherty



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Foreword



This is the third *Sector Insight* report on armed forces charities from the Directory of Social Change, which builds on the previous research in this series funded by Forces in Mind Trust. The current report highlights the impacts on the armed forces charity sector of the COVID-19 pandemic and the cost-of-living crisis, including what changes have been seen in the number of charities and in their income and expenditure since the first *Sector Insight* report in 2014.

As a research leader with a long history of exploring the health and wellbeing needs of the armed forces community, I find that this *Sector Insight* report adds valuable information about charities that exist to meet those needs. Combining different sources of evidence provides a strong base, which researchers, policymakers and practitioners can use to identify the gaps in service provision.

The COVID-19 pandemic has had a huge impact on both the armed forces community and the organisations that serve it. Since the pandemic, armed forces charities have reported reductions in expenditure and even greater reductions in income. I am sure that while the ongoing cost-of-living crisis is going to exacerbate the struggles of individuals and families, it will also likely lead to further decline in armed forces charities' income and a worsening ratio of income to expenditure. This report provides timely analysis of the diverse and, for many, vital support provided by armed forces charities and lays the groundwork for further research on and with these organisations.

To ensure we understand the evolving needs of the armed forces community and the organisations that support it, we *must* continually look at what help is being offered and delivered so that evidence-based decisions can be made. The whole armed forces sector – charities, service providers, governments (national and local), researchers – need to work collaboratively to ensure evidence is used effectively to identify and appropriately address need. To that end, this report provides crucial evidence on the charity element of the armed forces sector.

This is an important piece of work, which those of us working in and with the armed forces community need to be aware of. Armed forces charities have played and will continue to play a key role in supporting the health and wellbeing of the armed forces community.

Professor Nicola T. Fear
King's College London

Preface



Evidence and knowledge sit at the heart of how Forces in Mind Trust supports Service personnel and their families to successfully transition to civilian life. This third iteration of the Directory of Social Change's *Sector Insight* report on the armed forces charity sector provides vital evidence and analysis to ensure that the armed forces community continues to be effectively supported.

This comprehensive overview outlines the changes the sector has experienced during the past decade and particularly following the changing environment after the COVID-19 pandemic and during the cost-of-living crisis, which has resulted in an increased demand for hardship support. The report is set in the context of the increasing complexities of cases supported, often requiring a multidisciplinary approach.

By better understanding the armed forces charity sector's landscape, both policymakers and service delivery organisations can recognise the challenges that armed forces charities face and consider how these might be addressed. This is key, as this is an important time for armed forces charities as they consider how to meet the changing and evolving needs of beneficiaries, alongside the developing nature of Service life. At the same time, some armed forces charities are also experiencing challenges with strains on income and the retention of staff and volunteers.

While the difficulties facing armed forces charities may not be different to the challenges mainstream charities are currently experiencing, ensuring that armed forces personnel and their families are not disadvantaged due to service – and are supported in transitioning to a fulfilling civilian life – benefits not just the armed forces community but society as a whole. Therefore, it is essential that armed forces personnel are effectively supported.

But there are opportunities as well. The report outlines the relevance of policy and influencing work in the sector to drive positive change, and there is a significant opportunity to ensure that the evidence-based needs of the armed forces community are considered, particularly among those groups or cohorts whose needs may not have been recognised previously. There is also scope for greater collaboration to help enhance the support offered and increase the efficiency of service delivery.

The clearer the evidence, the better the understanding, and the more effective the armed forces charity sector can be in supporting our vital community.

Michelle Alston
Chief Executive, Forces in Mind Trust

About the authors

CHESTER HOWARTH



Chester joined the Directory of Social Change (DSC) in 2020 and works as a Senior Researcher on DSC's bespoke research. He has been the lead author on several publications, with topics ranging from the impact of the COVID-19 pandemic on third-sector organisations to the scope and nature of funding and other types of support for beneficiaries.

Chester holds a BA (Hons) in Politics and Economics and a post-graduate diploma in Social Research Methods and Statistics.

Prior to joining DSC, Chester worked as a research assistant, supporting projects on child poverty and wellbeing and co-authoring articles for academic journals. He also has experience working as a freelance consultant to a group of children's charities and undertaking research with a statutory health organisation.

RHIANNON DOHERTY



Rhiannon is a Senior Researcher on DSC's Armed Forces Charities research project. She has led on four *Focus On: Armed forces charities* reports since joining DSC in 2017 and has presented this work at several research conferences.

Rhiannon holds a BA (Hons) in English Literature and Communications. She also holds an MA in Politics and Mass Media from the University of Liverpool.

Before joining DSC, Rhiannon volunteered for a range of charities including the National Deaf Children's Society and Oxfam.

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About the Directory of Social Change

At the Directory of Social Change (DSC), we believe that the world is made better by people coming together to serve their communities and each other. For us, an independent voluntary sector is at the heart of that social change, and we exist to support charities, voluntary organisations and community groups in the work they do. Our role is to:

- **provide practical information** on a range of topics, from fundraising to project management, in both our printed publications and our e-books;
- **offer training** through public courses, events and in-house services;
- **research funders** and maintain a subscription database, *Funds Online*, with details on funding from grant-making charities, companies and government sources;
- **offer bespoke research** to voluntary sector organisations in order to evaluate projects, identify new opportunities and help make sense of existing data;
- **stimulate debate and campaign** on key issues that affect the voluntary sector, particularly to champion the concerns of smaller charities.

DSC's award-winning research on armed forces charities continues to be generously funded by Forces in Mind Trust. Each report is freely available to download, and printed copies of DSC's *Sector Insight* and *Focus On* reports are available upon request. For up-to-date analysis of armed forces charities, visit DSC's online interactive database or contact our research team via research@dsc.org.uk.

DSC's researchers are experts in undertaking charity sector research to inform policy and practice. Our bespoke and commissioned research is led by the needs of our clients, and our policy work supports the wider voluntary sector. To find out more about DSC's research services, visit us online at www.dsc.org.uk/research or get in touch with us via research@dsc.org.uk to see how DSC's research can help you and your organisation.

Executive summary

ABOUT THIS REPORT

Since 2014, the Directory of Social Change (DSC) has been researching the armed forces charity sector. These are charities that are set up specifically to support the armed forces community, which includes serving and ex-Service personnel as well as their families. This report builds on DSC's previous two *Sector Insight* reports – also funded by Forces in Mind Trust (FiMT) – to provide the latest definitive analysis of armed forces charities in the UK.

This report comes at an important time, in the aftermath of the COVID-19 pandemic and amid the rising cost of living, both of which have had – and continue to have – implications for armed forces charities and the communities they support. As well as providing an overview of the current landscape of the armed forces charity sector, this report looks back on how the sector has changed over the past decade and pays particular attention to the turbulent period since DSC's previous *Sector Insight* report (Cole et al., 2020).

KEY FINDINGS

The landscape of the armed forces charity sector

DSC's researchers identified around 1,700 armed forces charities, which made up less than 1% of all registered charities in the UK.

- As of July 2023, there were 1,733 armed forces charities operating in the UK, comprising 0.9% of all registered charities in the UK.
- Most (81.5%, N=1,412) were registered in England and Wales and a notable minority (13.8%, N=239) were registered in Scotland. Smaller numbers were registered in Northern Ireland (2.3%, N=40) or both England and Wales and Scotland (2.4%, N=42).

There are various types of armed forces charity, but welfare charities, which aim to provide relief in need to the armed forces community, were found to be most common.

- Welfare charities provide relief in need, such as around healthcare and rehabilitation, housing, or education and employment. These charities made up 28.7% of the sector.
- Association branches foster esprit de corps and comradeship among eligible serving and ex-Service personnel. These charities accounted for 27.7% of the sector. Associations, which have similar objectives and can be parent bodies for association branches, made up 4.7% of the sector.
- Heritage charities do not directly serve the armed forces community but instead advance education and knowledge. These charities made up 19.8% of the sector.

- Service funds focus on active serving personnel and their families, and promote the efficiency of the armed forces. These charities made up 14.1% of the sector.
- Mixed-type charities have several different aims and made up 4.7% of the sector.

Most armed forces charities could support beneficiaries associated with one specific branch of the armed forces, but tri-Service support was the most common.

- A total of around two-thirds of armed forces charities focused on supporting beneficiaries from the British Army (31.6%), the Royal Navy (20.9%) or the Royal Air Force (RAF) (13.2%).
- Meanwhile, armed forces charities most commonly provided tri-Service (34.3%) support, which includes all the above Service branches.

It was most common for armed forces charities to report operating within one or more local authority area, with this trend largely being driven by local association branches.

- More than half (54.5%) of armed forces charities were 'locally focused', meaning that they reported operating within one or more specific local authority area.
- Locally focused charities were most likely to be association branches (88.3% of which were locally focused) but 59.0% of heritage charities were also locally focused.
- The highest numbers of locally focused charities were found in Hampshire (N=56), Kent (N=52), Wiltshire (N=39), Essex (N=36) and Lincolnshire (N=34). These are among the areas with higher numbers of serving and ex-Service personnel.
- Most of the remaining armed forces charities operated throughout the UK (10.4%) or on a national level in England, Wales, Scotland or Northern Ireland (33.2%). Such charities with a more national focus were typically welfare charities and associations.

Financial overview of the armed forces charity sector

According to the most recent annual data for each armed forces charity, the sector generated around £1 billion in income and expenditure.

- The sector's combined income was £1.03 billion, while the sector's combined expenditure was £1 billion.
- Most (67.5%) of the armed forces charity sector's income (and, therefore, expenditure) was generated by charities that have a focus on beneficiaries from across the armed forces (tri-Service charities).
- Most (71.7%) of the armed forces charity sector's total income (and, therefore, expenditure) was generated by welfare charities, making relief in need the sector's largest focus.
- Donations and/or legacies made up the single largest proportion (44.2 %) of total income, followed by income from charitable activities (33.6% of total income). This resembles the data for the charity sector more broadly, where 45.7% of income comes from donations,

grants and legacies and 39.3% comes from charitable activities (Tabassum and Fern, 2023b).

A small number of financially large armed forces charities accounted for the vast majority of the sector's total income, while the typical armed forces charity's income was quite small.

- By size, major charities (which had annual incomes over £10 million) generated 63.2% of the sector's income – despite comprising only 1.5% of armed forces charities.
- In contrast, micro charities (which had annual incomes under £10,000) accounted for only 0.2% of the sector's income – despite making up 45.6% of armed forces charities.
- Because there were very few large and major charities and many micro and small charities, the median average income (broadly speaking, the typical armed forces charity's income) was relatively low (£15,100) compared to the mean average (£625,800).

Armed forces charities' reserves could typically cover up to around seven months of expenditure.

- On average, reserves could be used to cover 8.2 months of expenditure. Meanwhile, the liquid element of charities' reserves – their cash assets – could cover 4.8 months.
- Examples selected at random showed a variety of reserves policies, which functioned as contingencies in case of changes, such as to income or beneficiary need, so that support could be continued or liabilities (such as pensions) could be paid.

The changing armed forces charity sector

The number of armed forces charities has fallen over the past decade or so, with there being around 10% fewer armed forces charities in 2023 than in 2012.

- There were 1,917 charities in 2012. This number increased slightly over the following years but had returned to the same level by 2017.
- The number of armed forces charities has decreased each year since 2017 – as openings have been less numerous than closures – reaching 1,733 in 2023.

The number of armed forces charities did not fall uniformly, resulting in a shifting landscape of armed forces charities.

- By charity type, a key trend was the declining number of association branches, in part due to the merging of some association branches with their respective overarching associations. There were 37.1% fewer association branches in 2023 than in 2012.
- By beneficiary group, there were reductions in the numbers of RAF charities (a decline of 21.9%), Royal Navy charities (a decline of 21.8%) and British Army charities (a decline of 7.8%). In contrast, the number of tri-Service charities rose (by 4.6%).

While the number of armed forces charities fell over the course of the COVID-19 pandemic, there has been no cliff edge in closures.

- Between 2020 and 2022, armed forces charity closures consistently outstripped openings, which contrasts with the picture for the charity sector more broadly (Chan et al., 2022).
- However, the percentage of armed forces charities closing each year was, in fact, lower following the onset of the COVID-19 pandemic (between 3.2% and 3.9%) than during the three years immediately prior (between 4.5% and 5.0%).

It is possible to see some changes in the parts of the armed forces charity sector experiencing closures when the periods before and after the onset of the COVID-19 pandemic are compared.

- While the average rate of closure fell for the armed forces charity sector overall (as described above) between 2020 and 2023, RAF charities and Service funds saw relatively elevated rates of closure.
- This suggests parts of the sector were more vulnerable to closure during the COVID-19 pandemic than others – but the closure of these charities may not have been due to the pandemic.

There was a clear fall in the armed forces charity sector’s real income and expenditure following the onset of the COVID-19 pandemic.

- The armed forces charity sector’s income fell from £1.06 billion in 2019 to £0.82 billion in 2020 (a fall of 22.6%).
- Meanwhile, expenditure fell but not as quickly, decreasing from £1.00 billion in 2019 to £0.92 billion in 2020 (a fall of 8.0%).
- Because income fell more quickly than expenditure, the sector’s expenditure was 11.4% more than its income in 2020 – higher than in any other year since 2012.
- This excess of expenditure over income was reflected in a decline in the total value of armed forces charities’ cash assets (the liquid part of their reserves): in 2020, the sector’s cash assets were worth 81.2% of what they had been in 2017.

The armed forces charity sector had fewer volunteers and employees in 2021 than in previous years.

- DSC’s researchers analysed charities with data on volunteers or employees for each year between 2017 (the earliest year for which DSC’s researchers had complete data) and 2021 (the most recent year with complete data). This helped to avoid the findings being skewed by charities moving in and out of reporting thresholds over time.
- The number of volunteers grew slightly between 2017 and 2019, but then in 2020 it dropped to only 66.5% of what it had been in 2017. There was a further fall in 2021, to 57.9% of what it had been in 2017. This broadly aligns with the drop in formal volunteering rates in 2020 and 2021 after the onset of the COVID-19 pandemic (Tabassum and Fern, 2023a).

- Data on employees was available for a limited number of larger charities (N=90). The number of employees grew slightly between 2017 and 2020 and then fell by 9.1% in 2021. This contrasts with the picture in the charity sector more broadly, where the number of employees did not fall until 2023 (Tabassum and Fern, 2023a).

Armed forces charities' financial journeys

A clear majority of armed forces charities experienced negative growth in real income at the onset of the COVID-19 pandemic, which was notably higher than in previous years.

- The analysis of changes within armed forces charities over time showed that most (62.5%) experienced negative income growth in 2020. This was more than in any other year between 2012 and 2022 (the previous high was 47.5%, in 2013).
- The median average (or typical) change in income between 2019 and 2020 was substantively negative at -16.9%. This broadly aligns with the average change of -15% in income within the charity sector more broadly, which was 'highly distinctive' compared to all other years since 2000 (Clifford et al., n.d., p. 7).
- However, individual charities' experiences were varied. Between 2019 and 2020, the bottom quarter of charities saw a decrease in their income of at least 54.1% (the figure was 40% within the charity sector more broadly; Clifford et al., n.d., p. 7). Meanwhile, the top quarter of charities saw income growth of 6% or more.
- On average, downturns in income were larger for Royal Navy and RAF charities (when looking at the sector by Service branch affiliation), for association branches (when looking at the sector by charity type), and for micro and small charities (when looking at the sector by financial size).

While the provisional data for 2022 suggests a positive turn for armed forces charities' incomes, this has not been sufficient to offset the cumulative impacts of the prior two years.

- Financial data for 2022 was available for only a subset of armed forces charities because of when charities were due to submit their accounts. The limited data showed some improvement on previous years, with 54.1% of armed forces charities having more income in 2022 than in 2021.
- Indeed, switching direction from the previous two years, the average growth in income between 2021 and 2022 was 6.0%.
- However, the cumulative changes within charities showed that most (68.8%) armed forces charities still had less income in 2022 than in 2019 – the average change in income between 2019 and 2022 was substantially negative (-26.2%). The bottom quarter of charities (those with the most negative growth) saw a fall of at least -57.4%.

Grant-making, collaboration and evaluation

Around 1,000 armed forces charities state that they make grants, and some armed forces charities are more likely to make grants than others.

- Using self-reported data on grant-making, DSC's researchers identified 1,007 grant-making armed forces charities. This equates to 58.1% of the total armed forces charity sector (N=1,733).
- While it was most common (46.3%) for grant-making armed forces charities to report that they made grants to both individuals and organisations, the majority made grants to either individuals (32.1%) or organisations (20.7%) only.
- Grant-making was more common among Royal Navy (65.9%), RAF (63.1%) or British Army (62.3%) charities than among tri-Service armed forces charities (48.1%), and among association branches (83.3%) than among the other types of armed forces charity.

Collaboration is very common among armed forces charities, and this collaboration tends to be within the armed forces charity sector.

- A survey of organisations in DSC's previous *Sector Insight* report (Cole et al., 2020) found that almost all (97.2%) armed forces charities reported one or more form of partnership or collaboration and that it was most common for armed forces charities to collaborate with other armed forces charities (67.0%).
- An in-depth example of collaboration was the Cobseo Female Veterans Cluster, which comprises both armed forces and mainstream charities and intends, through collaboration, to 'identify, progress and raise awareness of issues that are specific to female veterans and to improve the current levels of support for female veterans'.

While many armed forces charities evaluate their work, there is significant scope to make this more common across the armed forces charity sector.

- A survey of organisations in DSC's previous *Sector Insight* report (Cole et al., 2020) found that around three-fifths (60.4%) of armed forces charities carried out evaluation.
- An in-depth example of a charity that carries out evaluation was the Armed Forces Covenant Fund Trust (AFCFT). This charity makes grants to organisations and provides tools and resources for its grant recipients to use to support evaluation. The AFCFT representative interviewed by DSC explained that the charity sees this approach as providing accountability in relation to spending and learning about what works and why.

FUTURE CHALLENGES AND FURTHER RESEARCH

Looking at charity openings and closures over time, the armed forces charity sector seems to have been resilient to the challenges it has faced since the publication of DSC's previous *Sector Insight* report (Cole et al., 2020), such as widespread decreases in income. Nevertheless, future challenges armed forces charities may face – as reported by the interviewees in this research – include those around recruiting and retaining staff and volunteers, evolving and increasing needs among the people they support, as well as

continued strains on income and upward pressures on expenditure. On the other hand, collaboration was emphasised as one of the opportunities for armed forces charities to be resilient to future challenges, which may enhance the support provided to the armed forces community as well as the efficiency of service delivery.

Moving forward, there is a need for further research on and with armed forces charities. As newer data becomes available, it will be important to continue monitoring the armed forces charity sector – and to revisit some of the analyses in this report when a more complete picture of recent changes becomes available. This is particularly so in light of the potential challenges ahead, as highlighted above by armed forces charities themselves. To shed more light on how far changes in the landscape of the armed forces charity sector are unique to the sector or shared among charities more widely, this could be further bolstered by a comparative analysis of the armed forces charity sector alongside other parts of the charity sector, or the charity sector overall.

Introduction

ABOUT THIS SECTION

This introduction establishes the scope of the research, provides background information and outlines the methodology used. It is divided into the following sections:

- Focus of the report
- DSC's classification of armed forces charities
- Terminology
- Methodology

FOCUS OF THE REPORT

Since 2014, research by the Directory of Social Change (DSC) – funded by Forces in Mind Trust (FiMT) – has been the premier source of information on armed forces charities. DSC has published eight topical *Focus On* reports, a report on Scotland's armed forces charities and three overview-level *Sector Insight* reports, of which this report is the third.

DSC's 2014 *Sector Insight* report provided the first overview and analysis of the armed forces charity sector (Pozo and Walker, 2014). Since that first report, DSC has published an updated analysis focusing on Scotland (Cole and Traynor, 2016) and another on the UK as a whole (Cole et al., 2020). This report provides a new and timely update, investigating the number and characteristics of armed forces charities operating in the UK as of 3 July 2023.¹

The charity sector is neither static nor homogeneous. Charities come and go as beneficiary needs change, economic and social pressures shift, and public support peaks and dwindles. This report investigates the number of armed forces charities operating in the UK and provides a broad overview of the different types of armed forces charity. It offers a comprehensive analysis of charities' financial accounts as of 3 July 2023 and examines the sector's financial topography over the past decade, where possible (some analysis is restricted by the availability of data to a narrow time period). Charities are examined by, among other variables, annual income and expenditure, area of provision, and Service affiliation, with a detailed analysis of charities with annual incomes over £500,000.

It is beyond the scope of this report to comprehensively analyse the many contextual factors underpinning the findings observed in the armed forces charity sector; however, certain contextual factors are discussed in chapter 1. Furthermore, this report does not make comments or value judgements on the effectiveness of armed forces charities. Instead, its purpose is to hold up an objective mirror to the armed forces charity sector and provide a snapshot of its state in 2023.

Undoubtedly, members of the armed forces community seek additional support elsewhere – for instance, from the wider charity sector, community interest companies and local

¹ Data collection was finalised on 3 July 2023. All data presented in the report is accurate to this date.

authorities. Indeed, many mainstream charities now operate veteran-specific programmes, with notable examples including Alabaré, Amicus Trust, Canine Partners, the Royal Foundation of The Duke and Duchess of Cambridge, and Venture Trust. Nevertheless, they do not meet DSC's definition of an armed forces charity as established in the 2016 *Sector Insight* report (Cole and Traynor, 2016), given that their primary charitable purpose is not helping the armed forces community. This report focuses exclusively on charities whose main purpose is to serve the armed forces community and that, therefore, meet DSC's definition of an armed forces charity, as outlined in the following section.

Structure of the report

This report is structured into seven chapters, each of which aims to address a series of research questions related to a particular topic. These chapters are as follows:

- Chapter one: Context
- Chapter two: The landscape of the armed forces charity sector
- Chapter three: A financial overview of the armed forces charity sector
- Chapter four: The changing armed forces charity sector
- Chapter five: Armed forces charities' financial journeys
- Chapter six: Grant-making, collaboration and evaluation
- Chapter seven: Key insights from the research

DSC'S CLASSIFICATION OF ARMED FORCES CHARITIES

This report follows the definition of an armed forces charity originally developed for DSC's 2016 *Sector Insight* report:

[Armed forces charities are] charities that are established specifically to support past and present members of the armed forces and their families (the armed forces community). In this context, an armed forces charity must be able to apply this definition to their beneficiaries.

(Cole and Traynor, 2016, p. 24)

When DSC published its first report on armed forces charities (Pozo and Walker, 2014), the number of UK armed forces charities was reported to be 2,237. In undertaking this 2014 *Sector Insight* report, DSC's researchers adopted a wide interpretation of what constituted an 'armed forces charity' in an attempt to quantify what level of charitable provision existed, a question which had never before been answered.

Since then, the focus of DSC's research has been refined to look more closely at those charities directly supporting the armed forces community. The current total excludes all cadet organisations, which accounted for 500 charities in the 2014 *Sector Insight* report (Pozo and Walker, 2014). Cadet organisations have been excluded from all of DSC's armed forces reports since 2016 on the basis that they are – by their own admission – not firmly

affiliated with the armed forces, and their beneficiaries (the cadets themselves) are not necessarily members of the armed forces community.

Notably, association branches are excluded from the *Focus On* series due to the fact that their charitable activities do not align with topics covered in the *Focus On* series, which include mental health, education and employment, and housing. DSC's analysis found that association branches typically concentrate on social activities and comradeship rather than welfare provision. Moreover, when these charities deliver welfare activities, they are typically limited to making small benevolent grants. Association branches, however, are included in this report to provide a complete picture of the sector.

TERMINOLOGY

For the purposes of this report, and in keeping with the language used in DSC's previous *Sector Insight* reports (Cole and Traynor, 2016; Cole et al., 2020; Pozo and Walker, 2014), the term 'ex-Service personnel' refers to individuals who have served in the UK armed forces (for at least one day). The term 'serving personnel' refers to individuals who are currently employed in the armed forces.

The term 'spouses and partners' refers to the partners of serving and ex-Service personnel; it also includes divorced and separated spouses as well as bereaved partners (widows and widowers). The term 'dependants' refers to the children of serving and ex-Service personnel, including bereaved children who have lost a parent who served in the armed forces. The term 'armed forces community' is employed to refer to all of these people (ex-Service personnel, serving personnel and their families, including bereaved family members).

For the purposes of this report, and in keeping with the language used in DSC's previous *Sector Insight* reports, the terms 'association', 'association branch', 'heritage', 'mixed-type', 'Service fund' and 'welfare' are used to categorise UK armed forces charities. DSC's researchers based this categorisation upon analysis of the various armed forces charities' charitable objectives, as well as their accounts, annual reports and websites, where available. For definitions of each charity type, see section 2.3.1.

Throughout this report, armed forces charities are described in terms of their financial size. The size categories are based on annual income and follow NCVO's latest typology for the charity sector as a whole (Tabassum and Fern, 2023a). Armed forces charities are therefore categorised as micro (annual incomes under £10,000), small (annual incomes between £10,000 and £100,000), medium (annual incomes between £100,000 and £1 million), large (annual incomes between £1 million and £10 million), and major (annual incomes over £10 million).²

² It should be noted that the original typology distinguishes between major (annual incomes between £10 million and £100 million) and super major (annual incomes over £100 million). To make these categories more amenable to analysis, DSC's researchers have combined these two largest categories; this was due to the very small number of super major armed forces charities.

METHODOLOGY

Identifying armed forces charities

This report provides a snapshot of the UK charity sector as of 3 July 2023 and also explores changes in the sector over time. Therefore, it includes analysis of both active and closed charities. Active charities are charities that are registered with a charity regulator in the UK, whether the Charity Commission for England and Wales (CCEW), the Office of the Scottish Charity Regulator (OSCR) or the Charity Commission for Northern Ireland (CCNI).³ Closed charities are those that have been registered with a charity regulator in the UK but are now identified as removed by CCEW or OSCR (or that no longer appear in the CCNI register, as identified by DSC's researchers).

Based on this distinction between active and closed armed forces charities, it is important to note that chapters 2, 3 and 6 (which provide a current snapshot of the armed forces charity sector) analyse only active charities. Meanwhile, chapters 4 and 5 (which provide a longitudinal overview of the armed forces charity sector) include both active and closed charities. For clarity, DSC's researchers include a note with each figure and table about which types of charity it covers.

DSC maintains an online database which, at the time of data collection for this report, contained information on 1,733 armed forces charities. Since 2020, funded by FiMT, DSC's researchers have updated this database on a monthly basis. Each month, DSC's researchers undertake a rigorous search of the three UK charity regulator databases - CCEW, OSCR and CCNI - in order to identify charities which are not already contained in the database and remove any closed charities.

Identifying armed forces charities is a complex process, largely because there is no preformulated method of easily finding such charities via the regulators' sites. Some regulators do have limited systems in place for identifying armed forces charities. For example, CCEW provides an 'Armed Forces/Emergency Services Efficiency' tag. However, this category also incorporates charities that support blue-light services, such as the police, the fire service and the ambulance service.

Moreover, not all armed forces charities use the 'Armed Forces/Emergency Services Efficiency' tag or define themselves as such. In fact, many of the largest, most well-known armed forces charities (such as Help for Heroes, the Royal British Legion and SSAFA, the Armed Forces Charity) do not use the tag. As such, this search method cannot be relied upon to return an accurate list of armed forces charities.

Therefore, to identify UK armed forces charities, DSC undertook a comprehensive keyword search across the three UK charity regulator databases. The researchers used the keyword list developed for *Focus On: Armed forces charities – Sector trends* (Doherty et al., 2019) to undertake a search for armed forces charities and thereby update DSC's database. This list included 37 search terms (see the appendix on p. 214 of Cole et al., 2020), in comparison with the list of 15 terms used in the 2014 *Sector Insight* report (Pozo and Walker, 2014).

³ Or, in the case of cross-border charities, both CCEW and OSCR.

The researchers downloaded exportable versions of CCEW's data-extract files and OSCR's and CCNI's regulatory databases in July 2023. Keyword searches on both charity name and charitable objective(s) were then conducted to identify charities of relevance to this report that were not already included in DSC's database. This task was performed using the computer program R (see further details in the next section), with the identifying patterns including wildcard searches to help return the maximum possible number of search results.

In order to be included in this report, all charities returned in the keyword search had to meet DSC's definition of an armed forces charity (see page xxiv). To ensure that they met this criterion, DSC looked for specific evidence of charities carrying out activities which support the armed forces community beyond their names and regulator classifications. Each charity returned via keyword search was individually assessed by the researchers to ensure that it was valid for inclusion.

Analysing the quantitative data

All available charity financial accounts submitted since 2012 and before the cut-off date of 3 July 2023 were included within the data set for this report. This includes both active and closed charities. In the first instance, this data was sourced directly from the relevant charity regulator (CCEW, OSCR or CCNI). This ensured that the data used was the most up to date and accurate available (there can be errors in administrative data, which are later corrected by the charity regulators). Where data for a particular financial year was no longer available in the data provided by the regulators, it was filled in using DSC's archived charity regulator downloads or DSC's own archived data on armed forces charities.

In some cases, financial data that was missing in the current charity regulator databases could not be filled in. This could generally be easily explained: for example, the financial year was after a charity had closed or before a newly registered charity's accounts were due. For the remaining missing observations (which represented just 0.02% of all potential combinations of charities and financial years), DSC's researchers undertook systematic checks to understand why this data was missing.⁴ The causes included changes to charities' account submission dates that resulted in a skipped year, non-submission of accounts, and data not being publicly available at the time of data collection. By their nature, these cases cannot be rectified and would affect any research using charity regulator data. However, they are not expected to affect the analysis or the conclusions drawn in this report.

In chapter 3, the analysis of financial data is limited to active armed forces charities that had the relevant data available (N=1,646). This analysis is based on these armed forces charities' most recent accounts and annual returns. For these charities, the most recent financial year was typically either 2022 (67.7%, N=1,114) or 2021 (27.9%, N=459). Only a very small minority (4.1%, N=68) had older financial data, which was mostly from 2018 onwards, and a handful had 2023 financial data (0.3%, N=5). A small number of active armed forces charities did not have financial data available (N=87). This data was typically not available because they had registered recently: in 2023 (23.0%, N=20), 2022 (48.3%, N=42) or 2021 (19.5%, N=17). Meanwhile, chapters 4 and 5 include data on all armed forces charities, whether active or closed, in order to provide the most complete picture of the sector as it was in each year.

⁴ This analysis was conducted for income and expenditure, not broader financial variables.

For all analyses of DSC's armed forces charities database, the researchers used the open-source statistical computing software R and R Studio to manage data, undertake analysis and produce graphics (R Core Team, 2023).

Armed forces charities are highly collaborative, frequently make grants to fellow armed forces charities and often have complex referral pathways. This means that, inevitably, there is some recycling of funds within the sector. Current financial reporting requirements mean that it is not possible to reliably track expenditure from one charity to another through to its end beneficiaries across multiple charities. Therefore, there is likely to have been an element of double counting when income and expenditure totals for the sector were calculated. Although it was not possible to control for this element of double counting in the analysis, the use of averages and broad financial trends gives an indication of relative income and expenditure changes.

Analysing the qualitative data

As well as gathering publicly available data from the three charity regulators, DSC gathered new qualitative data as part of this research project. In total, DSC contacted eight armed forces charities and two bodies of organisations (Cobseo clusters) that bring armed forces charities together with other organisations that support the armed forces community. The choice of these organisations and the questions they were asked were guided by a preliminary analysis of the quantitative data in this report.

Representatives from each organisation were invited to provide written responses to a small number of questions developed by DSC's researchers. These written responses were reviewed and edited by DSC's researchers for clarity and editorial consistency, but care was taken to leave the meaning unchanged – and the interviewees approved the final text prior to inclusion in this report. Both the questions and the answers provided can be found in purple boxes throughout the report.

DSC's researchers also revisited the qualitative data in each of the biannual Cobseo Members' Surveys conducted by DSC. Quotes have been selected by DSC's researchers with the aim of providing a diverse range of first-hand accounts from armed forces charities. Because the Cobseo membership includes armed forces charities and mainstream charities (as defined in 'Focus of the report' on page xxiii), DSC's researchers only included quotes from respondents that could be verified as armed forces charities. Quotes from the respondents appear throughout the report (in green boxes) to supplement and complement the quantitative findings. These quotes appear as they were written. However, where necessary, minor alterations have been made to improve the readability. Where changes have been made, care has been taken not to alter the original meaning.

CHAPTER ONE

Context

1.1 INTRODUCTION

This opening chapter draws upon existing research to provide some insights into armed forces' charities beneficiary population. It also draws upon recent policy and legislation to highlight developments and changes in the armed forces charity sector since 2020 that may impact how armed forces charities operate.

The chapter aims to address the following questions:

- What are the key characteristics of the armed forces population?
- What are the welfare needs of the armed forces community?
- What new policy developments have taken place since 2020?
- Have public perceptions of (and support for) armed forces charities changed since 2020?
- Why is this report timely and important?

1.2 WHAT ARE THE KEY CHARACTERISTICS OF THE ARMED FORCES POPULATION?

1.2.1 The serving community

Population size of the serving community

As of 1 April 2023, the strength of the UK armed forces Service personnel stood at 188,820, including both full-time personnel and reservists (MOD, 2023a). Based on this figure, serving personnel represent around 0.3% of the UK's estimated population of 67.8 million (Kirk-Wade, 2022). Since the publication of DSC's previous *Sector Insight* report in 2020, the number of UK serving personnel has remained relatively stable, falling by just 1.5% (from 191,600) as of 1 July 2019 (Cole et al., 2020, p. 3).

Table 1.1 provides a breakdown of the number of full-time trained serving personnel and reservists in each Service branch as of April 2023 (MOD, 2023a). As the table shows, army personnel make up most of the UK armed forces serving personnel (around 113,440 out of 188,820). Meanwhile, there are around 38,770 Royal Navy and Royal Marines personnel, and slightly fewer (36,610) Royal Air Force (RAF) personnel.

The number of personnel needed to meet the requirements of the UK armed forces is subject to regular review (Cole et al., 2020, p. 3). Looking to the future, it is likely that the total numbers of serving personnel will fall: in March 2022, the then Secretary of State Ben

Wallace announced a target to reduce the number of trained (regular and reserve) British Army personnel to 72,000 by 2025 (Brooke-Holland and Dempsey, 2021).

Table 1.1

Number of serving personnel by Service branch				
Service branch	Regular personnel	Reserve personnel	Other personnel	Total personnel
Royal Navy and Royal Marines	32,840	3,460	2,470	38,770
British Army	77,540	27,190	8,710	113,440
Royal Air Force	32,180	3,140	1,290	36,610
All branches	142,560	33,790	12,470	188,820

Note: The figures are based on Ministry of Defence quarterly personnel statistics for April 2023. 'Other' personnel also includes Gurkha personnel within the British Army figures.

It is important to keep in mind that family members and dependants are also a key part of the serving community. While there are no definitive figures for the overall number of individuals within serving families, data captured in the Tri-Service Families Continuous Attitude Survey (FamCAS) (completed by regular personnel), carried out annually by the Ministry of Defence (MOD), does provide some insights into the potential size of this population. Most recently, in June 2023, the survey indicated that 48% of serving personnel were married or in a civil partnership, 25% were in a long-term relationship and 47% supported children financially (MOD, 2023b). Given that there are 142,560 regular personnel as of April 2023, it is possible to provide a conservative estimate that there are at least 68,430 armed forces spouses, 35,640 long-term partners and 105,870 children in armed forces families across the UK (assuming the average number of children among serving personnel is similar to that among the civilian population, at 1.58 children per family; see ONS, 2021).¹

In England, school records can help with estimating the number of armed forces children and young people of statutory school age. In 2022, approximately 79,000 armed forces children and young people were eligible to receive the Service Pupil Premium (SPP).² However, the SPP relies on families self-reporting their serving or ex-Service status. Further, SPP entitlement does not extend to children who attend private schools or those whose parents served more than six years ago. Therefore, SPP uptake figures can only provide a low estimate of the number of armed forces children and young people residing in England.

In Wales, Supporting Service Children in Education Wales (SSCE Cymru) is a Welsh Local Government Association programme. SSCE Cymru works closely with schools and local

¹ This estimate does not include the families of reservists because this group of personnel are not invited to participate in the Continuous Attitude Survey.

² The SPP is a per-pupil funding allocation available to English state schools to provide pastoral care to armed forces children and young people (Roberts et al., 2022).

authorities to collate data that provides regular snapshots of the approximate number of armed forces children and young people enrolled in schools across Wales. As of March 2022, there were 2,677 children from armed forces families enrolled in independent and state schools throughout Wales (SSCE Cymru, 2022).

In Scotland, the Association of Directors of Education in Scotland has collected annual data on the numbers of armed forces children enrolled in Scottish state schools since 2019. There were at least 12,497 children and young people with an armed forces background in local authority educational provision in Scotland in 2021 (MacLeod et al., 2022). Between 2019 and 2021 this number rose by 5.8%, but it is currently unknown whether this reflects a real increase, is attributable to better recording or is a combination of these factors (MacLeod et al., 2022).

Estimates are not currently available for the number of children in Service families located in Northern Ireland. More broadly, data about Northern Ireland's serving population is bound by greater confidentiality, owing to increased security protocols underpinned by the Good Friday Agreement.

Geographical spread of the serving population

The MOD's Annual Location Statistics provide a very broad overview of the regional distribution of serving personnel across the UK. According to the MOD's 2022 data, the majority of serving personnel are located in the South East and South West of England; these regions are home to 38,670 and 38,500 personnel, respectively (MOD, 2022a). On the other hand, the smallest numbers of serving personnel are located in the North East of England, where there are 1,140 personnel (MOD, 2022a).

The MOD does not currently publish specific data on the numbers of serving personnel living within the devolved nations of the UK or local authority areas. Nonetheless, the current MOD data suggests that there are between 88,000 and 152,000 serving personnel residing in England, between 8,000 and 16,000 residing in Scotland, and fewer than 8,000 in each of Wales and Northern Ireland. Some local authority areas, particularly those with a large armed forces community, may carry out (and in some cases publish) their own research into the size of the population of local serving personnel. However, there currently is no centralised repository which brings this data together and enables comparisons to be made.

Characteristics of the serving population

Data collected by the MOD reveals some of the key characteristics of the serving population. These characteristics concern sex, ethnicity, age, religion, marital status and family relationships, homeownership, and sexual orientation. DSC's researchers compared MOD publications with the 2021 Census results to investigate how far each of these characteristics are similar among serving personnel and the civilian population:

- **Sex:** Serving personnel and reserves are much more likely to be male. When the MOD data was compared to the 2021 Census data, only around one-tenth (11.5%) of regular serving personnel were found to be female compared to around half (50.1%) of the general population (MOD, 2023c; ONS, 2022a). However, a slightly higher percentage of reservists (16.0%) were female (MOD, 2023c).

- **Ethnicity:** Serving personnel are less likely to be from non-white ethnic minorities compared to the general UK population. Around one-tenth (10.1%) of regular serving personnel were from non-white ethnic minorities, while the figure was 18.7% for the general UK population (MOD, 2023c; ONS, 2022b). This figure was lower (6.2%) among reservists.
- **Age:** Serving personnel tend to be younger than the general population. The average (median) age among regular serving personnel was 31 and among reservists it was 39, while the average (median) age of a UK resident was 40 (MOD, 2023c; ONS, 2022a). Around a quarter (25.4%) of regular serving personnel were aged under 25, which was broadly comparable to the percentage for the general population (29.1%) (MOD, 2023c; ONS, 2022a).
- **Religion:** A greater proportion of the UK serving personnel described themselves as Christian compared to the general UK population: 57.4% of regular personnel and 67.3% of reservists identified as Christian, compared to 46.2% of the general UK population (MOD, 2023c; ONS, 2022c).
- **Marital status and family relationships:** The June 2023 Continuous Attitude Survey indicated that 48% of serving personnel were married or in a civil partnership, 25% were in a long-term relationship and 47% had children they supported financially (MOD, 2023b). This is broadly similar to the general population: according to the 2021 Census, 46% of the general population were married or in civil partnerships, and 42% of households had at least one dependent child (ONS, 2023a, 2023b).
- **Homeownership:** On average, just under half (48%) of regular serving personnel owned their own home, although this rate was lower among army personnel than in the other Services (MOD, 2023b). Moreover, the average of 48% was lower than the rate of homeownership in the general population, which was 62.5% (ONS, 2023c). This may be partly due to the widespread availability of MOD-owned accommodation: over three-quarters (77%) of all personnel live in Service accommodation during the working week, while just under a fifth (19%) live in their own home (MOD, 2023b).³
- **Sexual orientation:** There is very limited data on the sexual orientation of serving personnel. Only 30.2% of regular personnel and 9.2% of reservists declared their sexual orientation in the information captured during joining the armed forces, which is recorded in the MOD's Joint Personnel Administration's HR system (MOD, 2023c). The MOD plans to publish information on this area in the future in its biannual diversity statistics reports, when the data is considered representative (MOD, 2023c).

1.2.2 The ex-Service community

Population size of the ex-Service community

England and Wales

For the first time, the 2021 Census included a question on whether respondents had served in the UK armed forces (either as a regular or a reservist). This question was introduced in

³ The MOD's (2023b) Continuous Attitude Survey does not specify where the remaining 4% of regular serving personnel live.

order to help local authorities and service providers better understand the veteran population in England and Wales (ONS, 2022d). In response, 1.85 million adults in England and Wales said that they had previously served in the UK armed forces, which represents around 1 in 25 adults (ONS, 2022d). Overall, 1.7 million households in the UK contain an ex-Service member (ONS, 2022d). It is interesting to note that the census data suggests there are fewer ex-Service personnel than previous estimates indicated (MOD, 2019a; RBL and Compass Partnership, 2014).

The 2021 Census data provides more robust statistics on the numbers of ex-Service personnel living in the UK than were previously available – and also reveals how many dependants, spouses and partners live in veteran households within England and Wales. Specifically, there were around 1.2 million spouses or partners of veterans living in England and Wales in 2021. These spouses and partners were predominantly female (88.9%) and almost half (46.1%) were aged 65 or over (Knipe and Hill, 2023a). The census also identified around 750,000 children or stepchildren living with veterans in England and Wales, around half (49.2%) of whom were aged 15 or under and around a quarter (26.2%) of whom were aged 16 to 24 (the remaining quarter were aged over 25). The majority (58.5%) were ‘dependent children’ (Knipe and Hill, 2023a).

Scotland

A report published by the Scottish government in 2017 estimated that approximately 230,000 armed forces veterans lived in Scotland, with veterans living in the country’s ‘largest cities, areas close to military bases and in the most rural and remote parts of [the] country’ (Scottish Veterans Commissioner, 2017, p. 8). The report provides some insights into the veterans’ characteristics, showing a wide range of ages and backgrounds. Like the 2021 Census in England and Wales, Scotland’s 2022 Census for the first time included a question on previous service in the UK armed forces. When published, the census data will provide much more accurate information on the size of the veteran population residing in Scotland than is available now.

Northern Ireland

In 2019, the Northern Ireland Statistics and Research Agency (NISRA) estimated that the number of UK armed forces veterans living in Northern Ireland was between 40,000 and 60,000 (NISRA, 2020a). However, it is difficult to accurately estimate the number of veterans living in Northern Ireland because many veterans choose not to disclose their veteran status due to security and safety concerns.

Ahead of the 2021 Census of Northern Ireland, NISRA carried out a 2019 Census Rehearsal with a UK armed forces veterans question, commissioned a public survey on public acceptability, and held focus groups with local veterans to consider whether a question about veterans should be included (NISRA, 2020a p. 2). The results of the 2019 Census Rehearsal indicated that some veterans would not disclose their veteran status; feedback from the local focus groups reinforced this, with veterans indicating that including such a question on the census would be ‘strongly unacceptable for veterans’ (NISRA, 2020a, p. 2). These findings led to a question on veteran status not being included in the 2021 Census in Northern Ireland.

However, in 2019 NISRA worked with the MOD to securely access the Service Leavers Database and link it with the results of the 2011 Census of Northern Ireland to identify veterans in Northern Ireland. The linked data showed that there were just under 30,000 UK armed forces veterans living in Northern Ireland in 2019 (NISRA, 2020b, p. 2). This estimate is at the lower end of the expected range and is lower than an initial survey-based estimate made by NISRA in April 2019 (NISRA, 2020b). However, this may be due to practical issues in linking the data. Linking is made difficult by the existence of poor-quality historical HR records held in the Service Leavers Database, which excludes veterans who left the armed forces before the 1970s and many reservists and veterans who have changed their name since leaving the armed forces. NISRA will continue to work with the MOD to provide improved statistics on UK armed forces veterans in Northern Ireland (NISRA, 2020b, p. 3).

Geographical spread of the ex-Service population

The 2021 Census revealed that there were 1.74 million veterans living in England and 115,000 living in Wales (ONS, 2022d). These ex-Service personnel were 'typically clustered in areas near to armed forces bases', which gives some areas higher-than-average proportions of veterans (Knipe and Hill, 2023a). Overall, the proportion of ex-Service personnel was higher in Wales, where ex-Service personnel made up 4.5% of the population, than in England, where ex-Service personnel made up 3.8% of the population (Kirk-Wade, 2022).

Within England, the region with the highest proportion of ex-Service personnel was the South West, where 265,000 ex-Service personnel made up 5.6% of the local population. This was followed by the North East, where 109,000 ex-Service personnel made up 5.0% of the population. These regions also had the highest percentages of households with at least one veteran (10.1% in the South West and 8.8% in the North East). By contrast, London had the lowest proportion of veterans (101,000 veterans, who made up 1.4% of the population). Within London, just 2.8% of households included a veteran (Kirke-Wade, 2022).

At the local authority level, across England and Wales, the sizes of the ex-Service populations varied widely in the census data. Gosport, which is a non-metropolitan district within the county of Hampshire, had the highest proportion of veterans in relation to the local population (12.5%), followed by North Kesteven - a non-metropolitan district within the county of Lincolnshire (10.2%) - and Richmondshire - a non-metropolitan district within the county of North Yorkshire (9.5%). Overall, eight of the ten local authorities with the highest proportions of ex-Service personnel were in the South East and South West regions of England.⁴ By contrast, 23 of the 25 local authorities with the lowest proportions of veterans were London boroughs (Kirk-Wade, 2022).

Details on the geographical distribution of the ex-Service population in Scotland and Northern Ireland are currently not available. The Scottish 2022 Census (due to be published in late 2023) should shed some light on the locations of Scottish veterans. See page 5 for details on why information is not available for Northern Ireland.

⁴ After the three local authorities in the text above, the next highest in terms of their veteran population were Fareham, a non-metropolitan district within the county of Hampshire (9.3%); Plymouth, a unitary authority area (8.4%); Wiltshire, a unitary authority area (7.5%); South Kesteven, a non-metropolitan district within the county of Lincolnshire (7.4%); West Devon, a non-metropolitan district within the county of Devon (7.3%); West Lindsey, a non-metropolitan district within the county of Lincolnshire (7.3%); and Havant, a non-metropolitan district within the county of Hampshire (7.2%). For a full list, see the data for figure 3 in the Office for National Statistics's summary of the 2021 Census data on veterans (ONS, 2022d).

Characteristics of the ex-Service community

Data collected via the 2021 Census reveals some of the key characteristics of the ex-Service population living in England and Wales – for example, relating to sex, ethnicity, age, religion, sexual orientation, gender identity, marital status and family relationships, and homeownership. Most notably, the census results show that the structure of the veteran population is substantially different from that of the non-veteran population in relation to age and sex, with the veteran population being much older and mainly male (Knipe and Hill, 2023a).

The following short summaries draw on the census data to provide an overview of how the key characteristics of the veteran and non-veteran populations compare (these summaries are based on Knipe and Hill, 2023a, 2023b):

- **Sex:** The veteran population in England and Wales is primarily male. The overwhelming majority (86.4%) of ex-Service personnel identified as men. Meanwhile, 13.6% of ex-Service personnel identified as women (compared with 53.1% of the non-veteran population).
- **Ethnicity:** The veteran population in England and Wales is less ethnically diverse than the non-veteran population. Almost all ex-Service personnel (96.4%) identified as white, which compares to 83.1% of people in the non-veteran population (or 90.0% after statistically adjusting the age, sex and regional distribution of the non-veteran population so that it reflects that of the veteran population).⁵
- **Age:** The veteran population is much older than the non-veteran population. Moreover, more than half (53.0%) of veterans are aged 65 years or over, compared with around one-fifth (21.6%) of non-veterans. Overall, around one-third (31.8%) of veterans are aged 80 years or over (versus just 5.1% of the non-veteran population). This reflects the National Service policy (1939 to 1960), inclusive of war service (to 1948), when large numbers of men were conscripted to military service.
- **Religion:** A higher proportion of veterans living in England and Wales described themselves as Christian (64.2%) compared with the non-veteran population (48.1%, or 58.3% after statistically adjusting the age, sex and regional distribution of the non-veteran population so that it reflects the veteran population). Over a quarter of veterans (28.1%) reported not having a religion and a small minority (2.4%) had a religion other than Christianity (the remaining 5.3% of veterans did not provide an answer to this census question).
- **Sexual orientation:** The overwhelming majority (91.3%) of veterans living in England and Wales identified as straight or heterosexual. A small minority identified as gay or lesbian (0.9%), bisexual (0.5%) or another sexual orientation (0.1%) and the remaining 7.2% of the census respondents did not specify their sexual orientation. After statistically adjusting the non-veteran population estimates to reflect the same age, sex and regional distribution as is found among veterans, there were no notable differences in relation to sexual orientation.

⁵ Statistical adjustments of this kind aim to ensure that equivalent populations are compared so as to avoid misleading conclusions being drawn.

- **Gender identity:** Among all veterans living in England and Wales, 0.3% described their gender identity as different from their sex as registered at birth. This number is slightly smaller than that for the non-veteran population (0.5%). Younger veterans (aged 16 to 24) were more likely to describe their gender identity as different from their sex as registered at birth compared to those aged 25 or over (1.0% versus 0.3% respectively).
- **Marital status and family relationships:** Veterans living in England and Wales were less likely to be single (never married and never registered in a civil partnership) compared with the non-veteran population (14.6% versus 38.8%). When the non-veteran population responses were statistically adjusted to reflect the same age, sex and regional profile as that of the veteran population, the differences were reduced notably (14.6% versus 18.5%).
- **Homeownership:** Rates of homeownership were broadly similar among the veteran (74.6%) and non-veteran (75.5%) populations of England and Wales when the non-veteran population was statistically adjusted to reflect the same demographics.

1.3 WHAT ARE THE WELFARE NEEDS OF THE ARMED FORCES COMMUNITY?

This section provides an overview of the existing literature on the welfare needs of the armed forces community. At times, it discusses the distinct needs of serving or ex-Service personnel and their families. At other times, it discusses the needs of the armed forces community more broadly. This distinction depends on the focus of the research cited.

It should also be noted that some of the research sources that appear in this section have a narrower focus than this report, pertaining to specific sections of the armed forces community - for example, those based within specific geographical locations or those affiliated with a particular Service branch or conflict. These limitations are noted where relevant.

1.3.1 An overview of the welfare needs of the armed forces community

In some instances, the needs of serving personnel, ex-Service personnel and their families can be impacted by their experiences during service. Factors that may affect need include Service branch, where the person was posted, for how long and in what capacity they were posted, whether they were regular personnel or a reservist, and whether their departure from the armed forces was planned or not. For example, a report from the Naval Families Federation (2019) found that Royal Navy personnel face particular challenges stemming from longer deployment periods (of up to nine months) in comparison to other branches.

However, the needs of serving and ex-Service personnel and their families can be shaped by their non-Service-related personal circumstances before, during or after joining the armed forces. Such factors can include socio-economic background, educational attainment, pre-existing mental or physical health conditions, and family situations and relationships (Cole et al., 2020, p. 27). For example, the British Army has been known to recruit from areas with

comparatively high economic disadvantage and low educational attainment, both of which are associated with lower life expectancy and poor health (Lewis et al., 2013, pp. 13-14).

Most of the research undertaken around the needs of the armed forces community focuses on specific topics such as health and wellbeing, education, employment, housing, criminal justice and finance. The most recent broader assessment of need within the ex-Service community was conducted almost a decade ago (RBL, 2014). This research found that 42% of the ex-Service community had reported some difficulty over the year prior to the survey. These difficulties varied by age group: the oldest age groups were more likely to report difficulties with self-care (15%) and mobility (14%), while younger respondents reported more difficulties with employment (6%) and fear of violence or crime (4%). However, the 2021 Census has provided some new insights into the needs of the ex-Service community by shedding new light on its demographic characteristics. There is a lack of research which focuses on the needs of the serving community more broadly, beyond specific topics.

1.3.2 Mental and physical health needs

Extent of physical and mental health needs

Annual MOD statistics on medical discharge and pension claims provide a rough indication of how many serving personnel experience injury and illness. In total, 1,576 serving personnel were medically discharged during the 2022/23 financial year, which represents approximately four UK regular armed forces personnel being medically discharged per day (MOD, 2023d, p. 11).

During the same financial year, the most common principal cause of medical discharges across all three services was musculoskeletal disorders (accounting for 61.2% of all medical discharges) and this was followed by mental and behavioural disorders (accounting for 28.4% of all medical discharges) (MOD, 2023d, p. 11). However, the range of physical injuries or conditions experienced by serving personnel either because of or during their service is 'diverse and complex' (Hynes et al., 2022, p. 2).

During the 2022/23 financial year, the rate of medical discharges was significantly higher for army and RAF personnel in comparison to the previous year. In contrast, the rate of medical discharge was significantly lower for Royal Navy personnel in comparison to the previous year (MOD, 2023d, p. 3). These figures do not provide a comprehensive picture of the full extent of injury and illness among serving personnel – they can only provide a partial picture for individuals whose injury or illness has prevented them from continuing to serve.

The first substantive qualitative longitudinal study intended to explore how Service leavers with a physical injury or condition experience the transition to civilian life was published in 2022 (Hynes et al., 2022). The research participants had inconsistent and variable experiences of transition. The report highlights how transition experiences for Service leavers with physical injuries or conditions could be improved by providing better communication and information around discharge processes, adequate time for recovery and resettlement, more personalised support during transitions, greater financial security, and support to navigate civilian systems (Hynes et al., 2022, p. 2).

The MOD's annual Continuous Attitude Survey offers some insights into serving personnel's health and wellbeing. The 2023 survey results showed that the average wellbeing score for respondents was 6.1 (out of 10). Officers tended to rate their wellbeing at higher levels in comparison to other ranks. The average anxiety of respondents was 3.6 (out of 10) and had risen slightly since the previous year (3.4), which the MOD has primarily attributed to RAF personnel reporting higher levels of anxiety (MOD, 2023b, p. 16).

The 2021 Census provided valuable new insights into the health needs of the ex-Service population in England and Wales by asking them about their self-reported general health. Over one-quarter (27.5%) of ex-Service personnel said that their general health was 'very good' and close to two-fifths (36.9%) said that their general health was 'good'. Meanwhile, around one-quarter (24.2%) said that their health was 'fair', but only a small minority said their health was 'bad' (8.6%) or 'very bad' (2.8%). While this overall health profile is worse than that of the general population, these differences have been attributed to demographic factors (such as age and sex) rather than factors relating to service (Knipe and Hill, 2023a).

Individuals leaving the armed forces with mental health problems have been found to be at increased risk of social exclusion, ongoing poor health and higher rates of unemployment compared to individuals in the general population with mental health problems (Flynn, 2019). It is also important to note that some groups of ex-Service personnel have been found to have a greater risk of developing poor mental health, including individuals who live in more deprived areas (Murphy et al., 2016) and those coping with physical health conditions, dealing with stress or experiencing significant life changes (Scullion et al., 2019).

When it comes to delivering mental health support, ex-Service personnel have been described as a 'potentially hard to engage group' (Palmer et al., 2017, p. 2; see also Kiernan et al., 2017). Numerous studies have highlighted barriers to veterans seeking help including stigma, a culture of stoicism within the military, not recognising mental health difficulties and practical issues around access (Randles and Finnegan, 2021; Melotte et al., 2017). Despite these barriers, research has shown that most ex-Service personnel (80%) who perceived that they had a mental health problem sought some kind of help - although this was often not medical - and the rates at which military personnel seek help are broadly similar to those of the general population (Mental Health Foundation, 2013).

It is worth noting that mental health issues which are connected to an individual's Service experiences can extend well beyond transition to civilian life. The average time taken for ex-Service personnel to seek help for mental health and wellbeing difficulties from Combat Stress (a charity that provides mental health support for ex-Service personnel) is approximately 12 years after leaving the armed forces (Murphy et al., 2015). Encouragingly, there appears to be evidence of a cohort effect, with veterans from more recent deployments seeking support more quickly than individuals deployed on previous operations (e.g. 2 years for those who went to Afghanistan versus 13 years for those deployed to Northern Ireland (Murphy and Busuttil, 2019).

Range of physical health needs

Occupational hazards vary considerably depending on individual service experiences. However, serving personnel may be particularly vulnerable to combat-related injuries, such

as musculoskeletal problems (Briggs, 2014) and limb loss (Fossey and Hughes, 2014; Murrison, 2011). As mentioned above, discharge figures may not represent the full range of injury and illness experienced by serving personnel.

Academic studies on wounded, injured and sick serving personnel tend to focus on specialist areas, such as musculoskeletal injury (Briggs, 2014), traumatic amputation (Fossey and Hughes, 2014; Murrison, 2011) or visual impairment (Malcolm et al., 2014). Studies which examine the health needs of the armed forces community more broadly, although insightful, have typically been limited to small sample groups. For example, the samples may cover the beneficiaries of one specific charity, veterans of a particular conflict or those serving within a limited time frame (Fear et al., 2010; Greenberg et al., 2016; RBL, 2014). Therefore, as occupational dangers and hazards vary enormously from one conflict to another, the existing academic studies are limited in their ability to represent serving and ex-Service personnel's physical health needs overall.

Additionally, for mobile Service families, access to health services can be something of a postcode lottery across the UK, which may present challenges for children with significant health issues or disabilities and who therefore require specialist care (Howarth and Doherty, 2023, p. 5). A report titled *Living in Our Shoes* highlighted the difficulties many armed forces families face in accessing adequate and timely healthcare in the UK as a result of frequent moves and emphasised the need to improve continuity of care (Walker et al., 2020a).

As highlighted in the 2021 Census, the ex-Service community is an ageing population. Specifically, around one-third (31.8%) of ex-Service personnel are over 80 years old, in comparison to only 5.1% of the non-veteran population (Knipe and Hill, 2023a). This means that there is likely to be a higher incidence of age-related health issues within the ex-Service population, such as sight decline, hearing loss, cardiovascular disease and neurodegenerative diseases. Furthermore, injuries initially sustained during service, such as hearing loss, can be further compounded by old age (Cole et al., 2020, p. 28).

Range of mental health needs

Mental health is an important issue for the armed forces community because poor mental health is associated with poor life outcomes in many different areas. Mental ill health can encompass a wide range of conditions, including anxiety, depression, post-traumatic stress disorder (PTSD) and self-harm. Mental ill health may also be related to risk-taking behaviours and substance and alcohol abuse (Cole et al., 2020, p. 29).

Many academic studies investigating the rates of mental health issues in the ex-Service population have focused on samples of ex-Service personnel who served in particular conflicts. In recent publications, there has been a focus on veterans who served in Iraq and/or Afghanistan. King's Centre for Military Health Research (KCMHR) found that veterans deployed to Iraq and/or Afghanistan had a significantly higher prevalence of common mental disorders (23% vs 16%), PTSD (8% vs 5%) and alcohol misuse (11% vs 6%) than non-veterans (Rhead et al., 2022, p. 293). More recently, KCMHR has found – for the first time – a higher rate of PTSD among veterans (between 9% and 17%, depending on the nature of their deployment) who served in Iraq and/or Afghanistan than among the general public (Combat Stress, 2018).

Researchers at the University of Chester have examined the prevalence of certain mental health conditions in veterans more broadly, by looking at the primary healthcare records of veterans living in the North West of England. Their study found that the most prevalent mental health disorder among veterans was depression (17.8%, N=437), followed by alcohol misuse (17.3%, N=423) and anxiety (15%, N=367). Lower rates of PTSD (3.4%, N=83), dementia (1.8%, N=45) and substance misuse (0.8%, N=19) were also reported (Finnegan and Randles, 2022, p. 3). Research currently being undertaken by Kika et al. (to be published in 2024) is intended to provide a much more large-scale analysis - and comparison with the general population - also using anonymised electronic primary care records (Kika et al., 2023).

A retrospective cohort study of suicide in personnel who left the regular armed forces between 1996 and 2018 found that the overall rate of suicide in veterans was not greater than that among the general population. Out of more than 450,000 individuals who left the armed forces between 1996 and 2018, 0.2% (N=1,086) died by suicide. However, the risk was greater for veterans who were under 25 years old, were male, had served in the army, had been discharged between the ages of 16 and 34, were untrained on discharge, and had a length of service under ten years (Rodway et al., 2023, p. 2). In 2021, the UK government introduced a new, more accurate method for recording veteran suicide. The first reports are expected to be published in 2024 and are intended to foster better understanding around the need for dedicated mental health services in England and Wales (OVA, 2021).

Although barriers to accessing mental health services among veterans are well researched in the UK, studies in this area have predominantly focused on male sample groups (Godier-McBard et al., 2021, p. 77). Therefore, the applicability of these findings to women remains unclear. US research suggests that female veterans experience the same barriers as their male colleagues (e.g. stigma towards seeking help and negative perceptions of support services) in addition to unique barriers associated with accessing male-dominated veteran-specific mental healthcare environments (e.g. a lack of gender-sensitive treatment options and feeling uncomfortable or unwelcome). Subsequent research has called for 'a thorough assessment of UK female veterans' health and social care needs, alongside development of training and guidance for health and social care professionals, to ensure that veteran services are adequately developed, tailored and targeted with women's needs in mind' (Godier-McBard et al., 2022, p. 1).

Recent studies have begun to explore the impacts of deployment, separation and bereavement on the wellbeing of spouses and children from military families. Previous research has shown that an ex-Service member's diagnosis of PTSD may be a predictor of psychological distress for their partner (Murphy et al., 2016). There remains a lack of consensus across the existing academic literature on the impact of parental deployment. The Naval Children's Charity notes that while some studies have found a link between separation during deployment and emotional and behavioural difficulties and increased anxiety, others have found no increase in behavioural problems as a result of separation (Godier-McBard et al., 2021). Bereavement can have a huge impact on the lives of armed forces children and young people who experience it (just as it can do for children in the civilian population). Yet, there is a significant lack of UK-based research exploring the impact of parental death and suicide on children and young people who are specifically from armed forces families

(Godier-McBard et al., 2021). Overall, there are still significant gaps in the existing research around armed forces spouses' and children's mental health needs.

1.3.3 Education and employment needs

Extent of education and employment needs

While the MOD may revise the figures following the publication of more recent data, including that in the 2021 Census, the UK ex-Service population has been projected to decrease year on year through to 2028 (MOD, 2019b). In contrast, the percentage of ex-Service personnel of working age is projected to rise, from 37% in 2016 to 44% by 2028 (MOD, 2019b). This may increase the need for support for employment and training over the next decade. Additionally, the general trend towards there being more working-age veterans may be compounded by the increasing numbers of veterans aged between 55 and 65, a social group particularly vulnerable to unemployment (Palmer, 2019).

Broadly speaking, qualifications and employment levels are similar between ex-Service personnel and the general working-age population. The MOD's most recent Annual Population Survey found that 92% of ex-Service personnel held a qualification and that they were no less likely to hold a qualification in comparison to the non-veteran population (MOD, 2019a). However, veterans remain less likely to be educated to degree level (21% versus 30%) (MOD, 2019a). Meanwhile, the Armed Forces Covenant has reported no significant difference between the rates of veteran and non-veteran employment (78% versus 79%) (MOD, 2018). Yet, occupation types do vary: ex-Service personnel are significantly more likely than the general population to be employed in manual occupations (18% versus 8% respectively) (MOD, 2019a).

During the 2021/22 financial year, the majority (87%) of Service leavers who used the Career Transition Partnership (CTP) scheme reported being employed within six months of leaving. This was higher than the rate of employment in the general population for the same period, although the two groups do have different demographic characteristics (MOD, 2022b, p. 16). It was also significantly higher than the rate of employment reported by CTP participants the previous (2020/21) financial year (83%). The MOD reports that employment rates have most likely been boosted by an increase in job opportunities following the impact of the COVID-19 pandemic (MOD, 2022b, p. 17). The professions most commonly entered by Service leavers during 2021/22 were skilled trade occupations (20%), associated professional and technical occupations (18%), and elementary occupations (16%) (MOD, 2022b, p. 6).⁶

Despite the positive short-term employment outcomes described above, it is also important to consider longer-term employment outcomes among ex-Service personnel. A survey carried out in 2021 found that while their employment was sometimes punctuated by changes in jobs and periods out of work, ex-Service personnel tend to maintain employment over time after leaving the armed forces (Fisher et al., 2021, p. 5). However, job satisfaction is not widespread, with only 44.5% of the respondents stating their job was the 'right' long-term outcome for them, and slightly fewer (42.4%) feeling their job fell short of expectations around 'maximising their potential or providing opportunity for career progression' (p. 5).

⁶ Elementary occupations are defined as those that 'generally require a minimal level of general education and may incorporate short periods of work related-training' and can include 'bar tenders, labourers, cleaners and factory/warehouse workers' (MOD, 2022b, p. 6).

Range of education and employment needs

The armed forces comprise a diverse range of individuals with varying skill sets, academic achievements and professional backgrounds. However, serving personnel who lack formal qualifications or transferrable skills may find it difficult to transition to civilian life. This may limit ex-Service personnel's access to potential career paths, as their in-Service qualifications may not align with employers' expectations or translate easily to civilian skills (Cole et al., 2020, p. 31). Recently, the MOD has collaborated with the Scottish Credit and Qualifications Framework Partnership and Skills Development Scotland to create an online tool intended to help serving personnel and Service leavers throughout the UK to understand the skills and qualifications they have gained in the armed forces. It aims to help them translate these skills into language easily understood by civilian recruiters (MOD, 2023e, p. 68).

Previous research with 1,000 male army infantry recruits reported that most recruits had achieved GCSE grade C or below in the majority of the subjects they took, with 15% not taking any examinations (Kiernan et al., 2016). This may restrict the range of job opportunities Service leavers from the army can access. However, it is worth noting that this research is now almost a decade old, and since its publication there have been efforts to improve education across the armed forces. For example, the Veterans Strategy Action Plan 2022 to 2024 outlines plans to improve access to lifelong learning and training opportunities (MOD, 2022c).

A study led by Qinetiq and published in 2021 found that most ex-Service personnel maintain employment over time 'even if this involves numerous jobs and/or periods of unemployment' (Fisher et al., 2021, p. 5). However, as mentioned in the previous subsection, this study also highlighted low satisfaction among ex-Service personnel with the long-term suitability of their civilian job and the ability of their job to maximise their potential or provide opportunities for career progression (Fisher et al., 2021, p. 5).

The mobility associated with Service life and transition can create educational disruptions for children in armed forces families (Walker et al., 2020b). Moving to a new school or college may result in discontinuity between local curriculums (e.g. repeating and/or missing out on some learning), having to adjust quickly to requirements of different exam boards, and (re)building relationships with peers and staff (Hall, 2019). Educational challenges can be particularly acute for families with children who have special educational needs or disabilities – relocation can make it especially difficult to secure appropriate school places for such children (Walker et al., 2020b, p. 7). Research by the Children's Society (2017) further suggests that children in armed forces families who are classified as young carers may face additional barriers to education.

Barriers to education and employment

In recent years, the MOD has taken significant steps to improve learning pathways and resettlement services for serving personnel. The Veterans Strategy Action Plan 2022 to 2024 set forth plans to revamp the CTP in 2023 to further improve the career resettlement service offered to veterans and their families (MOD, 2022c).⁷

⁷ See section 1.4 for more information on recent programmes designed to support ex-Service personnel and their families seeking employment.

However, some key challenges and barriers may remain for ex-Service personnel who are seeking civilian employment after transition. One key challenge is the lack of transferability of military skills and qualifications, which has been described as a ‘widely recognised issue’ (Hynes et al., 2022). The 2018 Armed Forces Covenant annual report indicated that fewer than half (47%) of regular serving personnel were satisfied with the opportunities they had for civilian accreditation (MOD, 2018). Veterans with lower skill levels, those who struggle to retrain and those who live in areas with low employment opportunities may find that their skills are underused (MOD, 2018). Lack of relevant experience and qualifications has also been highlighted as a barrier to securing or maintaining long-term employment, especially given the aforementioned difficulty translating skills and experiences from a military to a civilian context (Fisher et al., 2021, p. 73).

Another key challenge for ex-Service personnel can be negative employer perceptions of ex-Service personnel (Fisher et al., 2021). The Office for Veterans’ Affairs (OVA) reported in 2022 that 84% of employers ‘would be comfortable working with’ ex-Service personnel, whereas 11% perceived ‘risks in working with’ ex-Service personnel (OVA, 2022). Previous research conducted by Deloitte found that although 71% of employers were willing to hire ex-Service personnel, only 39% were willing to hire someone with no industry experience; this may be a barrier because many people enter the armed forces at a young age and therefore do not have experience in other fields (Deloitte, 2016).

Meanwhile, a national survey undertaken in 2012 found that 91% of employers thought it was common for ex-Service personnel to have a physical, emotional or mental health problem; although these are legally protected characteristics, this perception could result in bias during the recruitment process unless recruitment processes are designed to counter it (Ashcroft, 2012). Contrary to some negative perceptions, ex-Service personnel have been found to perform well within civilian workplaces and tend to be promoted faster than colleagues with a non-military background (Deloitte, 2016).

Research undertaken by SSAFA, the Armed Forces Charity has found that employers need a much greater appreciation of what military qualifications signify, how they relate to similar civilian qualifications, and how the gaps between military and civilian qualifications can be closed (SSAFA, 2018). It is hoped that the passing of the Armed Forces Act 2021 will educate more businesses and employers on the importance of supporting the armed forces community, thereby encouraging more employees to sign up to the Defence Employer Recognition Scheme and increasing employment opportunities for ex-Service personnel (see table 1.3, page 29, for more information about the Armed Forces Act 2021).

A growing body of evidence suggests that UK military spouses and partners (the majority of whom are women) face additional difficulties in finding and maintaining paid work in comparison to the general population (AFF 2017; Blakely et al., 2014; Stone, 2016). A survey of partners of serving and ex-Service personnel conducted in 2022 found that they ‘generally perceived Service as negatively impacting’ their own employment, with the partners of army ex-Service personnel being more likely to perceive a negative impact than the partners of personnel from the other Service branches (Slapakova et al., 2023, p. 40). The research suggested the three main factors affecting partners’ employment situation were frequent relocation, long or unpredictable working hours (for the serving partner), and the affordability of childcare (p. 40). Previous research has suggested other important

barriers to military spousal employment: frequent postings and deployment, lack of access to professional development and (re)training opportunities, negative employer perceptions, MOD reluctance to support military spouses and partners, and the general military culture (Lyonette et al., 2018).

1.3.4 Housing needs

Extent of homelessness and housing needs

As highlighted in section 1.2.2, data from the 2021 Census shows that rates of homeownership are broadly similar among the veteran (74.6%) and non-veteran (75.5%) populations when the non-veteran population is adjusted to reflect the same demographics (Knipe and Hill, 2023b). Meanwhile, just under half (48%) of regular serving personnel own their own home, with rates tending to be lower among army personnel than personnel in the other Services (MOD, 2023b). This is lower than the rate of homeownership in the general population, which is 62.5% (ONS, 2023c). This may be partly due to the widespread availability of MOD-owned accommodation: over three-quarters (77%) of all personnel live in Service accommodation during the working week, while just under a fifth (19%) do not live in Service accommodation (MOD, 2023b).

Data from the 2021 Census can also provide limited insights into the relative rates of homelessness among veteran and non-veteran populations (the data is not intended to provide a robust account of homelessness). The census data shows that 1.9% of the residents in hostels and temporary shelters for people experiencing homelessness were veterans, and that rates of homelessness among the general population were similar for veterans and non-veterans (Knipe and Hill, 2023b). Meanwhile, the national Rough Sleeping Questionnaire (conducted in 2020 and completed by 563 respondents who had slept rough) found that 6% of the UK nationals who completed the survey had served in the armed forces (MHCLG, 2020a, p. 59). Beyond the more visible rough sleeping, 'hidden homelessness', such as sofa-surfing or being in temporary accommodation, among veterans is more difficult to measure (Cole et al., 2020, p. 33). Research has been commissioned to shed light on the pathways to homelessness among the ex-Service population, and it is hoped that this will help in the design of more effective solutions (Riverside, 2021).

Range of housing needs

While homelessness is a subject that often reaches the headlines, ex-Service personnel have a wide range of housing needs (Cole et al., 2020, p. 33). For instance, members of the armed forces community may require help with home repairs, signposting to services that might benefit them, housing searches and applications, deposits, financial advice or moving house; these services may be provided through outreach or drop-in day centres (Doherty et al., 2018a).

A lack of awareness of welfare and benefits entitlements or knowledge about where to access help can act as a barrier to ex-Service personnel accessing suitable housing. A study led by researchers at the University of Salford found that some ex-Service personnel lacked knowledge of the benefits system and welfare entitlements (Scullion et al., 2019). Older ex-Service personnel (who make up the majority of ex-Service personnel experiencing

homelessness) have been identified as being particularly likely to lack information about where to access help, due to the fact that they left before improved MOD resettlement services came into practice (Dandeker et al., 2005; Durkacz and Lemos, 2005; Johnsen et al., 2008; RBL, 2011).

Further, research undertaken by the housing charity Alabaré found that some ex-Service personnel who approached the charity for help were hindered by a ‘culture of institutionalism’ – some of the charity’s beneficiaries did not engage in everyday civilian tasks (such as bill-paying or house-hunting) while serving and, as a result, were ill-prepared to adjust to civilian life (Pardoe and Ronca, 2017). This finding has been echoed in more recent research, which has concluded that the complex housing system ‘can be particularly difficult to tackle for Service leavers who have only experienced Armed Forces accommodation’ (Rolfe, 2020, p. 148).

In 2021, the National Audit Office reported that the MOD was not meeting its commitment to provide high-quality, subsidised accommodation to all serving personnel (Fleuty et al., 2021, p. 222). The MOD’s 2022 Continuous Attitude Survey asked questions about satisfaction with the standard, allocation and value of Service accommodation. Just under half (48%) of serving personnel were satisfied with the overall standard of Service accommodation, two-fifths (40%) were satisfied with how fairly Service accommodation is allocated and three-fifths (60%) were satisfied with the value for money (MOD, 2023b, p. 18).

Affordability remains the most common reason why serving personnel do not own their own home (MOD, 2023b). Therefore, while over 27,000 Forces Help to Buy payments have been made since this scheme began in 2014, serving personnel may need more practical help to get on the property ladder, such as guidance on how to find a suitable home (MOD, 2023f). As noted in section 1.4, the 2022 Defence Accommodation Strategy renewed the MOD’s commitments to ensure that all serving personnel have access to good-quality accommodation, improve the fairness of the allocation process and help veterans attain homeownership (MOD, 2022d).

1.3.5 Criminal justice system needs

Extent of criminal justice system needs

Since 2015, individuals entering prisons in England and Wales have been asked via the Basic Custody Screening Tool (BCST) whether they have previously served in the armed forces. However, the question is not specific to the UK armed forces, so it may also capture data from ex-Service personnel who have served in other countries’ armed service organisations (MOJ, 2023, p. 1). According to the Ministry of Justice, as of June 2022 the total number of ex-Service personnel in prison stood at 1,768, which represented 3.6% of the prisoners who had undertaken the BCST (MOJ, 2023, p. 1). More broadly, the 2021 Census found that 4.9% (N=3,239) of the residents of prisons, detention centres, and approved bail and probation premises were veterans (Knipe and Hill, 2023b).

Similarly, individuals entering Scottish prisons are asked whether they are ex-Service personnel. Statistics show that 404 prisoners disclosed their veteran status during the financial year 2021/22, which represented 5.5% of the average daily Scottish prison

population during the same period (Scottish Parliament, 2022). Currently, Northern Ireland has no formal processes established to collect data on the number of ex-Service personnel who enter the criminal justice system (Armour et al., 2017).

When it comes to the ex-Service personnel in prison, the numbers of spouses, partners and children of such individuals are currently unknown. Prisons, military charities and peer support groups do not routinely collect information on the dependants or family situations of prisoners and offenders. This means that charities and other organisations find it very difficult to establish the scale or nature of need of the armed forces families that come into contact with the criminal justice system, or how many such families there are (Harvey-Rolf and Rattenbury, 2020, p. 10).

Range of criminal justice system needs

Research indicates that there are multiple contributing factors to why ex-Service personnel enter the criminal justice system, and these reasons mirror those found in the general population. Such reasons include low socio-economic circumstances, poor educational attainment, having experienced or witnessed trauma at some point in their life, experiencing periods in care, alcohol abuse, social exclusion and financial problems (Howard League, 2011; MacManus et al., 2013; RBL, 2014). Research has found that some ex-Service personnel have a history of criminal behaviour prior to joining the military (Howard League, 2011). For these individuals, military service can act as a 'hiatus', preventing offending that otherwise might have occurred (Cable et al., 2020).

In 2020, the charity Barnardo's published a needs assessment of ex-Service personnel (and their families) in custody. The armed forces families that participated called for more family-focused support (including peer support) during custody and also upon release, which can be one of the most challenging periods for families in the criminal justice system (Harvey-Rolf and Rattenbury, 2020, p. 10). The report identified barriers to families accessing criminal justice support from military charities: families were reliant on their veteran family member in the criminal justice system to inform them of the support available, and they had to verify their family member's veteran status in order to access support from armed forces charities. Because many veterans do not self-identify as such – and, therefore, do not see themselves as eligible for support services – this can present a barrier to support (Harvey-Rolf and Rattenbury, 2020, p. 10).

The Barnardo's report also revealed that children of veterans in custody are much more likely to have experienced family breakdown compared to children among the general population. In the sample group, 26% of Service children were living, or expected to live, with both birth parents when their fathers were released from custody. By comparison, the rate of children aged 0–14 living with both parents in the general population is 66%. The research participants reflected on the gaps children experienced in their relationships with their parents during active Service and custody, stating that these gaps had a negative emotional impact on the children and in some instances caused anxiety (Harvey-Rolf and Rattenbury, 2020, p. 9).

1.3.6 Debt and financial needs

Extent of financial needs

Many members of the armed forces community do not face any financial hardship throughout their service or beyond. However, others face unique financial stressors, some of which can be related to their experiences while serving, following their Service and/or during the transition to civilian life (Howarth et al., 2021a, p. xiii).

According to the 2023 UK Regular Armed Forces Continuous Attitude Survey, just under one-third (31%) of serving personnel are overall satisfied with their basic pay and agree that 'their pay and benefits are fair for the work that they do', notably lower than the 46% recorded in 2021. However, when split by rank, satisfaction with basic pay is markedly higher for those of officer ranks, at 42% (MOD, 2023b, p. 7). Around one in eight (12%) serving personnel had concerns about their personal debt levels, up from 7% in the previous year and returning to the level reported in 2020 (MOD, 2023b, p. 7).

A 2022 survey-based study found that many serving personnel and their partners had experienced a negative change in their financial stability after the onset of the COVID-19 pandemic (Slapakova et al., 2023, p. 4). Serving personnel and their partners reported that their experiences of financial hardship were tied to inflation, rising living costs, changes in personal circumstances leading to changes in spending (e.g. overseas relocation during COVID-19) and greater perceived barriers to partner employment (Slapakova et al., 2023, p. 4). Many survey respondents also reported that the ongoing cost-of-living crisis has undermined their family's ability to save or maintain their savings (Slapakova et al., 2023, p. 4).

Financial health can have a huge impact on Service leavers' transition to civilian life. Finance has been identified as a key aspect of wellbeing underpinning a successful transition from military to civilian life (Pedlar et al., 2019). It is also listed as a key 'pillar' of transition in the MOD's Defence Holistic Transition Policy (MOD, 2019c, p. 3). Finances were found to be the second most challenging aspect of transition in a tri-Service study on experiences of transition. The study found that families and Service leavers were often surprised by the financial realities of civilian life. Unanticipated increases in the cost of living meant that some families ended up worse off after transition, and many families cited unexpectedly higher outgoings (Heaver et al., 2018, p. 31).

Further research has revealed that almost one-quarter (23.4%) of veterans claim unemployment benefits at some point; however, this typically occurs shortly after their leaving the armed forces, with the rate falling sharply from 7% within one month of leaving to below 2% within two years of leaving (Burdett et al., 2018, p. 29). Overall, 5.3% of veterans were found to claim disability benefits, with these benefits tending to be claimed on a longer-term basis than unemployment benefits (p. 8). Service leavers who are of a low rank, who experience an unplanned leave or who are medically discharged have a greater likelihood of accessing benefits upon leaving service (p. 30).

Additional research published in 2023 found that one in ten veterans were living in a food-insecure household (Stretesky and Defeyter, 2023, p. 2). Food insecurity is not solely related

to veteran status but related to a variety of demographic characteristics, such as income and health. However, the findings raise concerns that veterans with disabilities who have a low income and housing needs are a unique population at risk of living in food insecurity.

Range of financial needs

High childcare costs have been identified as a financial stressor for serving personnel that in some cases can lead to debt (Walker et al., 2020a, p. 181). Such high costs are likely to affect a large proportion of the serving community as 47% of serving personnel have children whom they support financially (MOD, 2023b, p. 21).

Longitudinal research carried out by researchers at the University of Salford found that ex-Service personnel frequently reported a lack of available information on eligibility for social security and benefits before and during transition (Scullion et al., 2019, p. 53). Respondents highlighted how time serving could lead to unfamiliarity with eligibility for various benefits or how to access support (p. 18). As a result, the authors recommended that the Department for Work and Pensions (DWP) and the MOD should collaborate to provide benefits guidance 'as a routine part of the resettlement support' (p. 53).

Financial hardship among the ex-Service community is a key driver of individuals accessing support from armed forces charities (Northumbria University, 2018). Research shows that veteran hardship is mostly associated with factors linked to socio-economic status: age, education and childhood adversity. Few military-specific factors were shown to predict socio-economic hardship, except method of leaving – where those leaving due to medical or unplanned discharge were more likely to encounter most forms of hardship as veterans – and rank, which is itself related to socio-economic status (Burdett et al., 2021).

In line with research in the civilian population, the University of Salford study reported that some ex-Service personnel feel considerable stigma around claiming benefits, specifically because this may be seen as a failure to live up to the 'self-sufficiency, strength of character and resilience' associated with serving (Scullion et al., 2019, p. 22). Many of the challenges ex-Service personnel face when claiming benefits mirror those in the civilian population. However, ex-Service personnel may also experience more specific barriers to receiving benefits and other types of state welfare support related to their military career. For example, the same study raised concerns about Work Capability Assessment (WCA) assessors' lack of understanding of service-related illness and mental health, which can lead to deteriorating health outcomes for applicants (Scullion et al., 2019, pp. 23–7).

While there are 'Armed Forces Champions' in many Jobcentre Plus districts, the University of Salford study found inconsistencies in how well this role is carried out and reported varying degrees of access for ex-Service personnel (Scullion et al., 2019, p. 51). However, it should be noted that the numbers of Armed Forces Champions have increased since this study was published in 2019, and their roles have been redefined (see section 1.4.3 for more information). Many ex-Service personnel receive help and support from healthcare professionals and armed forces charities while navigating their WCA. While this is a crucial source of support for veterans, it causes a 'significant "displacement" within the current benefits system, whereby the cost of supporting ex-Service personnel is borne by a wider range of organisations' (Scullion et al., 2019, p. 28).

1.3.7 How welfare needs may have changed in recent years

New analysis of DSC's surveys of Cobseo members can shed some light on how the welfare needs of the armed forces community may have changed in recent years. However, it should be noted that this is not intended to be a definitive account: this data is based on demand for support, rather than need as reported by members of the armed forces community. In addition, the sample of each Cobseo Members' Survey is made up of those who choose to complete the survey and varies from survey to survey, meaning the responses may not be representative of the armed forces charity sector more broadly.

Every six months since May 2020, DSC's researchers have asked respondents to the Cobseo Members' Survey about how the needs of their beneficiaries are changing in relation to several topics of support. The Cobseo members who responded to each survey could state whether the demand for each area of support had increased, decreased or shown no change. As part of the research for this report, DSC's researchers looked back over these surveys and calculated the percentage of respondents in each of the three change categories for each topic of support and each survey.

Table 1.2 shows the overall (mean) average percentages of respondents reporting increased demand across all of the surveys. Because the surveys began in May 2020, this therefore provides an insight into the average changes in levels of demand since the onset of the COVID-19 pandemic. It is important to highlight that this analysis indicates where demand is increasing to greater or lesser extents. This is, therefore, relative over time and may not correspond to where the most pressing needs or most widespread demand are in absolute terms.

Table 1.2

Average prevalence of increased demand across all of DSC's Cobseo surveys (May 2020 to June 2023) by topic	
Topic of support	Average prevalence of increased demand
Mental health support	66.50%
Loneliness support	62.50%
Hardship or financial support	56.70%
Family support	50.90%
Employment and unemployment support	43.40%
Housing support	43.10%

Average prevalence of increased demand across all of DSC's Cobseo surveys (May 2020 to June 2023) by topic

Drug and alcohol support	40.60%
Domestic abuse support	35.80%
Physical health support	30.80%

Note: Average = mean average.

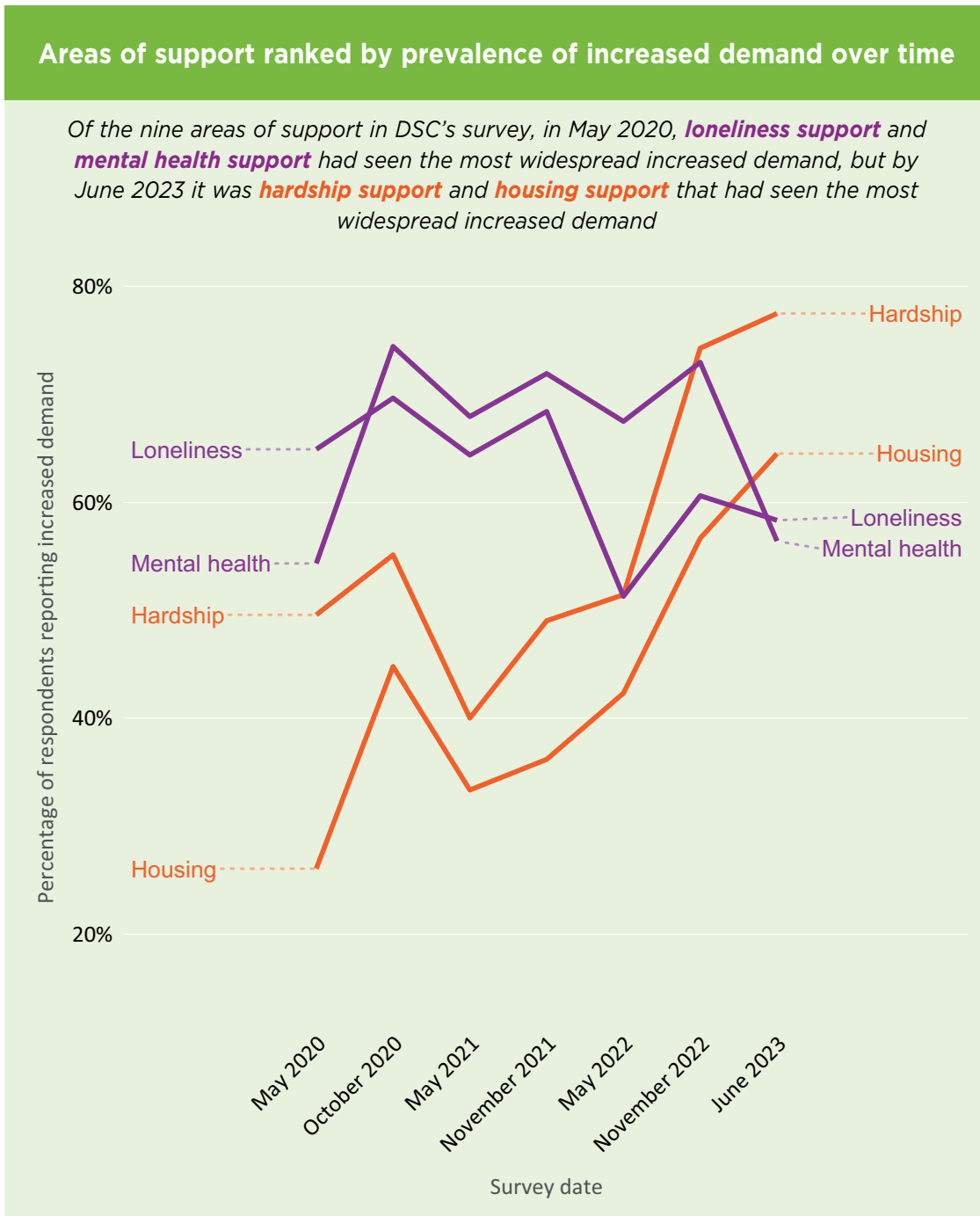
As shown in table 1.2, overall, mental health was the topic of support which had the highest (mean) average percentage of respondents reporting increased demand (66.5%) between May 2020 and June 2023. However, as shown in figure 1.1 – which highlights the two areas of support with the highest average increased demand, and the two areas of support with the most notable changes over the waves of the survey – while mental health support was consistently the area with the most or second-to-most widespread increased demand between October 2020 and November 2022, it was overtaken by other areas of support in June 2023.

Loneliness support was the topic which had the second highest overall (mean) average percentage of respondents reporting increased demand (62.5%). Reports of increased demand around loneliness support were most prevalent between May 2020 and November 2021. After this, reports of increased demand for loneliness support fell somewhat. This possibly reflects the end of the COVID-19-related social restrictions. Nevertheless, demand for loneliness support remained relatively widespread (never falling below 50.0% of respondents reporting increased demand).

Two particular areas of support – hardship or financial support and housing support – had comparatively lower average reports of decreased demand (56.7% and 43.1%, respectively) but showed clear upwards trends over time. In May 2020, 50.0% of the respondents reported increased demand for hardship or financial support. By May 2021, reports of increased demand for hardship or financial support had fallen to 40.0%. Since then, reports of increased demand for hardship or financial support have consistently become more widespread: by June 2023, this was the area of support with the greatest percentage of respondents reporting an increase (77.5%) out of all of the areas included in DSC's survey.

Similarly, housing support had the second-to-lowest percentage (26.0%) of respondents reporting increased demand at the start of DSC's surveys in May 2020. After rising (in the rankings and in the percentage reporting an increase) in the intervening period, housing support had the joint second-lowest percentage of respondents reporting increased demand in May 2021. Nevertheless, since then, reports of increased demand for housing support have become increasingly widespread with each survey. By June 2023, housing support had the second most widespread reports of increased demand (64.5%) out of all of the areas included in DSC's survey.

Figure 1.1



Note: The numbers of respondents vary between the surveys and for each topic within the surveys. For reasons of space, 'hardship or financial support' has been shortened to 'hardship'. It should also be noted that 'hardship or financial support' replaced 'poverty or financial support' as the description for this area of support in the November 2022 survey.

Box 1.1 provides some insights from one armed forces charity, Blesma, as to how the COVID-19 pandemic impacted demand for physical health support. In this case, demand for support for limb loss remained relatively stable but there was an increase in demand for financial support via grants to individuals.

Box 1.1

Insights into the impact of the COVID-19 pandemic: Blesma

Blesma was originally established to support veterans who had lost limbs during the First World War. Today, the charity provides support for serving and ex-Service personnel who have experienced life-changing limb loss, loss of use of a limb, eye loss or loss of sight because of their service (Blesma, 2023).

The charity's mission is to help limbless and injured veterans lead independent and fulfilling lives. It delivers a wide range of services, including prosthetics advice and access to support officers. It also delivers a range of recreational activities and courses, grants for equipment or home adaptations, and advice around finance entitlement and benefits (Blesma, 2023).

What were some of the key effects of the COVID-19 pandemic on your beneficiaries?

'Isolation was an issue for many of our members. Those in older age categories or with significant mobility issues were most affected. Limited access to – or knowledge of – digital social interaction tools added to this sense of isolation.

'Attendance at NHS Limb Centre appointments was reduced to an "urgent-only" service and strict social-distancing measures were imposed. On top of that, patients had to remain in their cars and hand over prosthetics to the clinical staff and communicate from their cars. Only urgent repairs to prosthetics were possible.'

How did your service provision change during and after the COVID-19 pandemic?

'We moved to a homeworking model and all communication with members was by telephone or online. We also used volunteers and employed staff to help coach beneficiaries with less IT awareness to use the devices that we had provided for them.

'When permitted under the COVID-19 restrictions, some in-person visits were carried out in the neediest cases. Full risk assessments were conducted before such visits. Restrictions and guidelines relating to the COVID-19 pandemic were followed, meaning that on rare occasions a support officer would be able to visit

but remain socially distanced from the beneficiary (e.g. sitting on a garden wall while a member was talking through the window).

‘All activities and events were cancelled or postponed until rules around the COVID-19 pandemic permitted personal contact.’

How did the demand for your services change during the course of the COVID-19 pandemic?

‘In most cases, our membership fared well. The parts of the community that were digitally connected remained so – and many more members took to social media for online events, friendship and mutual support. Also, our support officers and welfare team established a process for checking in on the membership. Regular remote contact was established and worked well.’

How did your organisation cope with or respond to any changes in demand?

‘Our funding for [benevolent] grants [to individuals] increased by 25% in 2020/21 [compared to 2019/20] and by [a further] 15% in 2021/22. The financial impact of the COVID-19 pandemic on our organisation was partially mitigated by a decrease in activities and events, as well as financial support from the government and some corporates.’

Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

It is important to highlight that the changes in demand for support – and the underlying needs of the armed forces community – cannot always be grouped into discrete categories. Needs and demand for support can overlap and create more complex cases for support. This was reflected in some of the qualitative responses provided by the survey respondents, as shown in box 1.2.

Box 1.2

**Insights from the Cobseo Members’ Survey:
Insights around complex or overlapping needs**

We are experiencing increased case complexity with beneficiaries experiencing multiple challenges, often requiring a greater number of recovery interventions/sessions and a longer period of support to achieve objectives. If these trends continue, the cumulative impact is likely to be that we are unable to respond as quickly as we would like, with potential waiting lists for some high-demand services.

Large charity, October 2020

There are actually less cases, but they are more complex and take longer to support.

Medium charity, May 2021

Overwhelming number of complex cases presenting.

Medium charity, November 2022

We have seen a sharp increase in the average case cost and the complexity of needs with most beneficiaries now requiring support for more than one service.

Small charity, November 2022

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

Later waves of DSC's survey of Cobseo members (from November 2021 onwards) asked whether key policy changes and other socio-economic trends were having an impact on the drivers behind the needs of the respondents' beneficiaries. A selection of responses has been reproduced in box 1.3.

Box 1.3

Insights from the Cobseo Members' Survey: Insights around the drivers behind changing needs

[There has been a] slight increase in demand now Universal Credit has ceased and also [from] the secure tenancy arrangements being removed.

Large charity, November 2021

The increased profile of Afghanistan has caused a surge in mental health issues.

Large charity, November 2021

We are starting to see increased requests relating to debt [and] rent arrears but the overall numbers requesting assistance remain substantially lower than pre-pandemic.

Medium charity, May 2022

We would still put mental health challenges above cost-of-living increases as the driver behind beneficiaries' needs.

Medium charity, May 2022

The cost-of-living issue has become the first issue that veterans want to talk about. It is significantly affecting their mental health.

Large charity, November 2022

Increase in families seeking support - just not able to make ends meet. Sharp rise in grants awarded, including regular charitable payments paid monthly to families.

Medium charity, June 2023

The volume of new applications for cost-of-living support has reduced as household utility bills are typically lower now than they were in colder periods. Across our wider services, we are experiencing an increasing demand for other essentials of everyday life, particularly food and clothing.

Large charity, June 2023

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

1.4 WHAT NEW POLICY DEVELOPMENTS HAVE TAKEN PLACE SINCE 2020?

Government policies can shape the types and breadth of support available for the armed forces community and set out priority areas for support - and these policies can have important implications for armed forces charities. This is because government policies shape the range and depth of support available from public services for the armed forces community. It may also be important for charities to track policy changes so that they can effectively identify and respond to any gaps in statutory provision.

In some cases, armed forces charities are directly involved in policy decision-making. In fact, a small number of armed forces charities' main charitable purpose is to gather evidence on the needs of armed forces communities, advocate on their behalf and influence policy decision makers to invoke policy changes that improve their wellbeing. An example of such a charity is the RAF Families Federation, which features in the case study in box 1.4.

Box 1.4

Insights on policy and influencing: RAF Families Federation

The RAF Families Federation (RAF FF) is an independent organisation, parented and supported by the Royal Air Force (RAF) Association. Its aim is to improve quality of life for the RAF family around the world – at work or at home. It helps to resolve problems with access to education or healthcare, for children and young people; sorting out problems with accommodation, benefits and visas; helping military spouses find meaningful employment (RAF FF, 2023).

RAF FF achieves this by providing practical support and advice, as well as lobbying for change with politicians, the Chain of Command and policymakers in the British Government and across Scotland, Wales and Northern Ireland.

We spoke with the organisation's Director to learn more about its policy and influencing work, which aims to amplify the voices of RAF families.

How does your organisation gather and share information about the needs of your beneficiaries?

'We gather our information through our database of issues raised directly with us [by RAF families] and through the RAF FF Community Forum (this is made up of serving personnel and their families both in the UK and overseas who freely volunteer their time to meet with us) to make us aware of issues they have experienced. We also gather information through Station visits and Families Days, and attending various different RAF events.

'We share the information through our website, our social media, news stories, case studies and our *Envoy* magazine. We also share information through our advocacy and engagement with other organisations.'

How does your organisation represent the voices of your beneficiaries and influence policy and decision-making?

'We use the evidence provided to us by RAF families and advocate on their behalf to the House of Commons Defence Select Committee and the Armed Forces' Pay Review Body, and in regular meetings with the Ministry of Defence and other government departments. Additionally, we provide evidence to specific cohorts when asked – for example, the children's minister. We have also provided submissions to different government departments including the Department for Education and the Office of Tax Simplification, and [via] our annual review of the Armed Forces Covenant.

'In order to deliver this evidence, we canvassed RAF families to ensure we had their up-to-date views and examples of issues. Our ability to influence is not

limited to England; we recently submitted evidence to the Scottish government, highlighting the disadvantage that Service families experience not being able to access higher education and further education funding in Scotland as well as highlighting other pressing issues in Scotland, such as lack of childcare and the concomitant impact on spousal employment and child poverty.'

Do you think it is important that charities are involved in campaigning and policymaking? Why?

'It is important for charities to be involved in campaigning and policymaking as they are independent and have a deep understanding of why their beneficiaries need them. It is, therefore, incumbent on charities to try and eliminate the need for help and influence policy change around the root causes when there is a disadvantage.'

Do you think it is important that some armed forces charities offer specialist support (e.g. to a specific beneficiary group or Service branch) rather than tri-Service support? Why?

'Each Service has its own idiosyncrasies and so it is important that the armed forces charities acknowledge this. The mobility issues in the RAF are different to the separation challenges of the navy, and the deployment turnaround for the army. This needs to be understood and reflected in the charities that support them.'

Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

Table 1.3 provides an overview of some of the recent relevant legislation and policy reports that have been implemented or published (some of which focus on the UK and some of which focus on specific countries within the UK). This report examines the period since the publication of DSC's previous *Sector Insight* report, which provided information relating to previous policy developments (Cole et al., 2020, pp. 10-14).

Table 1.3

Government legislation and policy publications since 2020	
<i>Healthcare for the Armed Forces Community: A forward view (NHS, 2021)</i>	<p>Published in March 2021, <i>Healthcare for the Armed Forces Community: A forward view</i> is a companion document to the NHS Long Term Plan. The strategy outlines the commitments NHS England and NHS Improvement are making to improve the health and wellbeing of the armed forces community (NHS, 2021, p. 3).</p> <p>As part of the review process for the strategy, the NHS consulted with patients from the armed forces community</p>

Government legislation and policy publications since 2020

and their families, as well as healthcare commissioners, healthcare providers, the Ministry of Defence (MOD) and armed forces charities. The views and experiences that the stakeholders shared were used to inform nine commitments for NHS England and NHS Improvement to improve the quality of care for the armed forces community (NHS, 2021, p. 4).

Among other things, the strategy includes commitments related to quality of care; support for families, carers, children and young people; and helping in the transition from serving to ex-Service life. Each commitment provides specific information on what the NHS plans to do - in partnership with the MOD, the Office for Veterans' Affairs, armed forces charities and other organisations - to improve support for the armed forces community (NHS, 2021, p. 4).

Veterans' Strategy Action Plan: 2022-2024 (OVA, 2022)

In January 2022, the UK government released the Veterans' Strategy Action Plan: 2022-2024, which built on the work of the Strategy for Our Veterans, released in 2018 (AFC, 2018).

The new plan is structured around three areas of action. These are understanding the veteran community (pp. 12-15), transforming services and support for veterans (pp. 16-27) and recognising veterans' contribution to society (pp. 28-33).

The strategy sets out the overarching goal to 'make the UK the best place in the world to be a veteran by 2028' (OVA, 2022, p. 7). To achieve this, the plan outlines 60 specific pledges to be undertaken between 2022 and 2024 (Brooke-Holland et al., 2023).

At a broader level, the plan highlights five focal points for success: deliver a significant change in support for veterans and their families, maximise veteran employability on the principle that this is the key to positive life outcomes, acknowledge and address the historical hurt and/or disadvantage that sections of the veteran community have experienced, deal with the impact of historical military operations on veterans, and make sure that veterans receive the same high standard of support across all of the UK (OVA, 2022, pp. 3-6).

Government legislation and policy publications since 2020

2021 Census data on the veteran population in England and Wales

In 2022, the ONS released data on the size, location and demographic characteristics of the veteran population residing in England and Wales. This data was gathered during the 2021 Census.

The 2021 Census covering England and Wales was the first to seek to provide statistics about the veteran population (Scotland's census was carried out in 2022 and has not yet been published, and no equivalent question was included for Northern Ireland, as described in section 1.2.2). Respondents were asked whether they had ever served in the armed forces (either as a regular or a reservist). This question was introduced in order to help local authorities and service providers better understand the veteran population in England and Wales (ONS, 2022d).

This data-gathering exercise has facilitated the sharing of more extensive and meaningful data about the veteran population (as discussed further in section 1.2.2).

The 2021 Armed Forces Act

In December 2021, the UK government fulfilled one of its 2019 manifesto commitments by passing the Armed Forces Act, the effect of which was to enshrine the Armed Forces Covenant into law.

This new legislation aims to ensure that armed forces personnel, veterans and their families are better supported when accessing key public services such as healthcare, education and housing (Docherty and Wallace, 2021). To this end, the Armed Forces Act places a legal obligation on specific public bodies to uphold the Covenant principles when delivering certain services or deciding certain policies (Brooke-Holland and Mills, 2022).

The Armed Forces Act also aims to improve access among serving personnel to legal advice and ensure that they have a clear, fair and effective route to justice regardless of where they are serving or based (Docherty and Wallace, 2021).

It is intended that the Act will increase public service providers' awareness of the principles of the Covenant and the reasons for it - and, in turn, improve their decision-making in relation to services that may be used by the armed forces community (Docherty and Wallace, 2021).

Government legislation and policy publications since 2020

UK Armed Forces Families Strategy: 2022-32 (MOD, 2022e)

In January 2022, the MOD released the Armed Forces Families Strategy: 2022-32. The main aims of this strategy are to ensure that armed forces families are recognised and respected for the critical role they play in supporting the serving person, informed with timely information about their situation and provided with support to live thriving lives.

The strategy emphasises the need for armed forces families' experiences to be listened to so that the MOD and public service providers can tailor their support according to the community's needs. The strategy also calls on organisations, public service providers and policymakers to uphold the Armed Forces Covenant and work together to support armed forces families to lead rich and fulfilling lives.

It sets out a range of practical interventions designed to strengthen and improve policies for armed forces families. It is hoped that the implementation of the strategy will improve the daily lives of Service families and, by extension, improve retention rates of serving personnel and enhance operational effectiveness (MOD, 2022e, p. 5).

Veterans' Homelessness Prevention Pathway (VSHG and Rolfe, 2022)

Veterans Scotland Housing Group (VSHG) released a new report into veterans' homelessness in Scotland in early 2022. The report was published in partnership with the University of Stirling, Homeless Network Scotland, Housing Options Scotland, the Scottish Government, Scottish Veterans Residences and Veterans Housing Scotland. It examines the factors contributing to homelessness among Service leavers.

The report sets forth 24 recommendations to improve the housing experience of veterans. Three of the key recommendations are that every local authority housing department should have an armed forces lead officer, social landlords should prioritise ex-Service personnel and more support should be provided for tenancy sustainment in the private rented sector.

The recommendations made in the report will feed into the Scottish government's Ending Homelessness Together action plan, which sets out pathways to prevent homelessness for different communities and at-risk groups (VSHG and Rolfe, 2022, p. 47).

Government legislation and policy publications since 2020

Armed Forces Compensation Scheme Quinquennial Review

The second Quinquennial Review (QQR) of the Armed Forces Compensation Scheme (AFCS) began in spring 2022 and the initial findings were published in spring 2023 (MOD, 2022f).

The AFCS provides appropriate financial support to members of the armed forces and their families in the event of injury or death resulting from service. The purpose of the QQR is to ensure that the scheme remains fit for purpose and also to identify areas for improvement (MOD, 2022f).

At the time of writing (July 2023), the first round of evidence collection had taken place, which involved document analysis, a review of existing data and stakeholder engagement. The stakeholders included government officials, third-sector representatives and claimants. Based on the evidence, the review has highlighted several concerns with existing processes and policies, and these will be addressed when the review is published in spring 2024 (MOD, 2022f).

Defence People Health and Wellbeing Strategy 2022–2027 (MOD, 2022g)

In June 2022, the MOD published the Defence People Health and Wellbeing Strategy 2022–2027, which aims to improve the health and wellbeing of people who work at the MOD (so its scope is wider than regular personnel and reservists). It aims to do so by adopting a holistic approach to addressing mental health, physical health and social health needs (MOD, 2022g, p. 7).

The strategy stresses that people who work for the MOD should have access to evidence-based and evaluated health interventions. Moreover, that there should be effective communication and education on health strategies in place among the workforce. The strategy also emphasises the need for the MOD to engage in partnerships with the healthcare and charity sectors for effective delivery strategy (MOD, 2022g, p. 5).

It sets out specific target outcomes across high-priority health themes. These are grouped within the categories of ‘people’ (for example, musculoskeletal health, health inequalities and suicide prevention), ‘lifestyles’ (for example, nutrition, smoking and alcohol consumption) and ‘environment’ (for example, employment policy, factors relating to deployment and recovery support).

Government legislation and policy publications since 2020

UK Armed Forces Defence Accommodation Strategy (MOD, 2022d)

In October 2022, the MOD released its UK Armed Forces Defence Accommodation Strategy. This strategy brings together findings and recommendations from the other strategy papers (including those described above in relation to families and health) and also interacts with the Strategy for Defence Infrastructure and the Climate Change and Sustainability Strategic Approach (MOD, 2022d, p. 5).

The accommodation strategy outlines how the MOD aims to ensure that all serving personnel have access to good-quality accommodation that supports their individual and family needs. In addition, it is intended to make sure serving personnel who wish to buy their own home are appropriately supported in doing so (MOD, 2022d, pp. 15-16).

The strategy recognises that accommodation is fundamentally linked to the health and wellbeing of serving personnel and their families (MOD, 2022d, p. 3). It includes practical guidance to improve the fairness with which accommodation is allocated as well as its quality, environmental sustainability and value for money (MOD, 2022d, p. 3).

As set out in the strategy paper, accommodation will be allocated based on need rather than rank, and entitlement to Service Family Accommodation will be widened to include serving personnel in long-term relationships. There will also be improvements made to the quality of Single Living Accommodation (MOD, 2022d, p. 4).

Agency and Agility: Incentivising people in a new era (Haythornthwaite, 2023)

In June 2023, the MOD published a new policy paper on armed forces incentivisation, the first independent review since 1994 (Haythornthwaite, 2023, p. 4). The review takes a broad and holistic view of the armed forces as a system and draws on the 'experiences and ideas directly from sailors, soldiers and aviators, and from leaders across all levels of the Armed Forces' (p. 4).

The report is structured around 'five central pillars' that are said to 'support an approach that is fit for the future' (p. 5). These are: make people feel valued; develop new tools to reward personnel; give personnel access to new and improved Service life-related digital tools (such as MyNavy, MyArmy and MyRAF) and use digital data on what serving personnel want in decision-making; upskill

Government legislation and policy publications since 2020

serving personnel, bring in new personnel from more diverse talent pools and engage more with Service leavers; and empower leaders and immediate line managers, giving them more autonomy in their work.

Throughout, the review makes a total of 67 detailed recommendations. It dedicates three chapters to cross-cutting principles (career management, strategic workforce planning and leadership, and inclusion and culture) that underpin the five pillars described above.

In addition to the reports and legislation outlined in table 1.3, there have been significant policies and programmes, introduced since 2020, to improve services and support for the armed forces community. Some prominent examples have been outlined in the summary below, grouped into healthcare, housing, education and employment.

1.4.1 Additional policies and programmes related to healthcare

- An additional 528 GP surgeries were accredited as ‘veteran-friendly’ throughout 2022, taking the total to 1,578 as of December 2022. In addition, veterans’ health has been included in the GP training curriculum and the national GP licensing assessment in England and Scotland (MOD, 2023e, p. 8).
- The Servicewomen’s Health Improvement Focus Team was established in 2022 to deliver a ‘Women’s Health Sprint’ over six months. The team, which includes both military and civilian specialists, has implemented new health policies, initiatives and guidance to support female veterans (MOD, 2022h).
- In July 2022 the UK government launched the £5 million Veterans’ Health Innovation Fund, which aims to support projects that provide innovative healthcare treatments for veterans. Bids for funding were opened for organisations that hope to carry out research and trial cutting-edge technologies to help veterans with complex health needs, with a particular emphasis on projects around female veterans’ healthcare (Cabinet Office, 2022).
- The Annual Mental Fitness Brief was introduced across the UK armed forces to coincide with World Mental Health Day 2021. As part of this new policy, all armed forces personnel must now attend a mandatory mental health briefing. This aims to ensure that serving personnel are ‘equipped to support their mental health both on and off operations’ and know how to access appropriate mental health support (MOD, 2021).
- In 2021, the NHS conducted research specifically on mobile families, building on its broad consultation with Service families undertaken in 2020. This research informed a set of

proposals aimed at better supporting mobile service families. The proposals have now been adopted by NHS services in England (MOD, 2022g, p. 8).

- In 2022, Veterans NHS Wales piloted an integrated care pathway to enable some veterans in the criminal justice system with service-related mental health problems to access mental health support (MOD, 2023e, p. 9).
- In early 2023, the Scottish government awarded a further three years' funding for Unforgotten Forces, a consortium of 17 organisations that provide high-quality, joined-up support for Scottish veterans over the age of 65 (Age UK, 2023; for more detail, see box 6.9).
- In 2021, the UK government introduced a new method for recording suicides among ex-Service personnel. This will be the first time that the numbers of ex-Service personnel who die by suicide have been officially recorded. The data will be used to understand better where there is a need for dedicated mental health services in England and Wales (OVA, 2021). The first associated reports are expected to be published in 2024. They will include a retrospective review of veteran suicides and veteran alcohol and drug misuse over the past decade.
- In spring 2021, NHS England launched Op COURAGE: The Veterans Mental Health and Wellbeing Service. Op COURAGE comprises three dedicated mental health services aimed at veterans, Service leavers, reservists, families and carers. As of April 2022, there had been more than 19,000 referrals to Op COURAGE (Brooke-Holland et al., 2023, p. 28). Op COURAGE was allocated £17.8 million in funding in 2021 and has been allocated an extra £2.7 million covering the period 2022 to 2025. Charities that support veterans' mental health can bid for contracts to run services under Op COURAGE. The government hopes that the opportunity to bid for longer-term contracts will provide charities with more sustainable longer-term funding, rather than charities having to seek out year-to-year funding (Brooke-Holland et al., 2023, p. 28).
- In summer 2023, NHS England launched Op RESTORE: The Veterans Physical Health and Wellbeing Service, which provides the same services as those previously provided by the Veterans Trauma Network but under a new name that sits recognisably within the broader suite of healthcare services including Op COURAGE (see above), Op NOVA: Supporting Veterans in the Justice System and Op COMMUNITY: Armed Forces Community Support (Cobseo, 2023a). The change was informed by engagement with veterans, providers and charities and seeks to improve awareness of the service among both veterans and clinicians (Cabinet Office, 2023a).

1.4.2 Additional policies and programmes related to education

- Prospective students applying to university through UCAS (the Universities and Colleges Admissions Service) can now self-identify themselves as a veteran or Service child when submitting their application. This is intended to enable educational institutions 'to offer more bespoke advice and support to Service children and veterans applying to university or college' (UCAS, 2023).

- Over £25.6 million in Service Pupil Premium was distributed to state schools in England, benefitting more than 80,000 Service pupils (MOD, 2023e, p. 9). In the 2023/24 financial year, Pupil Premium spending (i.e. including non-Service children) will increase to almost £2.9 billion (Department for Education, 2023).
- In June 2022, the Welsh government launched the Armed Forces Friendly Schools Cymru scheme, which is a status awarded to Welsh schools that demonstrate a commitment to supporting Service children (SSCE Cymru, 2023). The scheme aims to embed good practice within schools in terms of supporting Service children, create positive environments where Service children can share their experiences, and encourage schools to become more engaged with their armed forces community (SSCE Cymru, 2023).
- The Scottish government has taken steps to improve the identification of Service children in Scotland - the Higher Education Statistics Agency's routine data collection now includes information on whether pupils come from armed forces families (MOD, 2023e, p. 9). Additionally, Education Scotland has launched an online resource for professionals who work with Service children to share 'information about deployment, mobility, transition and the impacts these can have on children from Armed Forces families' (MOD, 2023e, p. 9).

1.4.3 Additional policies and programmes related to employment

- In spring 2021, the UK government introduced a National Insurance holiday to be claimed by employers, which applies to veterans they employ within the first year of the veteran's civilian employment. The policy is set to continue until spring 2024 (HMRC, 2022).
- In spring 2021 the DWP introduced a new model for providing tailored employment support to veterans. This model builds upon the existing network of Armed Forces Champions, creating 11 Armed Forces Champion Lead roles, one in each of the Jobcentre Plus groups. The Armed Forces Champion Leads oversee the Armed Forces Champions stationed across the Jobcentre Plus network. The Champions are now also able to work directly with veterans to resolve complex cases, as well as raising awareness of the challenges experienced by veterans among DWP staff (RAF FF, 2021).
- During 2022, the UK government launched a series of programmes intended to help veterans pursue specific career paths upon leaving the armed forces. These included the introduction of guaranteed civil service interviews for veterans; a Ministry of Justice programme to help veterans become prison officers; and the Step into Health programme, which aims to support veterans to take up careers in the NHS (Brooke-Holland et al., 2023, p. 57).
- The MOD has collaborated with the Scottish Credit and Qualifications Framework Partnership and Skills Development Scotland to create an online tool intended to help serving personnel and Service leavers understand the skills and qualifications they have gained in the armed forces. It aims to help them to translate these skills into language easily understood by civilian recruiters (MOD, 2023e, p. 68).

- In late 2021, the Welsh government collaborated with several businesses to host a veterans' employment fair. The event connected recent Service leavers, veterans and their families with employers. It also ran sessions aimed at educating employers about the value and skills of the ex-Service community (MOD, 2023e, p. 68).
- The UK government has launched its Access to Work Adjustments Passport scheme, which aims to support people with disabilities to transition into employment. A pilot involving a group of veterans was initially rolled out in spring 2022, but the results are yet to be published (Brooke-Holland et al., 2023, p. 58).
- As of March 2023, more than 10,000 organisations had signed up to the Armed Forces Covenant, formally pledging their commitment to supporting the armed forces community (MOD, 2023g). This may widen the number of organisations actively seeking to recruit employees from the armed forces community.

1.4.4 Additional policies and programmes related to housing

- *Improving Access to Social Housing for Members of the Armed Forces: Summary of responses to the consultation* was published in summer 2020 (MHCLG, 2020b). The government published new guidance in response to the consultation, which advises local authorities on how to process applications for social housing from serving and ex-Service personnel and their families (Department for Levelling Up, Housing and Communities, 2020). This is intended to help local authorities ensure that members of the armed forces community face no disadvantage in the provision of public housing.
- The Department for Levelling Up, Housing and Communities published its Ending Rough Sleeping for Good strategy in autumn 2022. The strategy outlines the UK government's approach to preventing veteran homelessness, aiming to eliminate rough sleeping among the ex-Service population through specialist support and more joined-up working between armed forces discharge services and local authority services (Department for Levelling Up, Housing and Communities, 2022, p. 15).
- The MOD invested £179 million in Service Family Accommodation (SFA) during the 2021/22 financial year. Approximately one-quarter of SFA homes underwent improvements during this period. An additional £100 million was allocated to build new SFA homes and £176 million to upgrade existing SFA homes in the 2022/23 financial year. This means that almost half of the SFA homes in the UK will have received substantial investment between 2021 and 2023 (MOD, 2023e, p. 42).
- In summer 2023, the government launched Op FORTITUDE, a new telephone referral pathway specifically for veterans experiencing homelessness (Cabinet Office, 2023b). The telephone service is run by Riverside Group, a social housing provider, and aims to provide a single point of contact where veterans experiencing homelessness can find the help they need from housing providers, charities and local authorities. This forms part of a wider package of support to end veteran homelessness.

1.5 HAVE PUBLIC PERCEPTIONS OF (AND SUPPORT FOR) ARMED FORCES CHARITIES CHANGED SINCE 2020?

1.5.1 Public perceptions of serving and ex-Service personnel

The OVA has conducted research that provides valuable insights into public perceptions of serving and ex-Service personnel. In 2022 it surveyed a representative sample of the general public in the UK – alongside additional samples of senior decision makers and healthcare professionals – and conducted focus groups and interviews with the public and military journalists, respectively.

The OVA's research found that most respondents generally felt positively about ex-Service personnel but generally felt ambivalent around the wider armed forces. Positive feelings towards serving and ex-Service personnel reported by the respondents were largely influenced by their respect for serving and ex-Service personnel's bravery and sacrifice (OVA, 2023). On the other hand, negative feelings about ex-Service personnel were related to the respondents' beliefs around pacificism and exposure to negative news stories (OVA, 2023).

The survey found that ex-Service personnel were associated with health issues: over two-thirds (68%) of the respondents thought that mental health problems affect ex-Service personnel more than civilians, and a vast majority (81%) of the respondents associated veterans with PTSD. Based on these findings, the report recommends that more 'communications may be needed to help the general public, employers, and healthcare professional understand what challenges ex-Service personnel do or do not experience' (OVA, 2023).

The survey also asked the respondents to what extent they felt that government support for ex-Service personnel was effective. Overall, only 15% of the respondents thought that government support was effective and 43% felt it was ineffective (OVA, 2023). Negative perceptions of government support were slightly higher for the respondents living in Wales and Scotland, where around half (50% and 49% respectively) said that the government does not effectively support ex-Service personnel (OVA, 2023).

The survey also explored the respondents' perceptions of media portrayals of ex-Service personnel. Around two-fifths (39%) felt that UK armed forces ex-Service personnel were portrayed positively in the media (OVA, 2023). This was around double the proportion of respondents who felt that ex-Service personnel were portrayed negatively in the media (OVA, 2023).

1.5.2 Public perceptions of charities

While there is no data about public perceptions of armed forces charities specifically, recent research on public trust in charities, commissioned by The Charity Commission for England and Wales (CCEW), provides important insights into contemporary attitudes towards charities among the general public. The data suggests that public trust in charities has

remained relatively stable in recent years after recovering from a downturn between 2015 and 2020. The most recent data collected in 2023 shows that the average trust in charities was 6.3 out of 10, which was higher than the average trust in almost all other sectors (CCEW, 2023a).

However, despite the recent improvement in the average level of public trust in charities, the research highlighted that trust remains below previous (pre-2015) levels (CCEW, 2023a). This echoes the previous year's research in relation to the perceived importance of charities (CCEW, 2022). CCEW attributes the plateau of trust below previous peaks to the enduring impact of 'high profile cases involving the governance of large household name charities', which dampens 'people's instinctive willingness to believe that charities can be fully trusted to manage funds and create genuine impact'. Based on interviews with various segments of the general public, the research suggests that there is widespread acknowledgement of the value charities can bring alongside 'stubborn doubts' about charities (CCEW, 2023a).

The research also discusses what the underlying drivers of trust are, in particular during the so-called cost-of-living crisis. It outlines four expectations of charities that are deemed to drive how much public trust they have. These expectations are about what money is spent on, the impact charities have, how charities deliver their support and charities' collective responsibility. In short, to maintain and build trust, the research suggests the public expects charities to spend most of their money on charitable activities, have the impact they say they will, operate in line with the ethos of charity and support the reputation of the sector more broadly (CCEW, 2023a).

1.5.3 A brief history of public giving to armed forces charities

The general public has been supporting armed forces charities for over 200 years. The origins of armed forced charities can be traced as far back as the nineteenth century or even earlier. For example, in 1803, the Lloyd's Patriotic Fund was set up at Lloyd's Coffee House to fund aid for casualties of the Napoleonic Wars (Cobseo, 2023b). Another example of an armed forces charity that is more than a century old but still in operation today is SSAFA, the Armed Forces Charity, which was founded as the Soldiers' and Sailors' Families Association in 1885 (SSAFA, 2019). During the 2022 financial year, SSAFA received £11.6 million from public donations and/or legacies (SSAFA, 2022, p. 22).

Over the past few decades, the armed forces charity sector has grown and evolved, supporting serving personnel and ex-Service personnel involved in successive military campaigns. In recent years, serving and ex-Service personnel have arguably been less visible to the British public, following the UK military's gradual withdrawal from Afghanistan since 2014 – this is despite the fact that deployments have continued and related issues such as family separation have not gone away (Godier-McBard et al., 2021; Walker et al., 2020a, p. 50).

However, charitable giving to the armed forces community remains a relatively popular cause. According to the latest *Annual Guide to Charitable Giving*, published by the Charities Aid Foundation (CAF), 7% of the UK public donated to 'military and veteran' causes in 2022, making these causes the 14th most popular for the UK public's donations (CAF, 2023).⁸ Previous research undertaken by CAF estimated that three-quarters of the UK public had

⁸ For context, the top three most popular causes were animal welfare (which 28% of the public donated to), children and young people (23%) and medical research (21%) (CAF, 2023, p. 18).

donated to armed forces charities at some point in their lives (CAF, 2018). Meanwhile, a subsequent poll found that around 26 million people in the UK believed that ‘we have a duty as a society to donate our money or time to help armed forces charities and veterans’ (CAF, 2019).

1.6 WHY IS THIS REPORT TIMELY AND IMPORTANT?

As shown by DSC’s previous research on armed forces charities, the landscape of the armed forces charity sector is continually shifting (Cole et al., 2020; Doherty et al., 2019). The sector constantly fluctuates and changes size as new charities launch and others close their doors. This new edition of *Sector Insight* aims to explore significant trends within the sector over the past decade while also assessing how well the sector has weathered recent storms such as the COVID-19 pandemic and the cost-of-living crisis.

The UK charity sector has experienced unprecedented external pressures since the publication of DSC’s previous *Sector Insight* report, in spring 2020 (Cole et al., 2020). The COVID-19 pandemic caused upheaval across all parts of life and the charity sector has been no exception. Among some of the effects on charities have been huge disruptions to fundraising practices, having to halt or drastically change service provision to meet the restrictions on social distancing, and needing to embrace new ways of digital working.

The diverse nature of the charity sector makes it difficult to draw conclusions on the overall impact of the COVID-19 pandemic across the sector. However, research from CCEW undertaken in 2021 found that around nine in every ten UK charities had experienced some negative impact from the COVID-19 pandemic, whether on their service delivery, finances or staff morale (CCEW, 2021). Among the key findings from the research were that, as a result of the COVID-19 pandemic, the overwhelming majority (85%) of charities experienced impacts on services or delivery, three-fifths (60%) reported a loss of income and a third (32%) experienced a shortage of volunteers (CCEW, 2021).

An ongoing study on voluntary, community and social enterprises (VCSEs) offers some valuable insights into the financial impact of the COVID-19 pandemic on charities. This research found that during the peak of the pandemic (from September 2020 to April 2021) between 30% and 40% of VCSEs said that their financial position had deteriorated over the past month (King et al., 2022). Broadly speaking, during the later stages of the pandemic (from April 2021 onwards), finances across the sector appeared to stabilise and VCSEs were more likely to say their financial position had improved (NTU, 2022).

Relatedly, as mentioned in section 1.3, at the outset of the COVID-19 pandemic, DSC launched the biannual Cobseo Members’ Survey to investigate the impact of the pandemic on Cobseo’s membership, which includes a large number of armed forces charities. These surveys tracked key factors between 2020 and 2023, including changes to income, expenditure and the needs of the armed forces community these organisations serve. For example, the first survey showed widespread impacts on members’ income from fundraising (Cole, 2020a) and a more recent survey showed a widespread increase in demand relating to hardship and financial support (Howarth and Cole, 2022). A selection of insights from the surveys has been included throughout this report.

The cost-of-living crisis in the UK, which began in 2022, has also had a significant impact on the charity sector. As noted above, this has been reflected in the Cobseo Members' Survey (Howarth and Cole, 2022) as well as in DSC's research in other sub-sectors (Howarth, 2023). NCVO predicts that the cost-of-living crisis will continue to bring significant challenges for the charity sector, forecasting that the cost of running a voluntary association will rise, charities' incomes will be at risk, there will be less public sector funding available and charities will see increasing demand from service users (NCVO, 2023a). DSC's previous research also shows that major armed forces charities, such as the Royal British Legion, have recently introduced new grants programmes directly in response to the increased cost of living (Howarth and Doherty, 2023, p. 41).

One of the other key challenges to emerge for the charity sector in recent years has been volunteer recruitment and retention. Across the charity sector there has been a sustained reduction in volunteering levels since the COVID-19 pandemic. In 2022, research found that the overall proportion of people who had volunteered in the past year was lower than in 2018 by around 1.6 million (CAF, 2023, p. 6). Meanwhile, NCVO reports that the number of people formally volunteering at least once a year dropped from 37% to 30% in financial year 2020/21 (Tabassum and Fern, 2023a). In addition, the Community Life Survey has found that rates of volunteering for 2020/21 (as reported by respondents between October 2021 to September 2022) were at their lowest levels since the survey began in 2012 (DCMS, 2023). These challenges have been highlighted in DSC's Cobseo Members' Surveys (Howarth and Cole, 2022) as well as in DSC's research with another charity sub-sector (HIV; see Howarth, 2023).

CHAPTER TWO

The landscape of the armed forces charity sector

2.1 INTRODUCTION

2.1.1 About the structure of this chapter

This chapter provides a broad overview of the size, nature and geographical spread of the armed forces charities landscape. It aims to answer the following research questions:

- How many armed forces charities are there?
- What types of armed forces charity are there?
- Which Service branches are armed forces charities affiliated with?
- How do charity type and Service branch affiliation overlap?
- Where do armed forces charities operate?
- What topics of support do armed forces charities provide?

2.1.2 About the data and presentation in this chapter

This chapter primarily uses data from DSC's database of armed forces charities, which draws on information from the three charity regulators in the UK (see 'Methodology' on page xxvi) and is presented in the blue boxes.

2.2 HOW MANY ARMED FORCES CHARITIES ARE THERE?

As outlined in the introduction to this report, DSC defines armed forces charities as 'charities that are established specifically to support past and present members of the armed forces and their families' (Cole and Traynor, 2016, p. 24). DSC identified 1,733 active armed forces charities operating in the UK as of July 2023. DSC's researchers found that most (81.5%, N=1,412) of these armed forces charities were registered with the Charity Commission for England and Wales (CCEW). A notable minority (13.8%, N=239) were registered with the Office of the Scottish Charity Regulator (OSCR) and a very small minority (2.3%, N=40) were registered with the Charity Commission for Northern Ireland (CCNI). There were also a small

number (2.4%, N=42) of cross-border charities, which were registered with both CCEW and OSCR.

At the time of writing this report, there were a total of 202,298 charities registered with at least one of the three national charity regulators.¹ Armed forces charities therefore currently represent 0.86% of all charities registered in the UK. This is very similar to the percentage of the overall charity sector found in DSC's previous *Sector Insight* report (0.95%; see Cole et al., 2020, p. 49).

2.3 WHAT TYPES OF ARMED FORCES CHARITY ARE THERE?

2.3.1 How are armed forces charities categorised?

The armed forces charity sector is made up of a diverse collection of organisations with different charitable objects, activities, operating models and beneficiary groups. To navigate the sector more easily, DSC divided armed forces charities into six distinct types: welfare charities, service funds, associations, association branches, heritage charities and mixed-type charities. This method of categorisation was introduced in DSC's first *Sector Insight* report (Poza and Walker, 2014), which adapted pre-existing definitions originally published by the Forces Pension Society (Grenville, 2013).

The following sections cover each of the six types of charity in greater detail. Each section provides information about the objects, activities and main areas of support provided by the relevant type of armed forces charity.

Welfare charities

Charities in the welfare category encompass a wide range of provision and areas of support. These areas can include support around healthcare and rehabilitation, housing, education, employment, or other forms of advocacy and support. Grant-makers are also included in the welfare category, both those which make benevolent grants to individuals and those which issue grants to organisations that support welfare provision for the armed forces community (Cole et al., 2020, p. 60). Box 2.1 provides further information on this type of charity and gives some examples identified by DSC.

¹ This data was taken from each of the national charity regulators' (CCEW, OSCR and CCNI) websites and was accurate as of 10 July 2023. It does not include linked charities – which have the same trustees and provide different parts of a single service (see CCEW, 2023b) – registered in England and Wales (N=14,671).

Box 2.1

Definition and characteristics of welfare charities

Objects: Relief in need.

Activities: Provision of services and/or grants to alleviate need, hardship or distress among past and present members of the armed forces and their families.

Main areas of support:

- Housing and other accommodation services for Service leavers, ex-Service personnel and their families who are in need
- Care homes for ex-Service personnel who are elderly or have a disability, and for their families
- Healthcare and rehabilitation services for injured Service and ex-Service personnel
- Disability support services for ex-Service personnel
- Mental health support services (including for post-traumatic stress disorder) for Service and ex-Service personnel, and their families
- Education and training for Service leavers and ex-Service personnel to help them with their transition and adaptation to civilian life
- Employment and career services for Service leavers, ex-Service personnel and their families
- Provision of respite breaks, adaptive sports and other recreational activities for individuals with particular needs, such as ex-Service personnel who are injured or have a disability, and bereaved families
- General advice, advocacy and support services for the armed forces community

Grant-making: Some welfare charities provide grants, which can be awarded directly to individuals in need (i.e. benevolent grants) or may be awarded to other organisations to contribute towards the cost of providing welfare services (more information on welfare charities' grant-making practices can be found in chapter 6).

Examples: Blesma, Haig Housing, Blind Veterans UK, Royal British Legion, Scots Guards Charity, SSAFA and Surf Action.

Note: Some information in this box has been reproduced from the previous *Sector Insight* report (Cole et al., 2020, p. 61).

Service funds

The object of Service funds is to raise the morale and the social and physical wellbeing of current serving personnel and, often, their immediate families. To be classified as Service funds, these charities therefore had to have these aims and focus on the serving community. While the needs of serving personnel and their families are to an extent met by Ministry of Defence (MOD) welfare support, Service funds often supplement or complement this existing provision by providing services that the MOD does not fund. For example, supplementary support could include recreational activities at a military establishment.

Service funds are often situated within British Army bases, Royal Air Force (RAF) messes or other similar establishments (Cole et al., 2020, p. 73). DSC's researchers found that this was indeed the case for close to two-thirds (62.3%, N=152) of Service funds, with these two-thirds all being connected to a particular military establishment.² Typical examples of establishment-based Service funds are mess hall funds and President of the Regimental Institute funds.

However, many Service funds identified by DSC had a wider remit (40.2%, N=98). For example, Service funds can have a remit that includes several establishments (e.g. a Service fund that focuses on a particular regiment or corps), an entire Service branch (e.g. a Service fund that facilitates sporting or other recreational activities across a branch of the armed forces) or all serving personnel (e.g. a Service fund that provides entertainment services across the entire armed forces). It should therefore be noted that DSC's definition of a Service fund may be somewhat wider than the narrower establishment-focused definition of Service funds that may be applied by other organisations.

Box 2.2 provides further information on this type of charity and gives some examples identified by DSC.

² This figure includes Service funds that are also classified as charities connected to a Royal Navy establishment (N=30, or 73.2% of navy-affiliated Service funds), British Army establishment (N=81, or 73.6% of army-affiliated Service funds) or RAF establishment (N=41, or 69.5% of air-force-affiliated Service funds). It should be noted that the percentage of Service funds connected to a military establishment (62.3%, N=152) is lower overall than among Royal Navy, British Army or RAF Service funds. This is because the overall percentage is pulled down by tri-Service charities, which do not have connections to single, specific military establishments. More detail on these Service branch affiliation subtypes can be found in section 2.4.1.

Box 2.2

Definition and characteristics of Service funds

Objects: Promotion of the efficiency of the armed forces and fostering esprit de corps.

Activities: Provision of facilities, services and grants to improve the morale and the social and physical wellbeing of active serving personnel and their families.

Main areas of support:

- Provision of spaces, facilities or equipment that enable serving personnel and their families to carry out recreational activities, sports, social activities or training
- Education and vocational training services for active serving personnel
- Religious activities and pastoral support for active serving personnel and their families
- Services and support for the families of active serving personnel (such as childcare and community facilities in or near duty stations)

Grant-making: Service funds may award grants to other organisations to contribute towards the cost of providing welfare services (more information on grant-making can be found in chapter 6).

Examples (establishment focus): Bicester Garrison (Tiddlywinks) Playgroup, Gurkha Company Infantry Training Centre Catterick, The King's Royal Hussars Officers' Trust, President of the Regimental Institute 1st Battalion Scots Guards, Sergeants Mess Royal Marines Poole and RAF Odiham Officers' Mess.

Examples (wider focus): Army Catering Training Trust, Northwood Officers' Mess, Nuffield Trust, RAF Football Association, Royal Engineers Vocational Education and Training Trust, and Ulysses Trust.

Note: Some information in this box has been reproduced from the previous *Sector Insight* report (Cole et al., 2020, p. 74).

Associations

Associations are membership organisations open to eligible Service and ex-Service personnel and their families. Their key purpose is to maintain the bonds of camaraderie that have been forged during service. Associations may provide social gatherings, annual reunions, remembrance events, trips and other membership activities. Some associations make benevolent grants to their members for relief in need.

Associations commonly have widespread networks of branches through which their work is carried out at a local level (discussed in more detail below). Box 2.3 provides further information on this type of charity and gives some examples identified by DSC.

Box 2.3

Definition and characteristics of associations

Objects: Fostering esprit de corps and comradeship.

Activities: Social gatherings and other membership activities.

Main areas of support:

- Provision of facilities and support to encourage meetings, gatherings and connection between members
- Provision of welfare support (see box 2.1)
- Provision of advice, advocacy and support to members (including signposting to and co-ordination with welfare and benevolent charities)
- Management of their own benevolent funds and distribution of grants for relief in need to eligible individuals (in the vast majority of cases, eligible beneficiaries do not need to be members of the association as long as they meet eligibility criteria connected to serving in the armed forces)

Grant-making: Associations may make benevolent grants to individuals directly. They may also make benevolent grants to organisations that contribute to the cost of providing welfare services (such as housing and care homes). Associations often collaborate with welfare charities to provide grants (more information on grant-making practices can be found in chapter 6).

Examples: Airborne Engineers Association, British Gurkha Nepalese Association, Parachute Regimental Association, Royal Artillery Association, Royal Engineers Association and Women's Royal Army Corps Association.

Note: Some information in this box has been reproduced from the previous *Sector Insight* report (Cole et al., 2020, p. 82).

Association branches

While they are affiliated with associations, as described in box 2.3, many association branches are independent registered charities (through CCEW, OSCR or CCNI) while others operate under the registration number of their affiliated parent charity (the case study in box 4.2 provides examples of the different operating structures of Legion Scotland

association branches). All association branches are affiliated with a parent charity, which is usually a large association or welfare charity that operates on a national scale.

Associations branches largely carry out the same activities as associations but on a local and/or regional scale. They are membership organisations for eligible serving and ex-Service personnel. As shown in box 2.4, the main purpose of association branches is to promote camaraderie among members by facilitating social gatherings and other membership activities. Some association branches also make benevolent grants to their members for relief in need.

Box 2.4 provides further information on this type of charity and gives some examples identified by DSC.

Box 2.4

Definition and characteristics of association branches

Objects: Fostering esprit de corps and comradeship.

Activities: Social gatherings and other membership activities.

Main areas of support:

- Provision of facilities to encourage meetings, gatherings and connection between members
- Provision of welfare support (see box 2.1)

Grant-making: Some association branches state that they make grants (more information on grant-making can be found in chapter 6).

Examples: Parachute Regimental Association – Bradford Branch, Royal Air Forces Association – Balderton Branch, Royal Air Forces Association – Wisbech Branch, Royal British Legion Scotland – Cumbernauld Branch, Royal British Legion Scotland – Roslin Branch and Royal Naval Association – Rhondda Branch.

Note: Some information in this box has been reproduced from the previous *Sector Insight* report (Cole et al., 2020, p. 85).

Heritage charities

Heritage charities' key charitable objects are to provide education and raise public awareness through commemorative activities. They include museums, memorials and historical societies.

Although these charities do not directly deliver support to the armed forces community, they are included in this report to provide a comprehensive picture of the armed forces

charity sector. Box 2.5 provides further information on this type of charity and gives some examples identified by DSC.

Box 2.5

Definition and characteristics of heritage charities

Objects: Advancement of education and knowledge through the curation and conservation of artefacts, memorials, knowledge and the traditions of the armed forces.

Activities: Provision and preservation of armed forces museums, public memorials and historical societies.

Main areas of support:

- Creation and maintenance of armed forces memorials
- Support of museums in the curation and conservation of artefacts
- Provision of historical societies
- Support of heritage and memorial events
- Promotion of research and education in various aspects of the history of the UK's armed forces
- Support of museum friends' societies and armed forces heritage preservation trusts
- Provision for armed forces chapels and umbrella bodies that give support and funding to other armed forces heritage organisations

Grant-making: Heritage charities may award grants to other organisations to contribute towards the cost of heritage-related activities (more information on grant-making can be found in chapter 6).

Examples: Fly Navy Heritage Trust, Friends of the RAF Regiment Heritage Centre, National Memorial Arboretum, Royal Navy Submarine Museum, Royal Signals Museum, Scottish National War Memorial and York Army Museum.

Note: Some information in this box has been reproduced from the previous *Sector Insight* report (Cole et al., 2020, p. 90).

Mixed-type charities

The boundaries between charity types can in some cases be less clear cut, as some armed forces charities have objectives and activities that are aligned with more than one of the

charity types described in the previous sections. Therefore, DSC's researchers also identified mixed-type charities.

Mixed-type charities deliver a range of services and cannot be neatly categorised into one distinct type of charity (Cole et al., 2020, p. 89). For example, a charity with a primary focus on regimental heritage and preservation which also occasionally makes benevolent grants to previous members of the regiment would be classified within the mixed-type category.

Box 2.6 provides further information on this type of charity and gives some examples identified by DSC.

Box 2.6

Definition and characteristics of mixed-type charities

Objects: May undertake a combination of activities, such as promoting the efficiency of the armed forces, relief in need, promoting camaraderie, and fostering esprit de corps and heritage activities.

Activities: Mixed-type charities may combine elements of welfare, Service fund and heritage charities.

Main areas of support: Welfare, Service fund and heritage activities (see boxes 2.1, 2.2 and 2.5).

Examples: D-Day Revisited, Intelligence Corps Association, Royal Irish Regiment Charity, The Mercian Regiment Benevolent Charity, Royal Signals Charity and Thomas Exemplo Ducemus Trust.

Note: Some information in this box has been reproduced from the previous *Sector Insight* report (Cole et al., 2020, p. 96).

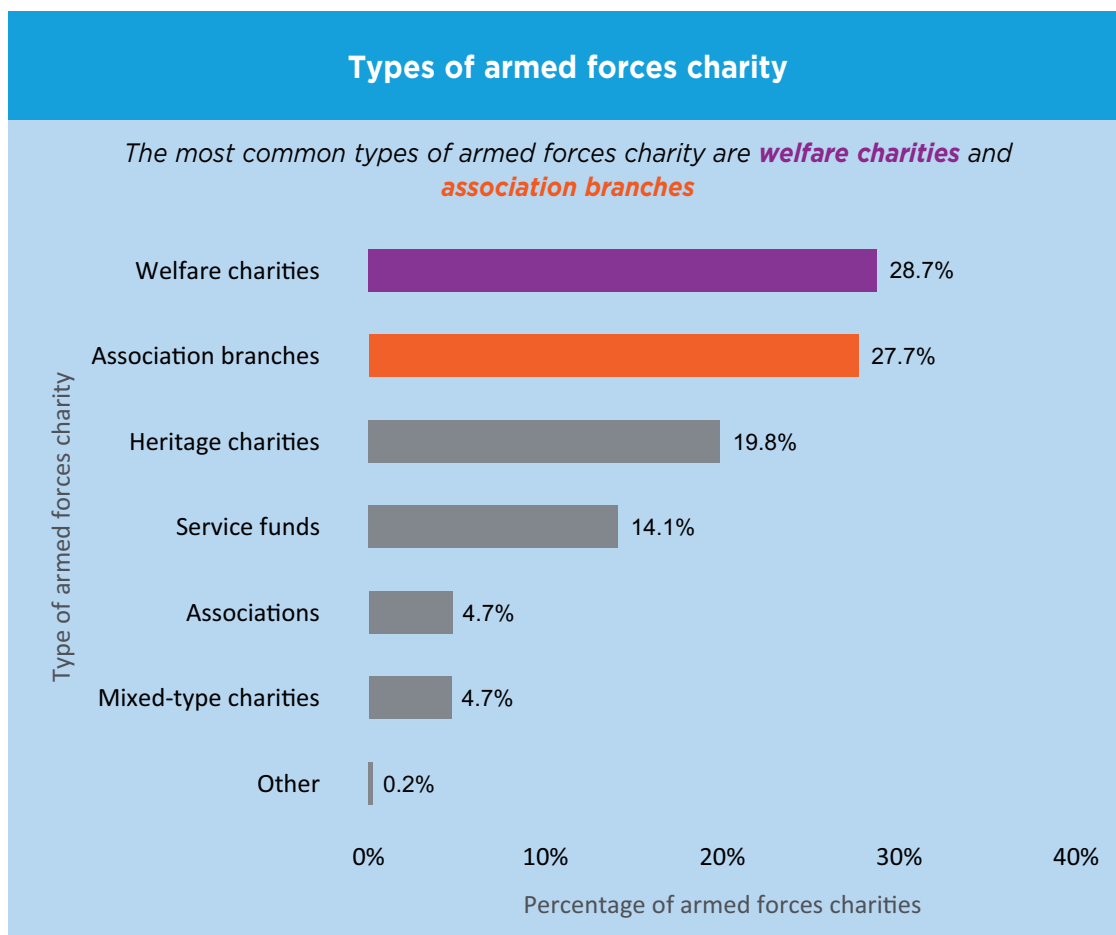
2.3.2 What proportions of charity types make up the armed forces charity sector?

Figure 2.1 shows the percentages of armed forces charities (operating as of July 2023) by type of charity, as described in tables 2.1-2.3. Overall, welfare charities were the most common type of armed forces charity: they accounted for more than one-quarter (28.7%, N=498) of all armed forces charities. Welfare charities were closely followed by association branches, which also accounted for more than one-quarter (27.7%, N=480) of all armed forces charities.

DSC's researchers found that heritage charities comprised around one-fifth (19.8%, N=344) of all armed forces charities. Meanwhile, Service funds accounted for 14.1% (N=244) of all armed forces charities. The least common types of armed forces charity were associations (4.7%, N=82) and mixed-type charities (4.7%, N=81).

There were less than a handful (0.2%, N=4) of charities that supported the armed forces community but did not fit into the charity type classifications noted above. These charities, categorised as 'other' in figure 2.1, included common investment funds (0.1%, N=2) and charities that were predominantly focused on evidence-gathering and information-sharing (0.1%, N=2).

Figure 2.1



Note: Percentages calculated out of all active (as defined in the 'Methodology' section on page xxvi) armed forces charities (N=1,733).

2.4 WHICH SERVICE BRANCHES ARE ARMED FORCES CHARITIES AFFILIATED WITH?

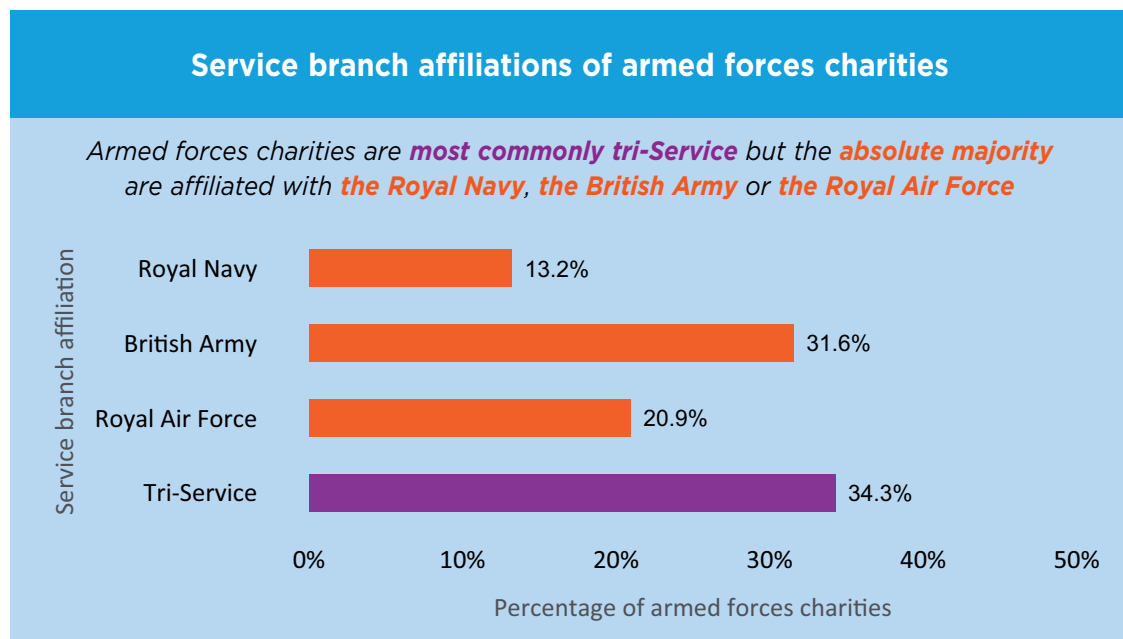
All the charities featured in this report can be said to share a common purpose, in that they exist to serve past and present members of the armed forces and their families. However, each charity can apply its own unique eligibility criteria (which can be narrow or broad in scope) to determine the specific type(s) of beneficiaries who can access its support.

The UK armed forces are structured into three Service branches: the Royal Navy (which includes the Royal Marines), the British Army and the RAF. Some armed forces charities solely support beneficiaries who are affiliated with one of these Service branches. On the other hand, some charities – categorised by DSC as tri-Service armed forces charities – can support beneficiaries from any of the three Service branches.

Figure 2.2 shows a breakdown of the UK’s armed forces charities by their Service branch affiliation, as identified by DSC’s researchers. As shown by the purple bar, around one-third (34.3%, N=594) of armed forces charities were found to provide tri-Service support. It is important to highlight that this is the first time that tri-Service armed forces charities have outnumbered armed forces charities associated with the British Army: in the 2020 edition of *Sector Insight*, army charities accounted for 32.2% of the armed forces charity sector, while tri-Service charities accounted for 30.6% (Cole et al., 2020, p. 99).³

Overall, around two-thirds (65.7%) of the armed forces charities were affiliated with a particular Service branch. British Army-affiliated charities were the most common by a significant margin, making up close to one-third (31.6%, N=547) of all armed forces charities. By comparison, RAF-affiliated charities accounted for around one-fifth (20.9%, N=363) of all armed forces charities, and Royal Navy-affiliated charities were the least common, accounting for 13.2% (N=229) of all armed forces charities.

Figure 2.2



Note: Percentages calculated out of all active (as defined in the ‘Methodology’ section, on page xxvi) armed forces charities (N=1,733).

The British Army is significantly larger than the other Service branches, which may partly explain the greater number of armed forces charities that are affiliated with the army. As of April 2023, the number of army personnel (both regular forces and reservists) stood at

³ The trends over time in the numbers of charities within each Service branch affiliation are explored in depth in section 4.2.2.

113,440, which was around three times higher than the numbers of Royal Navy (38,770) and RAF (36,610) personnel (MOD, 2023a). By extension, it is also likely that there are larger numbers of army-affiliated ex-Service personnel and family members within the wider armed forces community in comparison to other branches.⁴

A significantly smaller number of armed forces charities support the RAF community in comparison to those supporting the Royal Navy community, despite the two branches having relatively similar numbers of serving personnel (MOD, 2023a). However, it is important to keep in mind that the size of the Service branch population alone does not necessarily define the level of support that each community needs. Indeed, as discussed in section 1.3.1, belonging to a particular Service branch can be associated with unique sets of challenges. For example, Royal Navy families experience longer periods of separation compared to other Service branches, while both Royal Navy and RAF personnel are considerably more likely to report that they deploy too often than Royal Marines and British Army personnel (MOD, 2023b; Godier-McBard et al., 2021).

2.4.1 A closer look at Service branch affiliations

Armed forces charities' Service branch affiliations can be further categorised into more distinct groups based on the types of beneficiary that they serve and where their support can be reached. For example, while some armed forces charities provide support that extends to all members and/or ex-members of a particular Service branch and their families, other charities may limit their support to beneficiaries within a particular unit or a more specific Service establishment, such as an officers' mess. The following three subsections provide further information about the more distinct groups within each of the single-Service armed forces charities (i.e. those affiliated with the Royal Navy, the British Army or the RAF).⁵

Royal Navy charities

Table 2.1 provides further detail around the different types of Royal Navy-affiliated charity, based on the groups of beneficiaries that they serve. It shows that round two-thirds (59.0%, N=135) of Royal Navy-affiliated charities supported beneficiaries on a Royal Navy-wide basis. In other words, they could provide support regardless of the beneficiaries' unit, type of work or location.

Nevertheless, a notable minority (14.4%, N=33) of Royal Navy charities supported beneficiaries who were connected to a specific Royal Navy establishment (such as an officers' mess or children's playgroup), and a small minority (7.9%, N=18) served beneficiaries that belonged to a particular Royal Navy unit.

Under one-fifth (18.8%, N=43) of charities fell into the heritage or other category. These charities mainly carry out heritage activities.

⁴ The 2021 Census data on the numbers of ex-Service personnel living in England and Wales does not provide a breakdown of the ex-Service population by Service branch (ONS, 2022d).

⁵ This section does not include an analysis of tri-Service armed forces charities as their wider remit means they cannot be classified in line with the single-Service armed forces charities.

Table 2.1

Royal Navy beneficiary groups			
Beneficiary group	Charity description	Charity example	Number of charities
Royal Navy-wide	Charities that serve all beneficiaries regardless of job, role, demographics or location.	The Naval Children's Charity provides financial and holistic support to help children and young people (up to the age of 25) who have a parent who is currently or has previously served in the Royal Navy or Royal Marines.	135 charities 59.0% of Royal Navy charities
Royal Navy establishment	Charities that are connected to a particular location, such as an officers' mess, a base or a children's playgroup.	The HMS <i>Nelson</i> Leisure and Amenities Fund provides leisure and social activities for serving personnel connected to the Royal Navy ship HMS <i>Nelson</i> .	33 charities 14.4% of Royal Navy charities
Royal Navy unit	Charities that are related to a particular unit or connected to personnel involved with a certain type of work.	The Royal Fleet Auxiliary Association supports ex-Service and serving personnel connected with the Royal Fleet Auxiliary arm of the Royal Navy. The charity provides reunion and social events and makes modest grants to ex-Service personnel in times of need.	18 charities 7.9% of Royal Navy charities

Royal Navy beneficiary groups			
Heritage and other	Charities that do not fit any of the descriptions above. These include heritage charities that commemorate battles or individuals.	The Royal Navy Submarine Museum Trust funds a museum which aims to educate the public about the history of the Submarine Service of the Royal Navy.	43 charities 18.8% of Royal Navy charities

Note: Beneficiary groups and descriptions reproduced from Cole et al. (2020, p. 119). The percentages are calculated out of all Royal Navy charities (N=229) and do not add up to 100% due to rounding of decimals.

British Army charities

Table 2.2 shows the different types of British Army-affiliated charity, based on the groups of beneficiaries that they serve. The data shows that around half (51.2%, N=280) of British Army-affiliated charities support beneficiaries from a particular British Army regiment or corps. Meanwhile, a notable minority (15.0%, N=82) support beneficiaries connected to a particular British Army establishment.

In contrast to the Royal Navy-affiliated charities (described in the previous section), only a small minority of British Army-affiliated charities (6.6%, N=36) were identified as supporting beneficiaries on an army-wide basis.

Finally, table 2.2 shows that heritage and other charities accounted for over one-quarter (27.2%, N=149) of British Army-affiliated charities.

Table 2.2

British Army beneficiary groups			
Beneficiary group	Charity description	Charity example	Number of charities
British Army-wide	Charities that serve all beneficiaries regardless of job, role, demographics or location.	ABF – The Soldiers’ Charity provides lifelong support for past and present British Army personnel and their families. It awards grants to individuals (and their families) and funds other leading charities that deliver support to the British Army community.	36 charities 6.6% of British Army charities
British Army regiments and corps	Regimental charities are connected to a specific regiment; corps charities are connected to a particular type of work or category of personnel.	The Coldstream Guards Charity assists serving and former members of the regiment and their families by making grants for relief in need.	280 charities 51.2% of British Army charities
British Army establishment	Charities that are connected to a particular location, such as an officers’ mess, a children’s playgroup or a President of the Regimental Institute (PRI) organisation. PRI organisations stock forces equipment, such as sporting materials, specialist clothing and motor vehicles. They can also sell items, and PRI shops are classified as charities.	The Duke of Gloucester Playgroup provides early years education for the families of serving British Army personnel. It is based at the 29 Regiment Barracks in Gloucestershire. The playgroup has been operating at this barracks for over 30 years.	82 charities 15.0% of British Army charities

British Army beneficiary groups			
Heritage or other	Charities that do not fit any of the descriptions above. These include heritage charities that commemorate battles or individuals.	The Fusiliers Museum and Learning Centre funds museum facilities which preserve and safeguard collections and artefacts relating to the 20th Lancashire Fusiliers and the Royal Regiment of Fusiliers, to promote public education and research.	149 charities 27.2% of British Army charities

Note: Beneficiary groups and descriptions reproduced from Cole et al. (2020, p. 106). The percentages are calculated out of all British Army charities (N=547).

Royal Air Force charities

Table 2.3 demonstrates the different types of RAF-affiliated charity, based on the groups of beneficiaries that they serve. As shown in the table, around two-thirds (66.9%, N=243) of RAF-affiliated charities supported beneficiaries on an RAF-wide basis, regardless of the beneficiaries' unit, type of work or location.

A notable minority (12.4%, N=45) of RAF-affiliated charities served beneficiaries that were connected to a specific RAF establishment (such as an officers' mess or a children's playgroup), and a small minority (3.6%, N=13) served beneficiaries that belonged to a particular RAF unit.

Table 2.3 also shows that heritage and other charities accounted for less than one-fifth (17.1%, N=62) of RAF-affiliated charities.

Table 2.3

Royal Air Force beneficiary groups			
Beneficiary group	Charity description	Charity example	Number of charities
RAF-wide	These charities serve all beneficiaries regardless of unit, job, role, demographics or location.	The RAF Central Fund promotes the health and wellbeing of serving RAF personnel by awarding grant funding to enable them to take part in sports and physical activities at all levels. This charity's grants can fund training, sports equipment and access to facilities.	243 charities 66.9% of RAF charities
RAF establishment	Charities that are connected to a particular location, such as an officers' mess, a base or a children's playgroup.	The RAF High Wycombe Warrant Officers' and Senior Non-commissioned Officers' Mess provides social, sporting and other facilities for the efficiency and wellbeing of serving personnel based at RAF High Wycombe.	45 charities 12.4% of RAF charities
RAF unit	Charities connected to a particular RAF unit, or a type of occupation or working unit.	The Royal Observer Corps Benevolent Fund provides financial assistance to serving and former members of the Royal Observer Corps and their families by awarding grants for the relief of need.	13 charities 3.6% of RAF charities

Royal Air Force beneficiary groups			
Heritage or other	Charities that do not fit any of the descriptions above. These include heritage charities that commemorate battles or individuals.	The Battle of Britain Memorial Trust maintains a national memorial to the aircrews who served in the Battle of Britain.	62 charities 17.1% of RAF charities

Note: Beneficiary groups and descriptions reproduced from Cole et al. (2020, p. 113). The percentages are calculated out of all RAF charities (N=363).

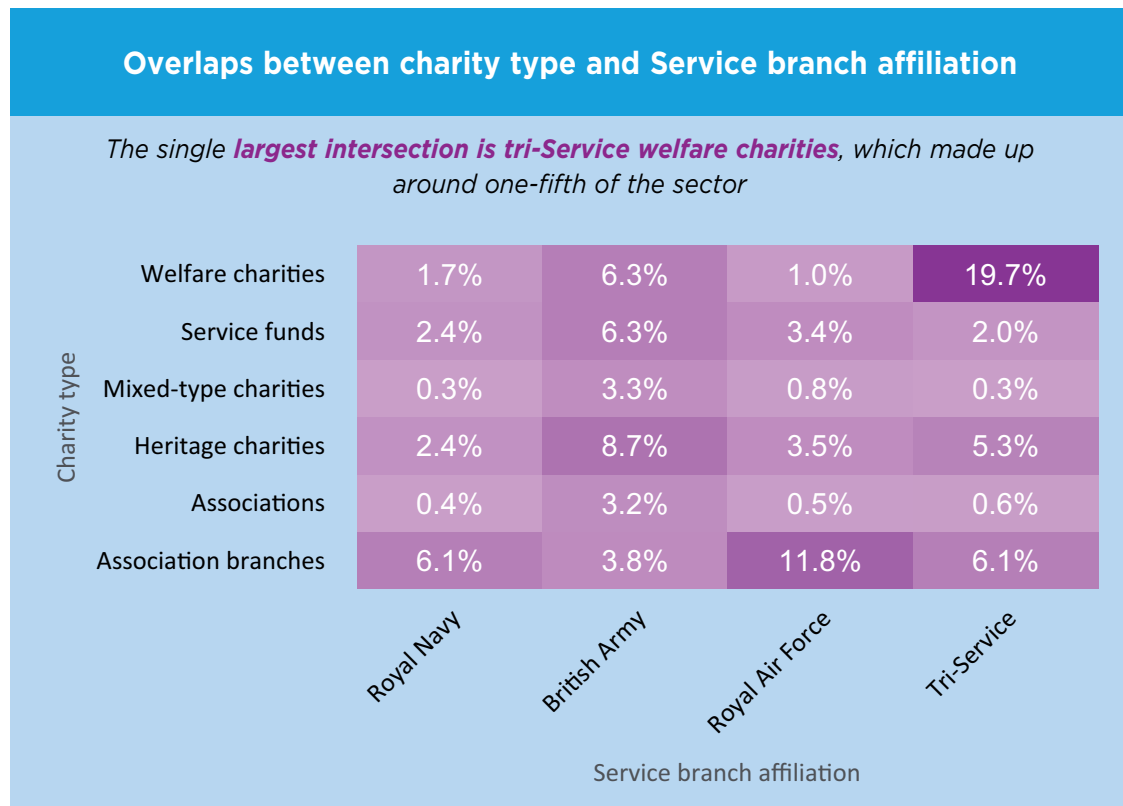
2.5 HOW DO CHARITY TYPE AND SERVICE BRANCH AFFILIATION OVERLAP?

As outlined in the sections above, armed forces charities can be classified by their type (section 2.3) or their Service branch affiliation (section 2.4). These labels can be a helpful way to draw distinctions between the different activities that they carry out and the different groups of beneficiaries that they can support, respectively. As well as looking at these in isolation, it is also important to recognise that these two distinguishing features overlap to create unique intersections of armed forces charities based on activities and beneficiary groups.

Figure 2.3 shows how charity type and Service branch affiliation overlap. The single largest group is welfare charities that offer tri-Service support: these charities account for around one-fifth (19.7%, N=342) of all armed forces charities. Beyond the tri-Service welfare charities, there are relatively few charities within each of the other overlapping groups. The next largest group is RAF association branches (11.8%, N=205), followed by British Army heritage charities (8.7%, N=150) and then British Army Service funds (6.3%, N=110) and British Army welfare charities (6.3%, N=109).

This analysis reveals how the total number of armed forces charities (N=1,733) is relatively dispersed when broken down according to activity (as indicated by their charity type) and the groups they serve (as indicated by their Service branch affiliation). In other words, the data suggests that there are relatively few armed forces charities operating with similar activities and serving similar groups of beneficiaries.

Figure 2.3



Note: Percentages calculated out of all active (as defined in the 'Methodology' section, on page xxvi) armed forces charities (N=1,733). The percentages do not sum to 100% due to rounding and the omission of 'Other' types of armed forces charity (N=4).

2.6 WHERE DO ARMED FORCES CHARITIES OPERATE?

2.6.1 The national picture

Of 1,733 active armed forces charities, DSC's researchers found that around one-tenth (10.4%, N=181) operated throughout the UK. Around one-third (33.2%, N=575) operated at the national level within one or more of the countries in the UK (England, Wales, Scotland and/or Northern Ireland). Meanwhile, over half (54.5%, N=945) reported that they operated within one or more specific local authority area. A further 1.0% reported that they operated throughout London specifically (N=17). This was based on armed forces charities' self-reported operating locations published on the three national charity regulators' (CCEW, OSCR and CCNI) websites.⁶

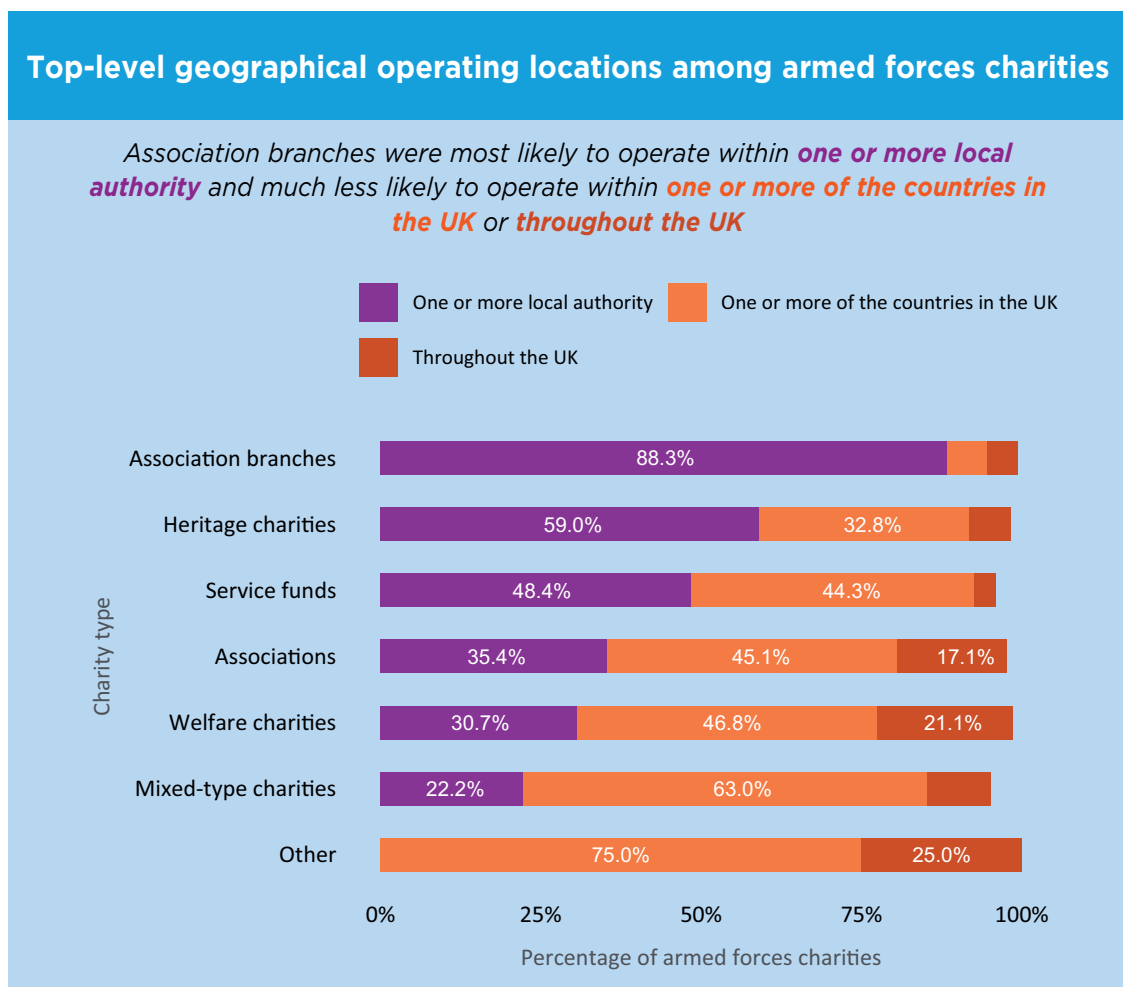
Figure 2.4 illustrates that the top-level operating locations of armed forces charities described above varied notably between the different types of armed forces charity. This analysis reveals that some types of armed forces charity were more likely to have a national

⁶ Operating location data was not available for a small minority of armed forces charities (0.9%, N=15), which were all registered with CCEW. A total of 19 armed forces charities had data available at the local authority level as well as having a regional or national level operating location; as the reporting of both local and national locations did not overlap (and therefore did not result in double counting of operating locations), DSC's researchers included this data in the mapping throughout this chapter.

focus than others. For example, 46.8% (N=233) of welfare charities reported that they operated within one or more devolved nation and 21.1% (N=105) operated throughout the UK. Similarly, 45.1% (N=37) of associations reported that they operated within one or more devolved nation and 17.1% (N=14) operated throughout the UK.

In contrast, figure 2.4 also shows that some types of armed forces charity had a more restricted geographical remit, which could be limited to either throughout London or within one or more specific local authority area. For example, the overwhelming majority of association branches (88.3%, N=424) reported that they operated within one or more specific local authority area.

Figure 2.4



Note: A total of 19 armed forces charities operated within one or more devolved nation and listed the specific local authority areas in which they operated. In this figure, these charities have been assigned to 'one or more devolved nation' but, as the reporting of both local and national locations did not overlap (and therefore did not result in double counting of operating locations), DSC's researchers included this data in the mapping throughout this chapter. Percentage labels below 9.5% are not shown for reasons of space. The geographical descriptors 'throughout London' and 'Data unavailable' have been omitted for space; as a result, the percentages within each category do not add up to 100%.

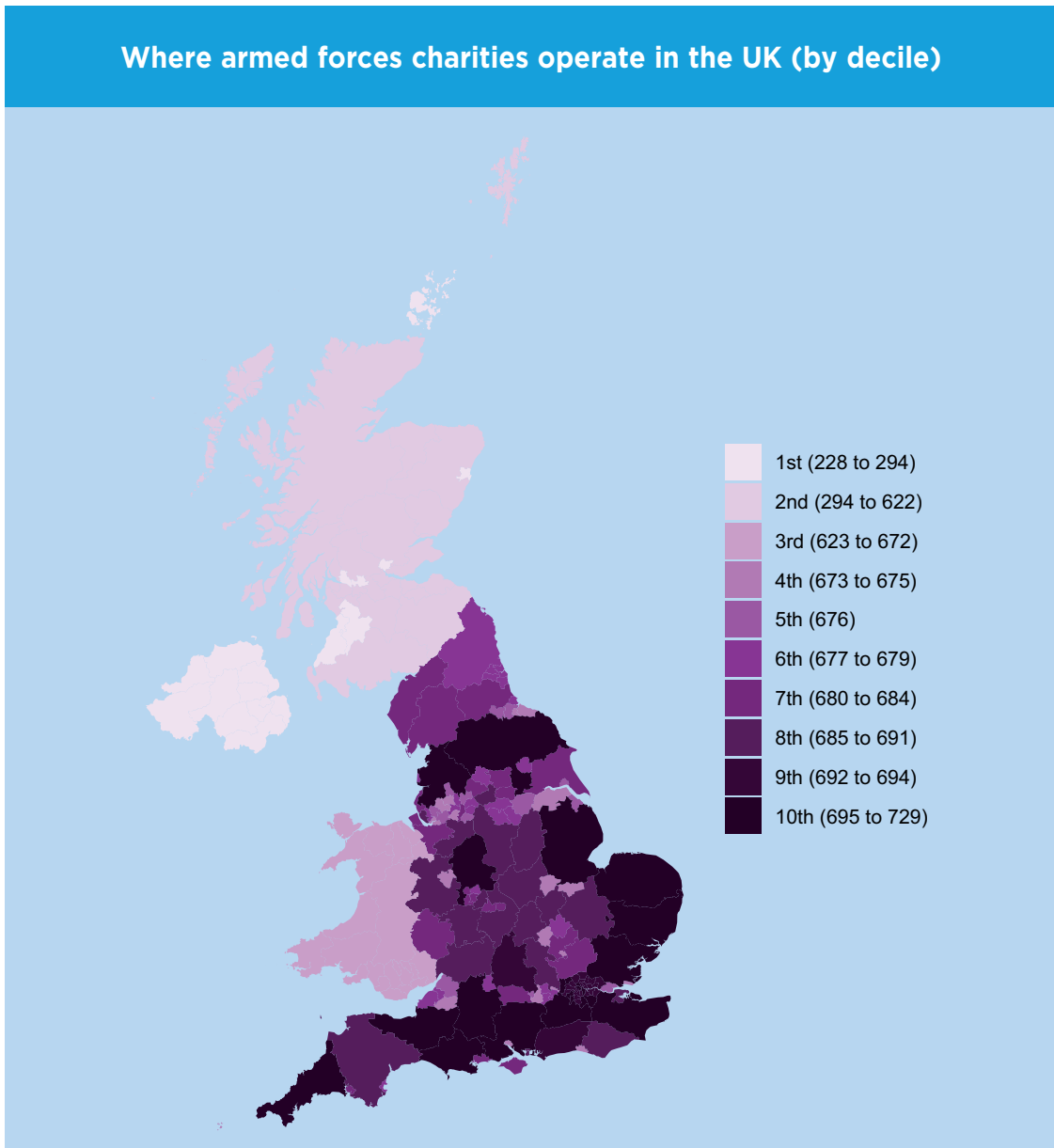
A more even split between a national and local focus was evidenced in the data on Service funds. Among this type of armed forces charity, 48.4% (N=118) reported that they operated within one or more specific local authority area but a similarly high percentage (44.3%, N=108) operated within one or more devolved nation.

DSC's researchers also used charities' self-reported operating locations to determine where armed forces charities could provide support across the UK. It is important to emphasise that this is where armed forces charities could provide support: while the charity regulators collect information about where charities operate, this is not necessarily the same thing as where support is actively provided (this is especially relevant when considering armed forces charities operating across a large area).

Figure 2.5 shows a map of the number of armed forces charities operating throughout the UK, where higher numbers are represented by darker shades of purple. The map shows data within the UK's local authority areas: London boroughs (N=22), metropolitan districts (N=36), counties (N=21) and unitary authorities (N=63) in England; unitary authorities (N=22) within Wales; council areas (N=32) within Scotland; and local government districts (N=11) within Northern Ireland.⁷ The figure includes armed forces charities that said they operated at a regional or national level as well as those that operated in a one or more specific local authority area.

⁷ DSC's researchers chose to analyse the data at the level of counties and unitary authorities (using counties rather than non-metropolitan districts in England) because the charity regulator data (from CCEW and OSCR) was described at this level. The ONS provides an overview of the administrative geography of the UK (ONS, 2023d).

Figure 2.5



Note: UK by countries; within England, counties, metropolitan counties, London boroughs, metropolitan districts and unitary authorities; within Wales, unitary authorities; within Scotland, council areas; and within Northern Ireland, district council areas.⁸

Map source: Office for National Statistics licensed under the Open Government Licence v.3.0. Contains OS data © Crown copyright and database right 2023.

⁸ For charities registered with CCEW (including cross-border charities) where no local-authority-level area of operation was available (N=657 out of N=1,454), this has been inferred from the country or region of operation ('throughout England', 'throughout Wales', 'throughout England and Wales' or 'throughout London') or the country of operation ('Scotland' or 'Northern Ireland'). Charities registered with CCNI had geographical information manually imputed by DSC's researchers based on their CCNI profiles, annual accounts and (where available) websites; many CCNI charities operated across the whole of Northern Ireland (N=16), but where this was not the case (N=24) the district council area was located based on the towns, cities or counties in the charity's name or address. Charities registered with OSCR provide data on their 'main' operating location, which is a more restrictive definition than that of CCEW (and what can be gleaned from the CCNI data, based on manual data collection).

According to the MOD's location data, the majority of serving personnel are located in the South East and South West of England (MOD, 2022a). In addition, the 2021 Census revealed that the highest proportion of ex-Service personnel per the local population was found in the South West of England (Kirk-Wade, 2022). These areas (the South East and South West of England) are also where the highest densities of armed forces charities were found. More specifically, the English local authority areas with the highest numbers of armed forces charities operating there were Hampshire (N=729), Kent (N=725) and Wiltshire (N=712). These were followed by Essex (N=709) and Lincolnshire (N=707), both in the East of England. Overall, in England, the numbers of armed forces charities ranged from 673 to 729 per local authority area.

The 2021 Census found that Gosport had the highest proportion of veterans per the local population (12.5%) of all local authority district areas in England. Gosport is a non-metropolitan district situated within the county of Hampshire (where the highest number (N=729) of armed forces charities operate). This was followed by North Kesteven (10.2%), a non-metropolitan district within the county of Lincolnshire (where the fifth-highest number (N=707) of armed forces charities operate), and Richmondshire (9.5%), a non-metropolitan district within the county of North Yorkshire (where the twelfth-highest number (N=698) of armed forces charities operate) (Kirk-Wade, 2022).

The numbers of UK armed forces charities operating in Welsh local authority areas ranged from 623 to 628. The Welsh local authorities with the highest numbers of armed forces charities operating there were Powys (N=628), the Isle of Anglesey (N=627), Gwynedd and Pembrokeshire (each N=626) and Conwy (N=625). The two highest - Powys and the Isle of Anglesey - have significant links to the armed forces community. This is due to the location of MOD training facilities: Powys is home to a large MOD training facility (the Sennybridge Training Area) while the Isle of Anglesey is home to RAF Valley, where the No 4 Flying Training School operates.

In Scotland, the numbers of armed forces charities ranged from 292 to 317 per local authority area. The Scottish local authority areas with the highest numbers of armed forces charities operating in them were City of Edinburgh (N=317), Highland (N=307), Fife (N=305), Aberdeenshire (N=304) and Midlothian (N=298). Most of these local authority areas are home to (or located in close proximity to) military bases, units or training facilities. For example, Edinburgh hosts the Royal Regiment of Scotland's headquarters, while Highland is the base of the 3rd Battalion of the Royal Regiment of Scotland. Fife has a large Royal Navy presence due its large MOD support establishment at Rosyth, and Midlothian is home to British Army families stationed at the Glencorse Barracks.

Northern Ireland had the smallest numbers of armed forces charities operating there out of all the devolved nations. The numbers of armed forces charities operating in Northern Ireland were between 228 and 233 per local authority area. Armagh City, Banbridge and Craigavon; Belfast; Down; and Fermanagh and Omagh were the four local authority areas with the highest numbers of armed forces charities (each N=233). They were closely followed by Antrim and Newtownabbey (N=230). Again, most of these local authorities are home to former or active British Army bases, with the headquarters of the British Army in Northern Ireland and its 38th (Irish) Brigade located in Lisburn and Castlereagh.

Overall, the geographical spread of armed forces charities does, to some extent, mirror the broad distribution of the armed forces population across the devolved nations. The available data suggests that England is home to the greatest numbers of serving personnel (estimated at around 120,000) and ex-Service personnel (around 1.74 million) and their families (Kirk-Wade, 2022; MOD, 2022a).⁹

This gives England a significantly larger armed forces population than Wales, which is home to fewer than 8,000 serving personnel and around 115,000 ex-Service personnel (Kirk-Wade, 2022; MOD, 2022a). In comparison, the latest data indicates that there are currently around 12,000 serving personnel and 130,000 ex-Service personnel residing in Scotland (MOD, 2022a; Scottish Veterans Commissioner, 2017).¹⁰ There are fewer than 8,000 serving personnel and at least 30,000 ex-Service personnel residing in Northern Ireland (MOD, 2022a; NISRA, 2020b).

In summary, there was a higher concentration of armed forces charities operating in England and Wales compared to the other UK devolved nations. The numbers of armed forces charities operating in local authority areas in England ranged from a minimum of 673 to a maximum of 729. These figures were higher – and also showed more variation – than the numbers found in Wales (from 623 to 628), Scotland (from 292 to 317) and Northern Ireland (from 228 to 233). This is reflected in the map (figure 2.5), in which Wales, Scotland and Northern Ireland only have (mostly) one single colour within them. However, slightly more variation can be seen in the map of ‘locally focused’ armed forces charities, in the following section.

2.6.2 The local picture

DSC’s researchers also produced a map limited to the armed forces charities that operate in one or more local authority area; as noted above, these made up more than half (54.5%, N=945) of the sector. This map, shown in figure 2.6, concentrates on ‘locally focused’ armed forces charities.¹¹

⁹ The figure of around 120,000 serving personnel reported here is based on the median value from the MOD’s annual population statistics, which estimate that there were somewhere between 88,000 and 152,000 serving personnel located in England as of April 2023 (MOD, 2022a). For a wider discussion of the data on the locations of the armed forces community, see section 1.2.

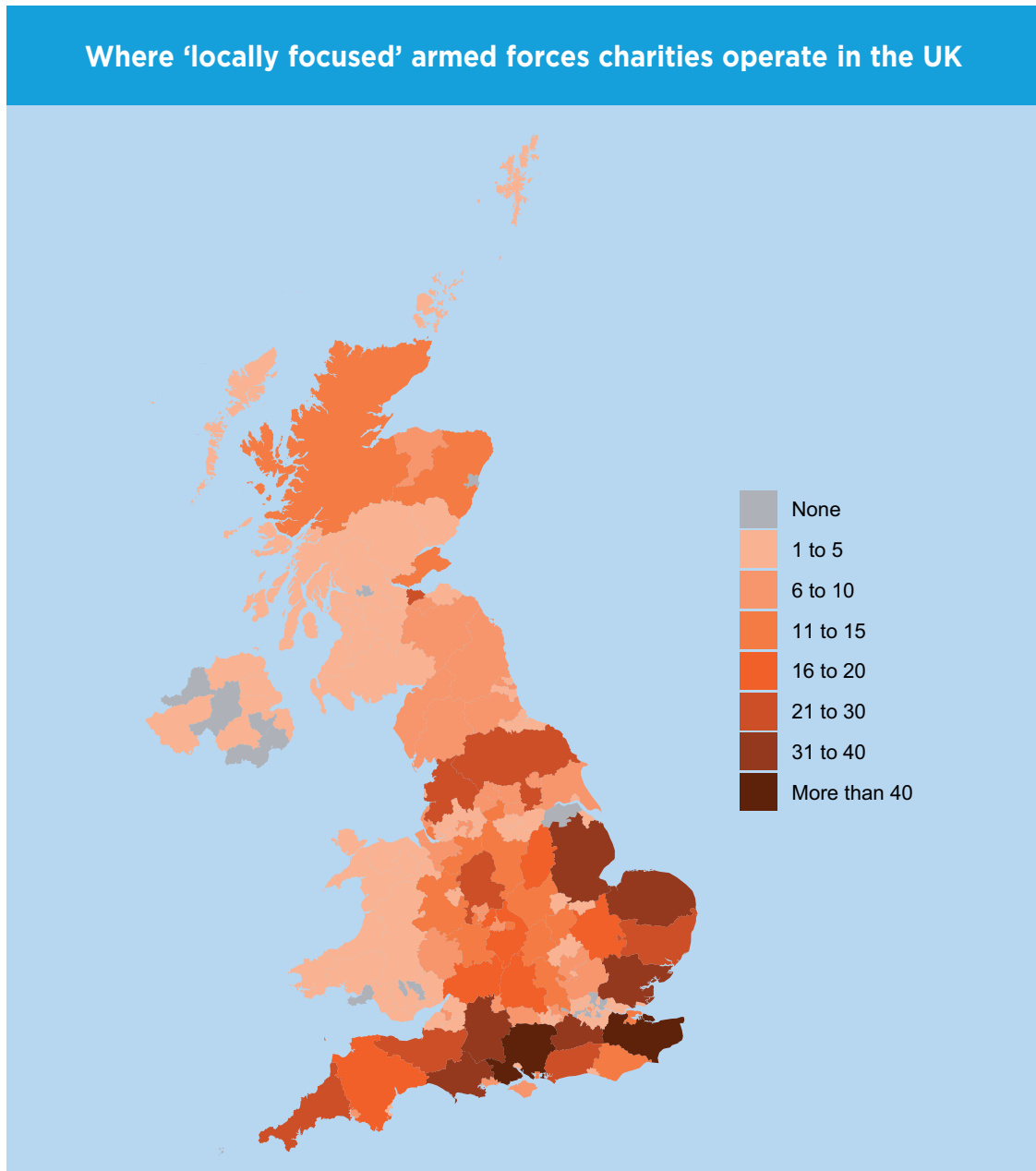
¹⁰ The figure of around 12,000 serving personnel reported here is based on DSC’s researchers calculating a median value from the MOD’s annual population statistics, which estimate that there are somewhere in the region of 8,000 to 16,000 serving personnel located in Scotland as of April 2023 (MOD, 2022a).

¹¹ It should be noted that it is likely that some charities had an even narrower area of operation, limiting their support to a particular town, city or village. However, when specifying their operating location to the charity regulators, the local authority was the lowest level at which charities could describe their geographical remit.

Unlike the previous map, figure 2.6 does not account for the charities that reported they operated within one or more devolved nation (33.2%, N=575), throughout the UK (10.4%, N=181) or throughout London (1.0%, N=17). Removing these additional charities helps to show more of the variation between areas, particularly in Wales, Scotland and Northern Ireland, where some of the variation was flattened out in figure 2.5. Therefore, figure 2.6 does *not* show the full extent of the provision available in each of the counties and unitary authorities because it excludes the charities that operate on a regional or national scale. Therefore, having few or no armed forces charities with a local focus within a specific area does not mean support is not available or provided there.

- In England, almost all (92.2%, N=141) local authority areas had locally focused armed forces charities operating within them. The largest numbers of locally focused armed forces charities were found in the South East and South West in the following local authority areas: Hampshire (N=56), Kent (N=52) and Wiltshire (N=39). These were followed by Essex (N=36) and Lincolnshire (N=34), in the East of England. This pattern mirrors the broader distribution of armed forces charities highlighted in figure 2.5 and reflects the fact that the South East of England has the highest concentration of ex-Service personnel (Kirk-Wade, 2022) while the South East and South West of England have the highest concentrations of serving personnel (MOD, 2022a).
- The overwhelming majority (93.8%, N=30) of Scotland's local authority areas had locally focused armed forces charities operating there. The highest numbers of locally focused charities were found in Edinburgh (N=25), Highland (N=15) and Fife (N=13). As mentioned in section 2.6.1, these areas are all home to large military bases.
- There were very few locally focused armed forces charities operating throughout Wales and Northern Ireland (between 0 and 5 depending on the local authority area). Overall, around four-fifths (81.8%, N=18) of Welsh local authorities had at least one locally focused armed forces charity operating there. Powys (N=5), the Isle of Anglesey (N=4), Gwynedd (N=3), Pembrokeshire (N=3) and Conwy (N=2) had the largest numbers. As mentioned in section 2.6.1, Powys and the Isle of Anglesey have large MOD training facilities based locally.
- Meanwhile, in Northern Ireland, only close to two-thirds (63.6%, N=7) of the local authority areas had one or more locally focused armed forces charity operating there. Armagh City, Banbridge and Craigavon; Belfast; and Fermanagh and Omagh were the three local authority areas with the largest numbers of locally focused charities (N=5), followed by Ards and North Down (N=4) and Antrim and Newtownabbey (N=2). As mentioned in section 2.6.1, these areas are home to former or current military bases.

Figure 2.6



Note: UK by countries; within England, counties, metropolitan counties, London boroughs, metropolitan districts and unitary authorities; within Wales, unitary authorities; within Scotland, council areas; and within Northern Ireland, district council areas.¹²

Map source: Office for National Statistics licensed under the Open Government Licence v.3.0. Contains OS data © Crown copyright and database right 2023.

¹² Charities registered with CCNI had geographical information manually imputed by DSC's researchers based on their CCNI profiles, annual accounts and (where available) websites; many CCNI charities operated across the whole of Northern Ireland (N=16), but where this was not the case (N=24) the district council area was located based on the towns, cities or counties in the charity's name or address. Charities registered with OSCR provide data on their 'main' operating location, which is a more restrictive definition than that of CCEW (and what can be gleaned from the CCNI data, based on manual data collection).

In total, 22 local authorities did not have any locally focused independently registered armed forces charities operating in their area. However, it is important to note that members of the armed forces community in these areas may be able to access support from the regional hubs or association branch networks of large, nationally operating charities. DSC's researchers undertook further investigation and found that almost all of the local authorities in England (91.7%, N=12), Scotland (100.0%, N=2) and Northern Ireland (100.0%, N=4) without locally focused charities had a Royal British Legion branch, Royal British Legion Scotland (Legion Scotland) branch or SSAFA branch operating in that local authority area.¹³ Some of these branches did not show up in the data underlying figure 2.6 (i.e. as providing locally focused support) because they were not independently registered charities (i.e. they operated under the national parent charity). Others did not show up in this data because their support was broader: in Wales, and sometimes in Scotland, association branches operated at a broader (regional) level rather than in particular local authority areas. Nevertheless, these organisations can provide an important source of local support for armed forces communities.

2.7 WHAT TOPICS OF SUPPORT DO ARMED FORCES CHARITIES PROVIDE?

DSC's *Focus On* series has previously explored armed forces charities' provision across various topics, including mental health support (Cole et al., 2017), education and employment support (Doherty et al., 2017), support with housing (Doherty et al., 2018a), physical health support (Doherty et al., 2018b), criminal justice system support (Robson et al., 2019), financial support (Howarth et al., 2021a) and support for families (Howarth et al., 2021b).

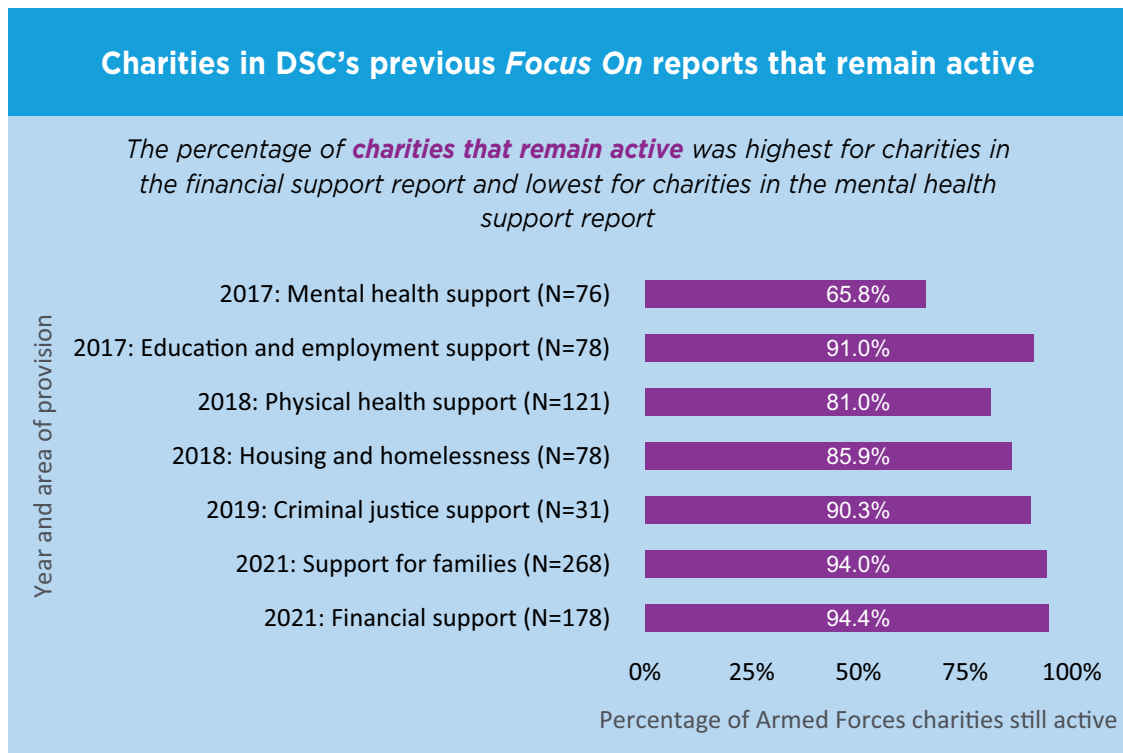
This section revisits DSC's *Focus On* series, providing brief summaries of the key findings from each report. It also includes updated figures on the numbers of armed forces charities that have closed since the original reports were published and those that are still active (as of July 2023). A summary of these figures can be found in figure 2.7, which shows the original numbers of charities identified in each report and the percentages that remain active (as defined in the 'Methodology' on page xxvi).¹⁴

It is important to note that new charities may have emerged since the publication of DSC's *Focus On* reports. This is particularly the case for the earlier reports (such as mental health support and education and employment support), as the data in these reports was collected more than six years ago. While the endeavour is beyond the scope of this report, it would be useful to re-examine topical support for the armed forces community. This would provide a more up-to date picture of the current range of provision and how it has changed in recent years, including areas where support is evolving based on new understandings of need, such as support for female veterans.

¹³ In fact, only one English local authority did not have a Royal British Legion branch or SSAFA branch operating there, but there was one located within close proximity (a 27-minute drive) in a neighbouring local authority.

¹⁴ For more information on the types of armed forces charity that have closed over the past decade, see section 4.2.3.

Figure 2.7



Note: The numbers of charities originally identified as providing support within each *Focus On* report are shown in parentheses. The reports have been ordered by their date of publication. 'Education and employment' includes charities that provided either only education (N=19 of the N=78) or education and employment (N=59 of the N=78) support.

2.7.1 *Focus On: Armed forces charities' mental health provision* (Cole et al., 2017)

In 2017, DSC published the first *Focus On* report, which aimed to investigate the extent and nature of mental health support provided by UK armed forces charities. The report identified 76 armed forces charities that provided mental health support, which represented 7.0% of the total population of UK armed forces charities at the time of writing.

The charities that responded to DSC's survey (N=45) provided mental health support to between 7,000 and 10,000 beneficiaries each year. In doing so, they had spent at least £28 million on provision in the 12 months prior to data collection. With respect to their beneficiary group, the respondents were more likely to be able to support ex-Service personnel (91.1% of respondents) than serving personnel (71.7% of respondents).

The report further found that three-quarters (75.0%) of the armed forces charities that responded to the survey treated beneficiaries for post-traumatic stress disorder (PTSD). Meanwhile, over half (56.6%) provided services for depression and anxiety and over two-fifths (43.4%) provided services for substance misuse.

Counselling was revealed to be the most common method of delivering mental health support, provided by over two-fifths (44.7%) of the charities that responded to DSC's survey. Other common service delivery methods included helplines and recreational activities, each of which was provided by around two-fifths (39.5%) of the survey respondents.

DSC's researchers revisited the data gathered for *Focus On: Armed forces charities' mental health provision*. As shown in figure 2.7, this analysis found that around two-thirds (65.8%) of the 76 armed forces charities in the report remained active (as of July 2023). The remaining charities (34.2%) had closed since the report was published in 2017.

2.7.2 *Focus On: Armed forces charities' education and employment provision* (Doherty et al., 2017)

DSC's researchers identified 78 armed forces charities that provided education support. The charities that responded to DSC's survey (N=46) collectively reported that at least 35,800 beneficiaries had accessed their education support in the 12 months prior to data collection and at least 3,000 of them had gained a qualification through the charities' support. In terms of beneficiary group, the report found that the overwhelming majority (88.5%) of charities could provide education support for ex-Service personnel. Meanwhile, a lower proportion (64.1%) could support serving personnel. With respect to the types of support provided, vocational learning was found to be the most common type of education support, delivered by over two-fifths (43.6%) of the respondents.

The report also identified 59 charities (within the 78 charities above) that provided employment support. The charities that responded to DSC's survey reported that at least 28,100 individuals had accessed their employment support in the 12 months prior, with at least 22,300 securing employment during this time (Doherty et al., 2017). The most common service delivered among the survey respondents was employment advice, offered by around three-fifths (61.0%) of charities. Around two-fifths (39.0%) offered recruitment services, such as recruitment consultancy or job-seeking support.

Figure 2.7 shows that, as of July 2023, the overwhelming majority (91.0%) of the 78 armed forces charities DSC identified in *Focus On: Armed forces charities' education and employment provision* remained active. Only 9.0% of the charities identified in the report had closed since the report was published in 2017.

2.7.3 *Focus On: Armed forces charities' housing provision* (Doherty et al., 2018a)

DSC's researchers identified 78 armed forces charities that provided support related to housing or homelessness. The charities that responded to DSC's survey had collectively provided housing support to at least 11,200 beneficiaries and spent £40 million on housing provision in the 12 months prior to data collection.

Looking at the types of support provided, the report revealed that 47 charities provided accommodation. The most common types of accommodation scheme provided by the

survey respondents were adapted housing (57.4%) and subsidised housing (55.3%). Over two-fifths (42.6%) of the survey respondents provided accommodation for beneficiaries who had a disability or were wounded, injured or sick – and over one-third (34.0%) provided accommodation for beneficiaries experiencing homelessness.

DSC estimated that the accommodation owned or managed by armed forces charities across the UK had the capacity to house over 10,200 people. However, an initial analysis also suggested that the geographical spread of this accommodation was uneven, with the majority of accommodation providers and around three-quarters (77%) of the total beds located in England (N=7,572) and the remainder split between Scotland (N=1,811), Wales (N=241) and Northern Ireland (N=183).

Housing support extended beyond providing brick-and-mortar accommodation – over half of the charities that responded to DSC’s survey provided a wide range of support services in conjunction with housing support, most commonly physical health support (42.3%) or employment support (35.9%).

The report also showed that relatively few charities offered front-line homelessness support. However, it highlighted that charities needed to collect more data to enable better understanding of the need for support among ex-Service personnel experiencing homelessness.

As can be seen in figure 2.7, the overwhelming majority (85.9%) of the 78 armed forces charities DSC identified in *Focus On: Armed forces charities’ housing provision* remained active as of July 2023. However, 14.1% had closed since the report was published in 2018.

2.7.4 *Focus On: Armed forces charities’ physical health provision* (Doherty et al., 2018b)

Out of the seven topics DSC explored throughout the *Focus On* series, physical health was the largest sub-sector of support in terms of the number of charities that delivered this type of support, the number of beneficiaries charities said they served and the amount that charities spent on provision. DSC’s researchers identified 121 armed forces charities that delivered physical health support. The charities that responded to DSC’s survey (N=59) collectively said that they had supported over 250,000 beneficiaries and spent at least £103 million on physical health provision in the year prior to data collection.

DSC used a broad definition of physical health, which may explain why this was the biggest topic of support. It included a wide range of holistic, non-clinical services aimed at promoting physical rehabilitation and recovery. Examples of such non-clinical services included adapted scuba diving and equine therapy. Less than one-fifth (16.5%) of the survey respondents delivered clinical services.

Ex-Service personnel with a Service-related injury or illness were the type of beneficiary most commonly supported by the armed forces charities in this report. The researchers found that they were supported by the majority (82.6%) of the charities that responded to DSC’s survey. In contrast, just under half (49.6%) reported that they provided physical health support for serving personnel.

In terms of the types of support available, the report found that the most common type of physical health support delivered by charities was recreational activities (41.3%). This was followed quite closely by adapted housing (38.0%) and respite centres (37.2%). DSC identified 31 charities (25.6%) which provided residential care homes.

Looking back at figure 2.7, the data shows that around four-fifths (81.0%) of the 121 armed forces charities DSC identified in *Focus On: Armed forces charities' physical health provision* remained active as of July 2023. On the other hand, 19.0% had closed since the report was published in 2018.

2.7.5 *Focus On: Armed forces charities in the criminal justice system* (Robson et al., 2019)

DSC's *Focus On: Armed forces charities in the criminal justice system* report identified 31 armed forces charities which supported ex-Service personnel in the criminal justice system. In terms of the scope of support, the charities that responded to DSC's survey had collectively supported at least 3,200 beneficiaries during the year prior to data collection and spent at least a total of £4.5 million supporting ex-Service personnel in the criminal justice system.

With respect to the types of support provided, out of the charities that responded to the survey, 16 provided education and/or employment support, 12 assisted with accommodation for veterans who were leaving prison, and 10 set up peer support systems. Other common services included mental health support, support with alcohol and drug misuse, and finance and debt support.

Figure 2.7 shows that, as of July 2023, the overwhelming majority (90.3%) of the 31 armed forces charities DSC identified in *Focus On: Armed forces charities in the criminal justice system* remained active - and 9.7% had closed since the report was published in 2019.

2.7.6 *Focus On: Armed forces charities' financial support* (Howarth et al., 2021a)

In total, 178 armed forces charities were identified as providing financial support. The respondents to DSC's survey had collectively supported 50,000 beneficiaries and spent £39 million on providing this support in the 12 months prior to data collection.

The three most common types of financial support, as reported by the survey respondents, were grants or loans for essential goods (65.9%), benefits or welfare advice (54.5%), and cash gifts or vouchers to relieve need (43.2%). Financial support also included provision of goods or gifts in kind, help with debt management and day-to-day budgeting, pensions advice, and support for gambling addiction. Typically, charities provided 'bundles' of more than one type of financial support, though not necessarily to the same beneficiaries.

As can be seen in figure 2.7, the overwhelming majority (94.4%) of the 178 armed forces charities DSC identified in *Focus On: Armed forces charities' financial support* remained active as of July 2023. The remaining charities (5.6%) had closed since the report was published in 2021.

2.7.7 *Focus On: Armed forces charities' support for families* (Howarth et al., 2021b)

In total, DSC identified 268 armed forces charities that supported armed forces families. The respondents to DSC's survey had collectively supported 89,000 beneficiaries (individual family members) and spent £68.5 million on providing this support during the 12 months prior to data collection.

The report showed that support was available for many beneficiary groups. The survey respondents were most likely to provide support to spouses or partners (69.6%), followed closely by children (66.7%), widows (60.9%) and adult dependants (43.5%). Close to half of the survey respondents (48.2%) provided some form of support to all four types of family member. Meanwhile, the respondents were more likely to support families of ex-Service (89.9%) than serving (72.5%) personnel.

DSC's report also found that support offered to families responded to a wide range of needs. The types of support for families most commonly reported by the survey respondents included social groups (43.5%), mental health support (42.0%), education support (40.6%) and financial support (34.8%). Other areas included support with physical health, housing, employment, domestic violence, childcare and criminal justice.

Figure 2.7 shows that, as of July 2023, the overwhelming majority (94.0%) of the 268 armed forces charities DSC identified in *Focus On: Armed forces charities' support for families* remained active. The remaining charities (6.0%) had closed since the report was published in 2021.

2.8 CHAPTER SUMMARY

2.8.1 What did this chapter aim to find out?

This chapter investigated the size, nature and geographical spread of the armed forces charities landscape. Specifically, it aimed to answer the following research questions:

- How many armed forces charities are there?
- What types of armed forces charity are there?
- Which Service branches are armed forces charities affiliated with?
- How do charity type and Service branch affiliation overlap?
- Where do armed forces charities operate?
- What topics of support do armed forces charities provide?

2.8.2 What were the key findings from this chapter?

The researchers analysed data from DSC's database on armed forces charities. This revealed the following key findings.

How many armed forces charities are there?

- DSC defines armed forces charities as 'charities that are established specifically to support past and present members of the armed forces and their families' (Cole and Traynor, 2016, p. 24).
- There were 1,733 active armed forces charities operating in the UK as of July 2023 – a very small proportion (0.9%) of all registered charities in the UK.

What types of armed forces charity are there?

- Out of the six charity types, welfare charities (which provide relief in need, such as around healthcare and rehabilitation, housing, or education and/or employment) were the most common (28.7% of all armed forces charities).
- Welfare charities were closely followed by association branches (which aim to foster esprit de corps and comradeship among eligible serving and ex-Service personnel), which also accounted for more than one-quarter (27.7%) of all armed forces charities.

Which Service branches are armed forces charities affiliated with?

- Around one-third (34.3%) of armed forces charities provided tri-Service support.
- The remaining armed forces charities supported beneficiaries from one branch: the British Army (31.6%), the Royal Navy (20.9%) or the RAF (13.2%). Within each of these single-Service branches, some armed forces charities supported beneficiaries with a particular unit, type of work or location.

How do charity type and Service branch affiliation overlap?

- The single largest intersection between charity type and Service branch affiliation was tri-Service welfare charities, which made up around one-fifth (19.7%) of armed forces charities.
- Following RAF-affiliated association branches (which made up 11.8% of armed forces charities), the remaining intersections between charity type and Service branch affiliations all represented less than one-tenth of the sector each.

Where do armed forces charities operate?

- Over half (54.5%) of armed forces charities reported that they operated within one or more specific local authority area.

- Meanwhile, around one-tenth (10.4%) operated throughout the UK and one-third (33.2%) operated at a national level within one or more of the devolved nations (England, Wales, Scotland or Northern Ireland).
- More armed forces charities operated in England and Wales (between 623 and 729, depending on the local authority) than in Scotland (between 292 and 317) and Northern Ireland (between 228 and 233) – and the more local patterns tended to align with where there are more members of the armed forces community.

What topics of support do armed forces charities provide?

- DSC's researchers have previously explored armed forces charities' provision across various topics (as part of the *Focus On* series) and identified small pockets of armed forces charities providing support in distinct areas: mental health support (N=76), education and/or employment support (N=78), physical health support (N=121), support related to housing (N=78), support in the criminal justice system (N=31), support for families (N=268) and financial support (N=178).

CHAPTER THREE

A financial overview of the armed forces charity sector

3.1 INTRODUCTION

3.1.1 About the structure of this chapter

This chapter is about the current financial picture of armed forces charities. It presents analysis relating to the armed forces charity sector's most recent income, expenditure, reserves and workforce characteristics. Specifically, this chapter aims to answer the following research questions:

- What are the financial characteristics of the sector overall?
- Do key financial characteristics vary across the sector?

The second of the above questions is explored in relation to three features. These features are Service branch affiliation (which relates to the beneficiary group that the charity supports), charity type (which relates to the types of activity that the charity generally undertakes) and financial size (which relates to the size of the charity's income). An introduction to each of the Service branch affiliations (and their subtypes) and the charity types can be found in chapter 2 (sections 2.3 and 2.4). In terms of financial size, DSC's researchers adapted an existing typology (see Tabassum and Fern, 2023a), leading to the following:

- micro charities: annual incomes under £10,000;
- small charities: annual incomes between £10,000 and £100,000;
- medium charities: annual incomes between £100,000 and £1 million;
- large charities: annual incomes between £1 million and £10 million;
- major charities: annual incomes over £10 million.¹

3.1.2 About the data and presentation in this chapter

This chapter primarily uses data from DSC's database of armed forces charities, which draws information from the three charity regulators in the UK – the Charity Commission for England and Wales (CCEW), the Office of the Scottish Charity Regulator (OSCR) or the Charity

¹ The original NCVO typology also includes super major charities, but this category has been subsumed into the major category, as explained in the footnote on page xxv.

Commission for Northern Ireland (CCNI) (see ‘Methodology’ on page xxvi) – and can be found in the blue boxes. It also draws on interview insights from armed forces charities (which can be found in the purple boxes). Illustrative examples compiled by DSC’s researchers have been placed in orange boxes.

This chapter is focused solely on active charities (N=1,733), as defined in the ‘Methodology’ section (see page xxvi). The chapter frequently refers to armed forces charities’ most recent financial data. This data was only available for charities that had submitted accounts to the relevant charity regulator (N=1,646). A small minority of charities therefore could not be included in this chapter (N=87). Among this subset of charities, this data was typically not available because the charities had registered recently: in 2023 (23.0%, N=20), 2022 (48.3%, N=42) or 2021 (19.5%, N=17).

It is also important to note that not all armed forces charities’ most recent financial years were the same. For the vast majority, the most recent financial year related to either 2022 (67.7%, N=1,114) or 2021 (27.9%, N=459). A handful had financial data for 2023 (0.3%, N=5) and only a small minority (4.1%, N=68) had older financial data, which was mostly from 2018 onwards. To make data for different financial years comparable, DSC’s researchers have accounted for inflation. Income and expenditure are therefore adjusted for consumer price inflation (CPI) using the ONS’s figures (ONS, 2023e, table 20a, as of 21 June 2023). The values are presented as current prices for 2022, because this is the most common latest year among the charities’ accounts. This means the nominal (not adjusted for inflation) and real (adjusted for inflation) values are the same for 2022 – only values for previous years were adjusted.²

Aside from the familiar bar charts already used in this report, this chapter regularly uses box plots to convey information about the distribution of values. These boxes are overlaid on the actual values for each armed forces charity, with each value represented by a single dot on the chart. The area within each box plot contains half of all the dots: those that are in between the 25th percentile (the maximum value for the bottom quarter of charities) and the 75th percentile (the minimum value for the top quarter of charities). The median (the 50th percentile) is highlighted in purple throughout.

3.2 WHAT ARE THE FINANCIAL CHARACTERISTICS OF THE SECTOR OVERALL?

3.2.1 What is the armed forces charity sector’s income and expenditure?

According to the data from each armed forces charity’s most recent financial year, the armed forces charity sector generates around £1.03 billion in income per year. Meanwhile, the sector spends £1 billion. This is based on each armed forces charity’s most recently reported annual income and expenditure (see the introduction to this chapter). To some extent, this can be broadly interpreted as the typical annual income and expenditure of the

² This adjustment takes the nominal value of income and multiplies it by the ratio of the average CPI for the reference year (2022) to the average CPI for the year the data relates to. For example, a charity with data for 2021 that has £10,000 nominal income has £10,905 real income ($£10,000 \times (1.217 [\text{the CPI for 2022}] / 1.116 [\text{the CPI for 2021}])$). For more detail, see Thompson (2009, p. 3). At the time of the data analysis, average CPI was not available for 2023. Therefore, the handful of income and expenditure points for 2023 are included in the analysis as nominal values.

armed forces charity sector. However, as discussed in chapter 4, there has recently been a notable downward trend in the sector's income. These figures are therefore slightly lower than those reported in DSC's previous *Sector Insight* report (Cole et al., 2020, p. 51).

3.2.2 What is the average level of income and expenditure among armed forces charities?

There is a considerable degree of variation among armed forces charities with respect to their income and expenditure. Across the sector, the minimum income was £0, while the maximum income was around £152 million (the range was similar for expenditure). This variation can be appreciated in figure 3.1. This figure presents information about the distribution of income (the results for expenditure were very similar and are therefore not shown graphically). As noted in the introduction to this chapter, the purple shaded area contains half of all armed forces charities: those around the middle of the distribution (the median).

As figure 3.1 shows, the (median) average income among armed forces charities was £15,100. Meanwhile, the bottom quarter of armed forces charities (those underneath the shaded box) had up to £2,100 income and the top quarter of armed forces charities (those above the shaded box) had over £118,000 income. Indeed, as will be noted later (see section 3.3.1), only a small minority of armed forces charities are classified as large charities, with an annual real income of £1 million to £10 million (4.9% N=80), or major charities, with an annual real income over £10 million (1.5%, N=25).

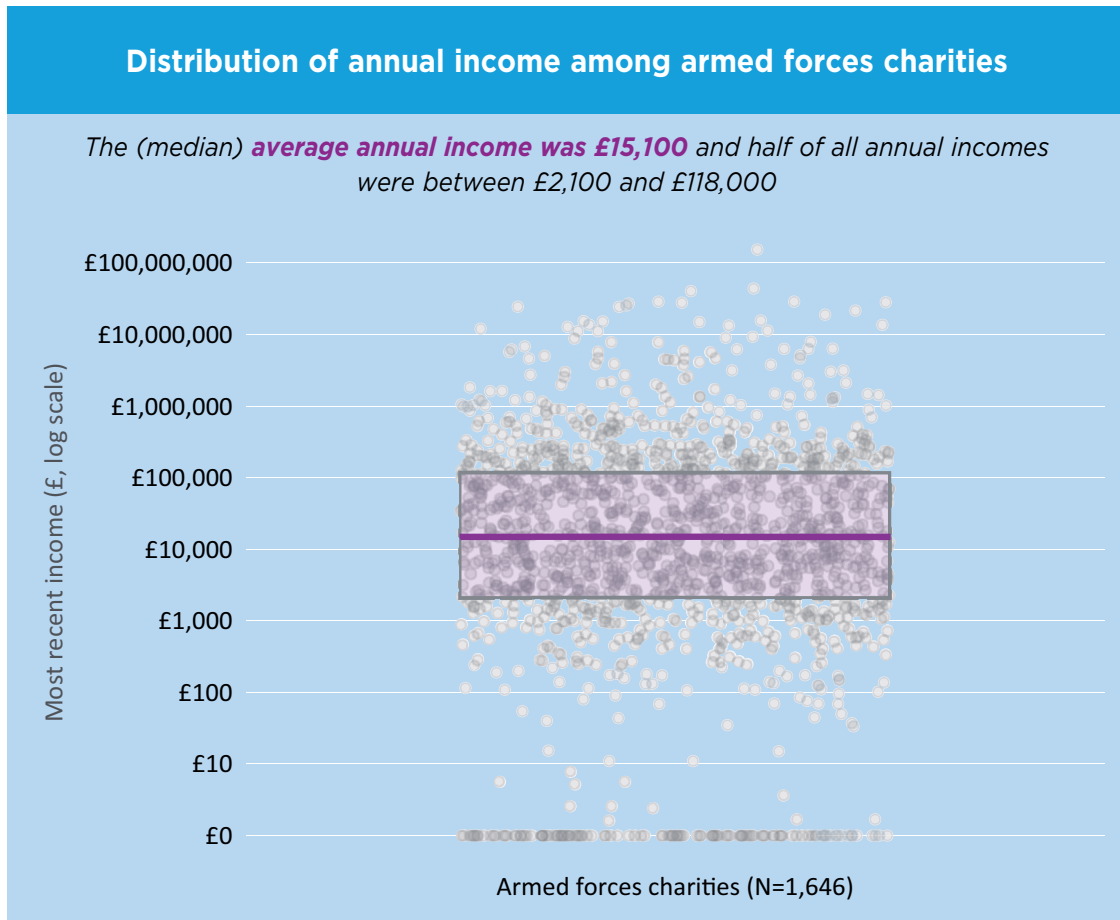
It is interesting to note that the median average income is very different to the mean average income: the mean average income was around £625,800. The mean average can broadly be interpreted as the income of each armed forces charity if the sector's total income were divided completely evenly. This difference arises from the fact that there are many small armed forces charities (resulting in a relatively low median) and very few large armed forces charities (resulting in a relatively high mean).

Meanwhile, the (median) average expenditure (not shown in figure 3.1) among armed forces charities was £14,300. The charities in the bottom quarter spent up to £1,700 and those in the top quarter spent over £113,100. In other words, three-quarters of all armed forces charities spent less than £113,100 in their most recent financial year. This shows that, as was the case with income, the vast majority of armed forces charities spent relatively small amounts.

As might be expected based on what is known about the whole of the charity sector (Tabassum and Fern, 2023a), a small minority of armed forces charities reported either an income or expenditure of £0 in their most recent financial year (8.8%, N=145). Of these 145 charities, most had an income and expenditure which were both £0 (N=86). DSC's researchers investigated the charity regulator records and annual reports and accounts of a random sample of these charities (N=24). They concluded that all but one of these charities are potentially still active and should be included in the analysis.³

³ Among this random sample, DSC's researchers identified one case where the charity concerned had merged with and transferred funds to another charity, as stated in the charity's annual report and accounts, but the merger had not yet been officially registered on CCEW's register of merged charities (CCEW, 2023c). Such instances may, therefore, be present in the data more broadly - but are expected to be rare and have no substantive effect on the analysis.

Figure 3.1



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had financial information available (N=1,646). This chart uses a log scale (with base 10 and a smooth transition to a linear scale around zero) in order to show the wide range of values.

How is expenditure related to income?

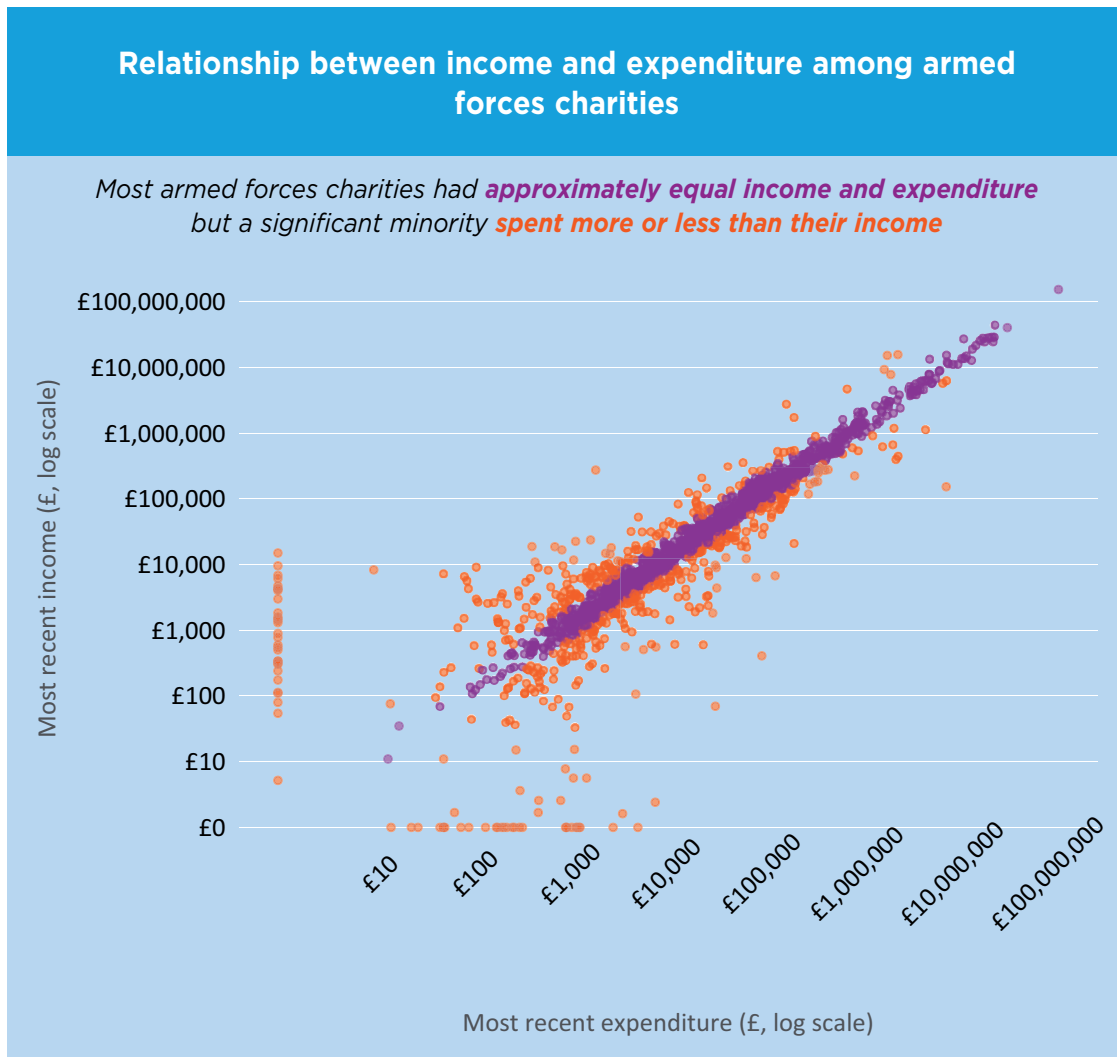
It is important to keep in mind that the average armed forces charity in terms of income is not necessarily the average armed forces charity in terms of expenditure. In other words, armed forces charities' expenditure may be less than, equal to or more than their income – as is the case for all charities (Mohan et al., n.d., p. 14). There can be a variety of reasons for differing levels of spending in relation to income, such as saving some income for a large future project or spending more (by dipping into reserves) in order to meet beneficiary needs while income is in short supply.

As shown in figure 3.2, expenditure and income are closely related: as income increases, expenditure generally also increases. As a result, most (67.9%, N=1,060 of the N=1,560 charities with non-zero income and expenditure) armed forces charities' incomes and expenditures are approximately equal, as shown by the purple dots in the figure.⁴ Nevertheless, a significant

⁴ DSC's researchers classified income and expenditure as being approximately equal when the expenditure-to-income ratio was between 0.95 and 1.05 (inclusive). For more information on the expenditure-to-income ratio, see Mohan et al., n.d., p. 14.

minority of armed forces charities have higher expenditure than income (18.7%, N=292), which means they are vertically below the purple points in figure 3.2, or higher income than expenditure (13.3%, N=208), which means they are vertically above the purple points in figure 3.2.

Figure 3.2



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had non-zero income and expenditure (N=1,560). This chart uses a log scale (with base 10 and a smooth transition to a linear scale around zero) in order to show the wide range of values.

DSC’s researchers calculated the expenditure-to-income ratio for all armed forces charities that had non-zero income and/or expenditure (N=1,560). This revealed a very large degree of variation in the expenditure-to-income ratios: from 0 (0% of income spent) to 4,509 (over 450,000% of income spent).⁵

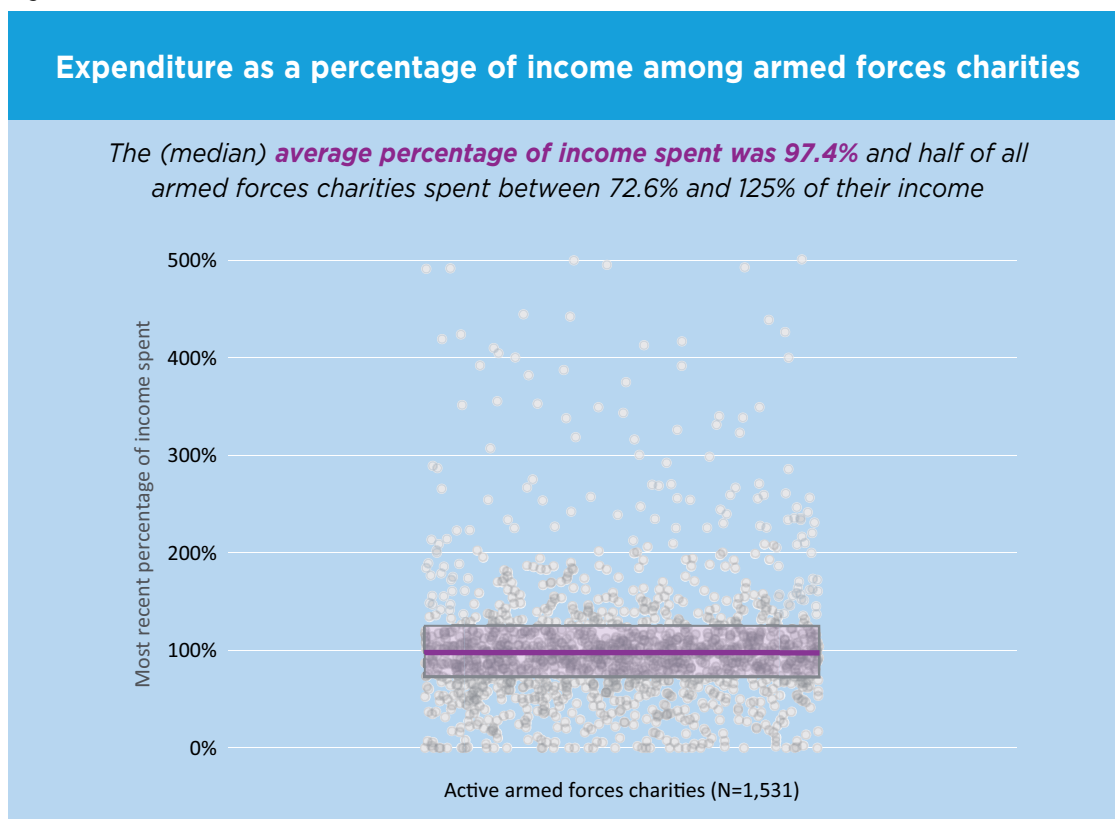
⁵ DSC’s researchers investigated the five most extreme values among these charities. These charities had extremely small incomes (typically £1 or £2), were micro charities in all years for which data was available, and had expenditures that were small in absolute terms but very high relative to their income. However, because of their size, these charities did not have annual returns that could be assessed to understand the reasons for these low incomes relative to expenditure.

Figure 3.3 illustrates armed forces charities' expenditure-to-income ratios overall, expressed using the percentage of income spent by each charity. For reasons of space, this figure excludes a small minority of charities that had an expenditure-to-income ratio of above 5, meaning they spent more than 500% of their income (N=55). However, these outlying values are still included in the calculation of the statistics described below (in relation to figure 3.3).

As shown in figure 3.3, the (median) average armed forces charity spent 97.4% of its total income. More broadly, charities within the shaded box (i.e. those between the 25th and 75th percentiles) spent between 72.6% and 125.0% of their income in their most recent financial year. It follows that the bottom quarter of armed forces charities (those underneath the shaded box) spent up to 72.6% of their income and the top quarter (those above the shaded box) spent over 125.0% of their income.

To exemplify what these different expenditure-to-income ratios mean in concrete terms, DSC's researchers chose examples of armed forces charities that spent different levels of their income. These examples were limited to charities that had annual returns and accounts available with their respective regulators (armed forces charities with annual incomes of £25,000 or more) and can be found in box 3.1.

Figure 3.3



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had financial information available (N=1,531). For readability, this chart does not show the charities that had an expenditure-to-income ratio greater than 5 (i.e. that spent the equivalent of more than 500% of their income). These charities (N=55 out of the N=1,531) are still included when calculating the median and the 25th and 75th percentiles.

Box 3.1

Examples of charities with different expenditure-to-income ratios**A charity with a below-average percentage of income spent**

This charity is a medium, army-affiliated association which has been registered with the Charity Commission for England and Wales (CCEW) for more than ten years. This charity spent 65.0% of its income in financial year 2021/22. The charity's annual report and accounts suggest this was related to restrictions around the COVID-19 pandemic, which limited its activities, alongside a higher-than-expected level of income once restrictions lifted (the charity's income had previously been depressed due to limitations on fundraising). The report also states that the charity is actively pursuing new projects.

A charity with an (approximately) average percentage of income spent

This charity is a medium, tri-Service welfare charity which has been registered with CCEW for more than ten years. This charity spent 101.7% of its income in financial year 2021/22. The charity's annual report and accounts suggest this was related to a combination of lower-than-usual income from charitable activities (fees for residents in the care home the charity runs) alongside increased costs around infection control, testing and staff retention (e.g. increases in wages in line with the living wage).

A charity with an above-average percentage of income spent

This charity is a medium, tri-Service welfare charity which has been registered with CCEW for more than 50 years. This charity spent 256.1% of its income in financial year 2020/21. The charity's annual report and accounts suggest this was because the charity was spending income it had previously saved up for a major refurbishment project to the premises in which its beneficiaries are housed.

Note: These examples were chosen at random by DSC's researchers. Information was collated using annual accounts and returns from CCEW.

3.2.3 Where does the sector's income come from?

Like all other charities, armed forces charities can receive income from one or more of a variety of sources. Information about different sources of income was available only for the charities that were required to submit this data in their most recently published accounts (N=159). This is because CCEW and CCNI only require charities registered with them to submit data on their sources of income if they have an income of £500,000 or above. For charities registered with OSCR, the same information must be submitted once their income reaches £250,000.

Where it is available, data submitted to the charity regulators provides some insights into the sources of income found throughout the armed forces charity sector. Charities above the relevant income thresholds outlined above are required to submit a breakdown of the amounts of income they have generated from charitable activities (money received as fees or grants in return for goods and services the charity provides), donations and/or legacies, investments (money received as interest or dividends but not capital gains), other trading activities, and other sources for each financial year (CCEW, 2023d).⁶

Figure 3.4 shows the percentage of the sector's total income attributed to each of the five comparable income sources. Over two-fifths (44.2%) of the armed forces charity sector's total income came from donations and/or legacies, and around one-third (33.6%) was generated from charitable activities. This is broadly comparable to the charity sector more broadly, where the two largest sources of income reported by NCVO (2023b, table C3) are voluntary income, such as donations, grants and legacies (which makes up 45.7% of income), and income from charitable activities (which makes up 39.3% of income).

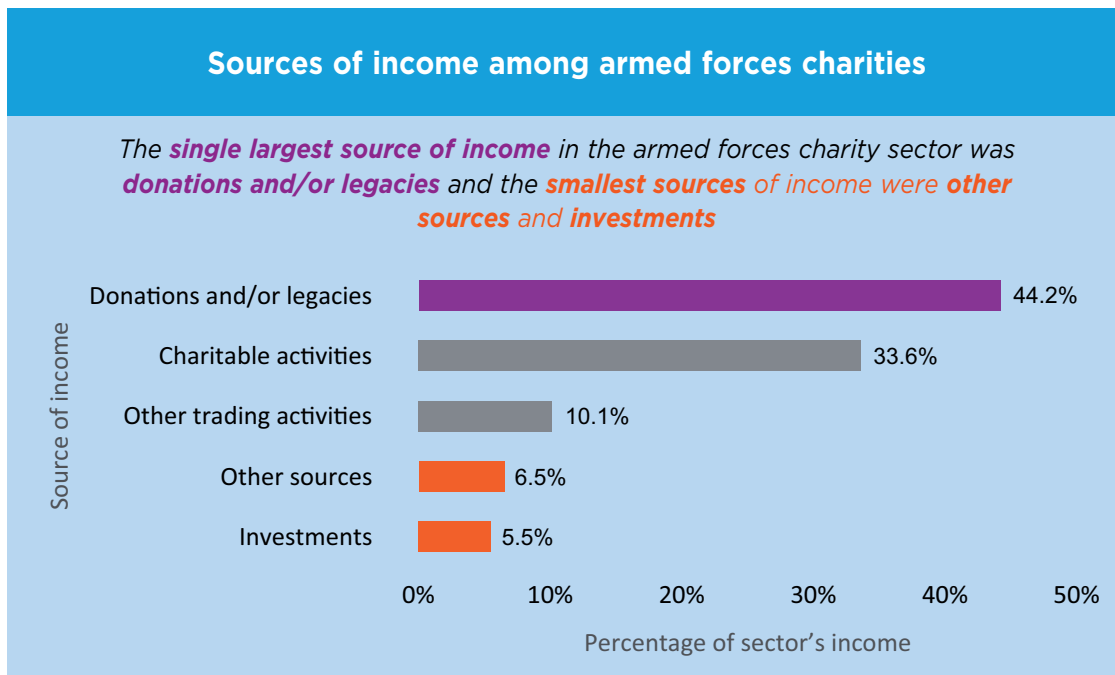
Other trading activities accounted for 10.1% of the sector's total income, while other sources of income and income from investments (such as interest or dividends) made up 6.5% and 5.5%, respectively. The prevalence of income from donations and/or legacies in the sector's income overall (amounting to around 44p in every £1) points to the importance of public support for the armed forces and the armed forces charity sector (see section 1.5).

The armed forces charities with enhanced data available are a relatively small but important subgroup because they make up most of the sector's income. Specifically, the 159 charities included in figure 3.4 made up 90.0% (£0.93 billion out of £1.03 billion) of the sector's income overall. Therefore, this analysis provides useful insights about the composition of the sector's income that should remain similar if all charities were required to publish this data, even if the composition of income turned out to be somewhat different among the financially smaller charities that do not have to submit this information.⁷

⁶ Within the data from CCEW, a more detailed distinction is made: specifically, between income from donations and/or legacies, charitable activities, other trading activities, investments, other, legacies and endowments (CCEW, 2023d). However, limiting the analysis to the five income categories described in the text above allows comparison between charities with different regulators (McDonnell et al., n.d., p. 3).

⁷ DSC's analysis of the additional data for financial year 2021/22 provided with NCVO's latest almanac (Tabassum and Fern, 2023b, table C2) supports the idea that the findings would be similar if data was available on income sources for all armed forces charities, even though the definitions and methods are different. The composition of the combined incomes of the major (annual incomes over £10 million) and large (£1 million to £10 million) charities more closely reflected the composition of the sector as a whole than did the composition of the incomes of the medium (£100,000 to £1 million), small (£10,000 to £100,000) and micro (under £10,000) charities.

Figure 3.4



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had enhanced financial information available (N=159). The percentages do not sum to 100% due to rounding.

3.2.4 How much income dependence and diversity does the sector have?

Income dependence

As illustrated above, armed forces charities can generate or receive income through one or more of several sources. However, not all armed forces charities make use of these different income sources – or they may make use of them to varying extents. Indeed, some armed forces charities may receive most or almost all of their income through only one of these sources.

To shed light on how dependent armed forces charities are on particular sources of income, DSC's researchers adopted an existing methodology (McDonnell et al., n.d., p. 4). For their most recent financial year, armed forces charities were identified as having a major source of income where one source accounted for 50% or more of their total income; meanwhile, charities were identified as having a dominant source of income where one source accounted for 90% or more of their income. This analysis was limited to a subset of armed forces charities (N=159) with the relevant enhanced financial data available (as described in section 3.2.3).

Figure 3.5 shows the percentages of armed forces charities with the available data that had a dominant income stream, that had a major income stream, and that did not have a dominant or major income stream in their most recently available financial year. Overall,

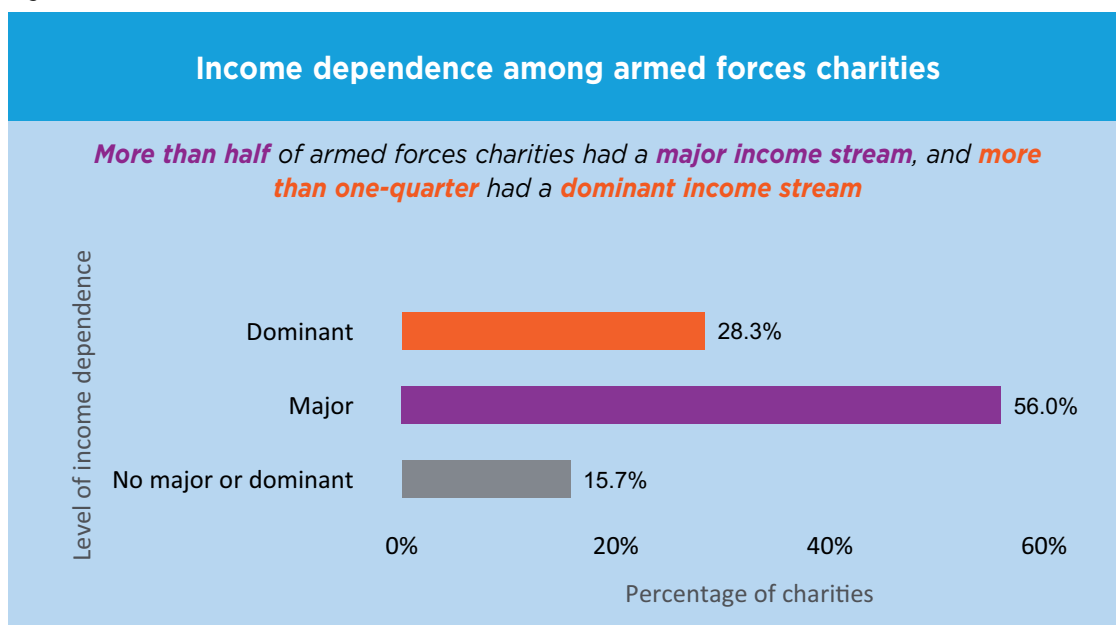
DSC’s researchers found that only 15.7% (N=25) of armed forces charities had no major or dominant income stream; the remaining 84.3% (N=134) of armed forces charities had a major or a dominant income stream.

Specifically, more than half (56.0%, N=89) of the armed forces charities had a major income stream, making this the most common level of income dependence by a notable margin. This means that more than half of the armed forces charities analysed relied on one source of income for 50% of more of their total income. Meanwhile, more than one-quarter (28.3%, N=45) had a dominant income stream, meaning they relied on one source of income for 90% or more of their total income.

Compared to data on the wider charity sector, the armed forces charity sector appears to have a lower degree of overall income dependence: the previous more general research on which the present analysis builds found that around 95% of charities had a major or dominant income stream (McDonnell et al., n.d., p. 4). Meanwhile, as noted above, the corresponding figure was 84.3% among armed forces charities.⁸

Again, it should be highlighted that the armed forces charities with enhanced data available (N=159) are a very important subgroup insofar as they made up 90.0% (£0.93 billion out of £1.03 billion) of the sector’s income. Therefore, this analysis provides useful insights about income dependence among the charities that account for much of the sector’s income. However, it is possible that the degree of income dependence among charities that do not have enhanced financial data is different – this would be expected to be the case if how much income a charity has is related to how dependent it is on different sources of income.

Figure 3.5



Note: This analysis is limited to armed forces charities that were active (as defined in the ‘Methodology’ section, on page xxvi) and had enhanced financial information available (N=159).

⁸ Because the difference between DSC’s findings regarding armed forces charities and the results published for the whole charity sector was large, the researchers repeated their calculations for all charities registered with CCEW. These results for the whole charity sector were in line with the previously published results (McDonnell et al., n.d.), supporting the conclusions drawn here.

Sources of income dependence

As well as looking at the extent of income dependence (i.e. the prevalence of dominant and major income streams), DSC's researchers investigated which types of income were dominant or major. Of the 84.3% (N=134) of armed forces charities that had a major or dominant source of income (i.e. charities that had an income stream that accounted for at least 50% of their total income), 47.7% (N=64) were mostly reliant on donations and/or legacies, 32.8% (N=44) were mostly reliant on charitable activities, 6.0% (N=8) were mostly reliant on income from investments, 6.0% (N=8) were mostly reliant on other trading activities and 7.4% (N=10) were mostly reliant on other sources of income.

Looking in more detail at the 28.3% (N=45) of armed forces charities that had a dominant income stream, DSC's researchers found that 44.4% (N=20) were mostly reliant on donations and/or legacies, 42.2% (N=19) were mostly reliant on charitable activities, 8.9% (N=4) were mostly reliant on income from investments, 2.2% (just one armed forces charity) was mostly reliant on other trading activities, and 2.2% (just one armed forces charity) was mostly reliant on other sources of income.

Income diversity

Income dependence, described above, sheds light on the extent to which a charity relies upon one single source of income in any given year. However, even between two charities which both receive 50% of their income from one single source – and which therefore have the same level of income dependence – there can be substantive differences in diversification based on how their remaining income is sourced (McDonnell et al., n.d., p. 7). Income diversification is therefore related to but distinct from income dependence and can be measured using the Herfindahl–Hirschman Index (HHI) (McDonnell et al., n.d., p. 7). This measure of diversification takes information about the percentage of income accounted for by each source and combines this information into a single number, ranging from 0% diversified to 100% diversified.

The HHI typically takes a value between 0 (representing fully diversified) and 10,000 (representing not at all diversified). DSC's researchers calculated the HHI in this way and subsequently rescaled it for ease of interpretation. For example, an armed forces charity that received 50% of its income from one source and the rest from one other source would be assigned a value of 50% diversified (HHI=5,000). Meanwhile, an armed forces charity that received 50% of its income from one source and the rest split equally between three other sources would be assigned a value of 66.6% diversified (HHI=3,333). This analysis was limited to the subset of armed forces charities (N=159) with the relevant enhanced financial data available (as described in section 3.2.3).

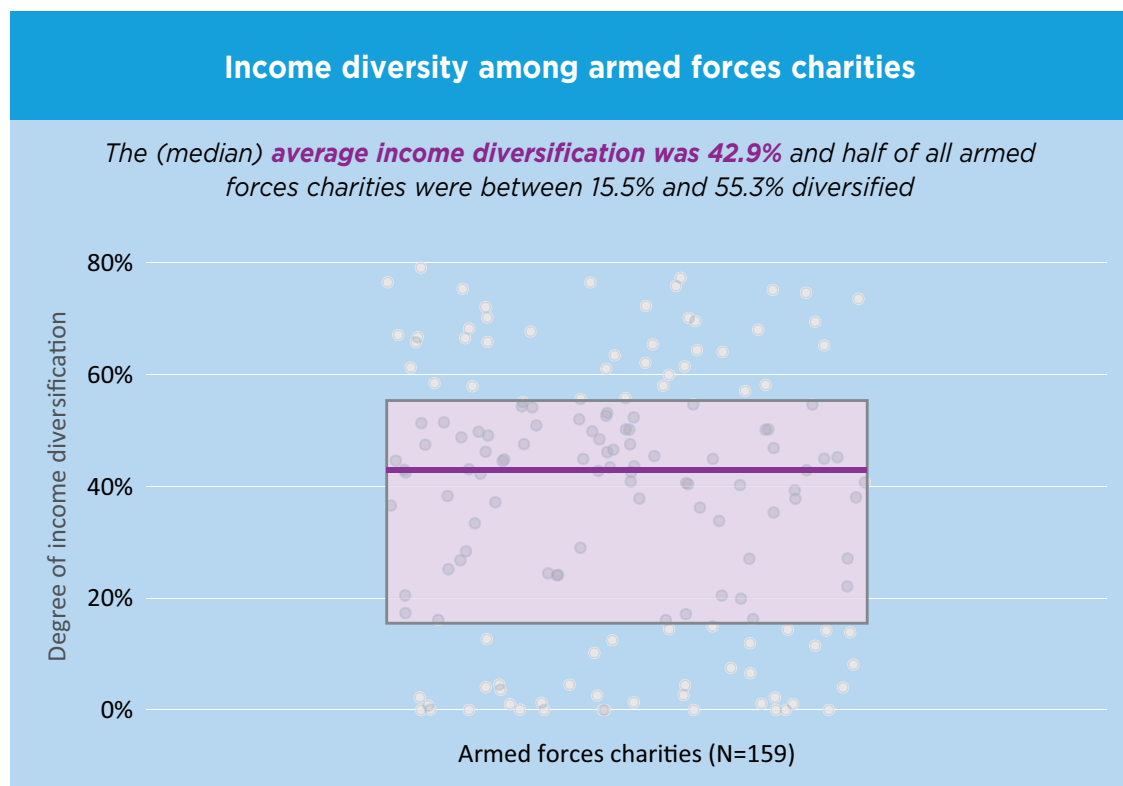
Figure 3.6 shows the degree of income diversification in the armed forces charity sector according to charities' most recently available financial accounts. Overall, the degree of income diversification ranged from 0% (one single source of income) to 79.0% diversified. The (median) average degree of income diversification in the armed forces charity sector was 42.9%. This suggests that, on average, the armed forces charity sector is more diversified than the broader charity sector, for which the figure in 2019 was only 17.8% diversified (calculated based on McDonnell et al., n.d., p. 7).⁹

⁹ Because the difference between DSC's findings regarding armed forces charities and the results published for the whole charity sector was large, the researchers repeated their calculations for all charities registered with CCEW. These results for the whole charity sector were in line with the previously published results (McDonnell et al., n.d.), supporting the conclusions drawn here.

Meanwhile, figure 3.6 also shows that the bottom quarter of armed forces charities (those underneath the shaded box) were up to 15.5% diversified and the top quarter (those above the shaded box) were more than 55.3% diversified.

Again, it should be highlighted that the armed forces charities with enhanced data available (N=159) are a very important subgroup insofar as they made up 90.0% (£0.93 billion out of £1.03 billion) of the sector's income. However, it is possible that the degree of income diversification among charities that do not have enhanced financial data is different – this would be expected to be the case if how much income a charity has is related to how diverse its sources of income are.

Figure 3.6



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had enhanced financial information available (N=159).

To exemplify what different levels of income diversification mean in concrete terms, DSC's researchers chose examples of armed forces charities that had an income diversification value that placed them in the first, second, third and fourth quartiles (respectively) of the distribution. These examples can be found in box 3.2.

Box 3.2

Examples of charities with different levels of income diversification**A charity in the bottom quartile for diversification**

This charity is a medium, tri-Service heritage charity which has been registered with the Charity Commission for England and Wales (CCEW) for more than ten years. This charity has a 0.0% diversified income composition. The charity's income is made up entirely of donations and/or legacies (100.0%).

A charity in the second quartile for diversification

This charity is a medium, British Army-affiliated heritage charity which has been registered with CCEW for more than ten years. This charity has a 20.4% diversified income composition. The charity's income is made up primarily from donations and/or legacies (88.7%). The remaining income is generated through a mixture of income from investments (8.9%), charitable activities (2.0%) and other trading activities (0.5%).

A charity in the third quartile for diversification

This charity is a large, tri-Service welfare charity which has been registered with CCEW for more than ten years. This charity has a 55.6% diversified income composition. The charity's income is made up primarily of charitable activities (68.1%). The remaining income is generated through a mixture of other trading activities (12.8%), other income (9.6%), donations and/or legacies (9.0%), and income from investments (0.4%).

A charity in the top quartile for diversification

This charity is a large, tri-Service welfare charity which has been registered with CCEW for more than ten years. This charity has a 77.2% diversified income composition. Most of the charity's income is made up of charitable activities (48.3%) and donations and/or legacies (37.2%). The remaining income is generated through a mixture of income from investments (11.6%), other income (2.6%) and other trading activities (0.3%).

Note: These examples were chosen at random by DSC's researchers. Information was collated using the CCEW's 'part B' financial download for each charity.

3.2.5 How do armed forces charities use their expenditure?

Armed forces charities can use their expenditure in various ways to meet their charitable objectives. As is the case for income (described in section 3.2.3), larger financial charities are required to submit data on how they use their expenditure to the relevant charity regulator. This information is limited to a subset of armed forces charities (N=159) with the relevant

enhanced financial data available. Nevertheless, it gives valuable insights into what proportion of these charities' spending is used for charitable expenditure, raising funds or other purposes. This is important given that these 159 charities' combined expenditure accounts for 88.0% (£0.88 billion out of £1 billion) of the sector's expenditure.¹⁰

As shown in figure 3.7, around four-fifths (81.0%) of the armed forces charity sector's spending consisted of charitable expenditure. According to definitions provided by CCEW and OSCR, this includes expenditure related to delivering goods or services and/or making grants in order to meet beneficiaries' needs (CCEW, 2023d; OSCR, 2023a).

Moving on to money spent on raising funds, DSC's researchers found that just under one-fifth (17.9%) of the armed forces charities' expenditure was used for this purpose. For charities registered with CCEW, expenditure raising funds involves 'providing goods and services to the public, where the main motive is to raise funds for the charity rather than providing goods or services to meet the needs of its beneficiaries' (CCEW, 2023d, p. 8). For charities registered with OSCR, it includes the 'costs of seeking donations, costs associated with a fundraising event, operation of charity shops, the operation of a trading company and advertising costs' (OSCR, 2023a, p. 5).

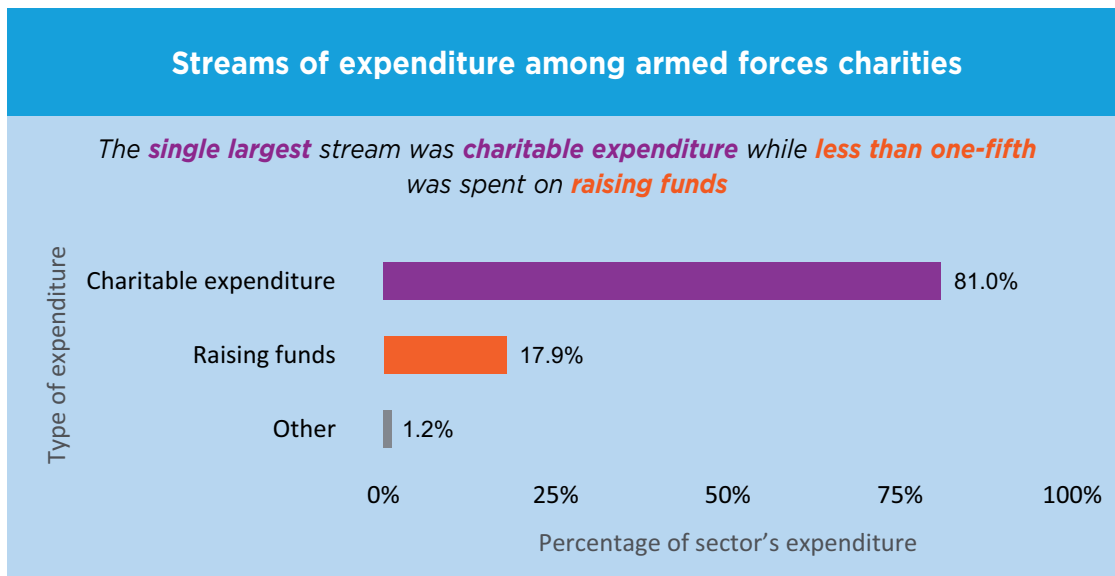
The data further shows that only 1.2% of the armed forces charity sector's expenditure is used for other purposes. According to the charity regulators, this expenditure does not fit into any of the other prescribed categories (CCEW, 2023d; OSCR, 2023a).

These findings are similar to those for the charity sector more broadly. While employing slightly different definitions and methods – and incorporating information about charities of all sizes – NCVO reports that the largest segment of expenditure is charitable activities (Tabassum and Fern, 2023a). DSC's analysis of the additional summary data provided by NCVO shows that 68.7% of expenditure is on charitable activities, followed by 18.0% on grant-making, 12.2% on activities for raising funds and 1.1% on governance (see Tabassum and Fern, 2023b, table D1).

The armed forces charities with enhanced data available are a relatively small but important subgroup because they make up most of the sector's expenditure. Specifically, the 159 charities included in figure 3.7 made up 88.0% (£0.88 billion out of £1 billion) of the sector's expenditure overall. Therefore, this analysis provides useful insights about the composition of the sector's expenditure that should remain similar if all charities were required to publish this data, even if the composition of expenditure turned out to be somewhat different among the financially smaller charities that do not have to submit this information.

¹⁰ Charities registered with CCEW must use specific expenditure categories: raising funds, charitable expenditure, investment management, grants to institutions, governance, support costs, depreciation and other expenditure. Meanwhile, charities registered with OSCR must use a different set of expenditure categories: charitable expenditure, raising funds and other expenditure. To maximise consistency across the regulators, DSC's researchers focus here on charitable expenditure, raising funds and other expenditure.

Figure 3.7



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had enhanced financial information available (N=159). The percentages do not sum to 100% due to rounding.

3.2.6 What is the value of the sector's reserves?

CCEW defines reserves as 'that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes' (CCEW, 2016). This can include funds that are more easily accessed, such as cash assets, but also assets that are less easily accessed but could be monetised if needed, such as investments in the form of bonds.

Reserves can be understood as part of a charity's financial 'gearing' - specifically, they act as a buffer or degree of protection against unexpected financial changes, or they enable a charity to save funds which it can then apply to planned projects. This is important for charities' financial resilience, for potential funders' and creditors' confidence in their financial management, and of course for compliance with the expectations of the regulatory bodies (NCVO, 2022). The emergence of the COVID-19 pandemic is a good example of an unexpected financial event and the changes in reserves over this period are explored in the next chapter (see section 4.4).

As has been done in other research (see Tabassum and Fern, 2023b, table E6), a useful way to analyse reserves is to calculate their value as the number of months' worth of expenditure that they could, hypothetically, cover. This is because the total value of reserves as a standalone figure does not provide much meaning without a relationship to expenditure.¹¹ In aggregate terms for the armed forces charities with data available (N=136), the total value of the reserves equated to 16.8 months of expenditure. This is very similar to the figure for the charity sector more broadly, where the total value of reserves can cover 16.5 months of expenditure (see Tabassum and Fern, 2023b, table E6).

DSC's researchers calculated the relationships between reserves and expenditure and, additionally, between the cash assets within those reserves and expenditure for each armed forces charity with the available data (N=136). It is important to note that data on charity reserves and cash assets was only available for charities with enhanced data that are registered with CCEW (data on reserves and cash assets was not available for charities registered with OSCR and CCNI that otherwise had enhanced data).¹²

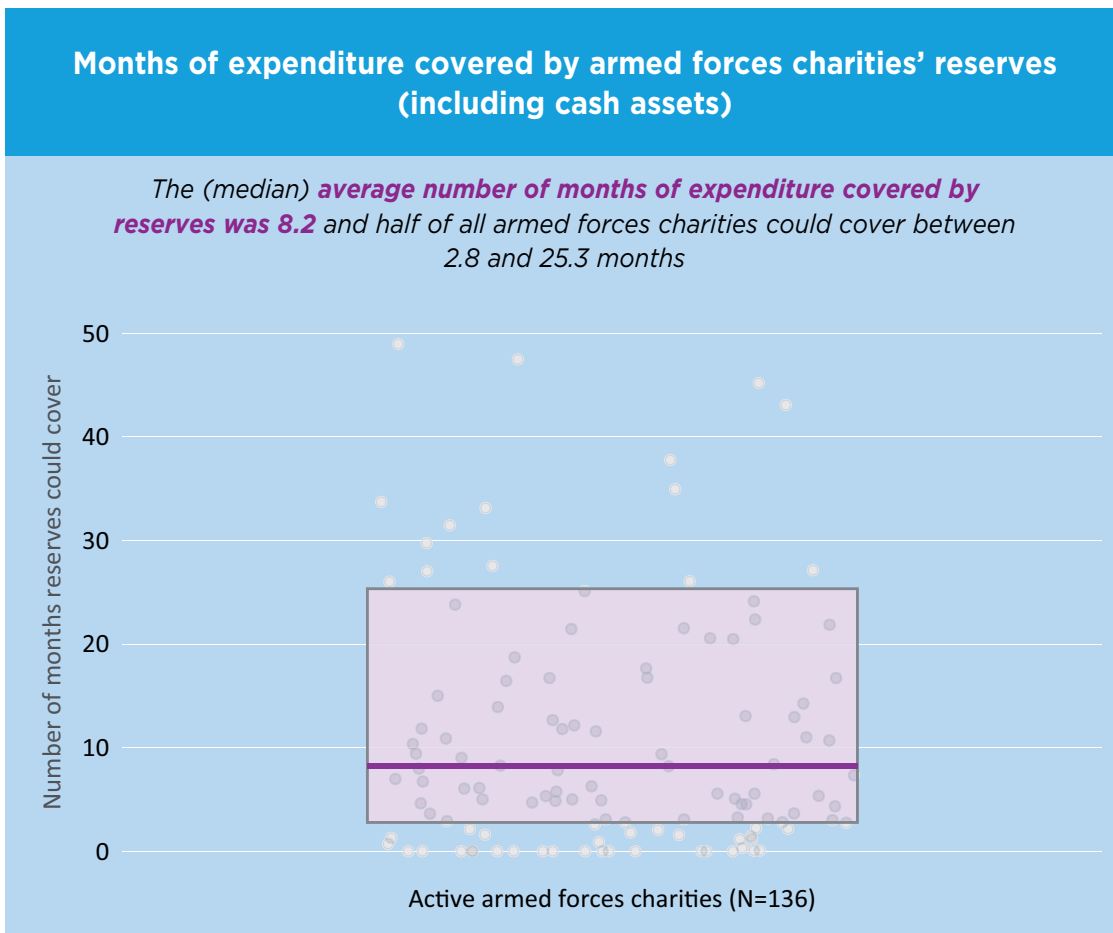
As noted above, armed forces charities' combined reserves amounted to around 16.8 months of their combined expenditure. However, there was significant variation between armed forces charities. As shown in figure 3.8, the (median) average armed forces charity could cover up to 8.2 months of expenditure with its reserves (the corresponding number was 4.8 months for cash assets within those reserves; see figure 3.9). Meanwhile, the bottom quarter of armed forces charities could only cover up to 2.8 months of expenditure (2.6 months for cash assets) and the top quarter could cover over 25.3 months (9.4 months for cash assets).

There is no single level of reserves recommended (CCEW, 2016). Indeed, it is the responsibility of trustees to develop a reserves policy; in doing so, trustees might consider key factors such as the certainty of income streams and the flexibility of expenditure streams (Sayer Vincent, 2015, p. 14). Nonetheless, this analysis suggests that armed forces charities are, on average, not holding excessive reserves: half of all armed forces charities can only cover up to around 8 months of expenditure with their reserves. Moreover, when looking at cash assets within those reserves – the most liquid element of armed forces charities' available reserves – half of all armed forces charities can only cover up to around 5 months of expenditure.

¹¹ For the interested reader, the total value of the armed forces charity sector's reserves is at least £1.14 billion. The total value of the armed forces charity sector's cash assets (a subset of reserves) is at least £347.76 million. These figures can be considered a conservative estimate because the data was available for only a subset of armed forces charities (N=136). However, these charities account for the majority (83.5%, or £0.86 billion out of £1.03 billion) of the sector's total income; it would therefore be unsurprising if they also accounted for the majority of the sector's total reserves.

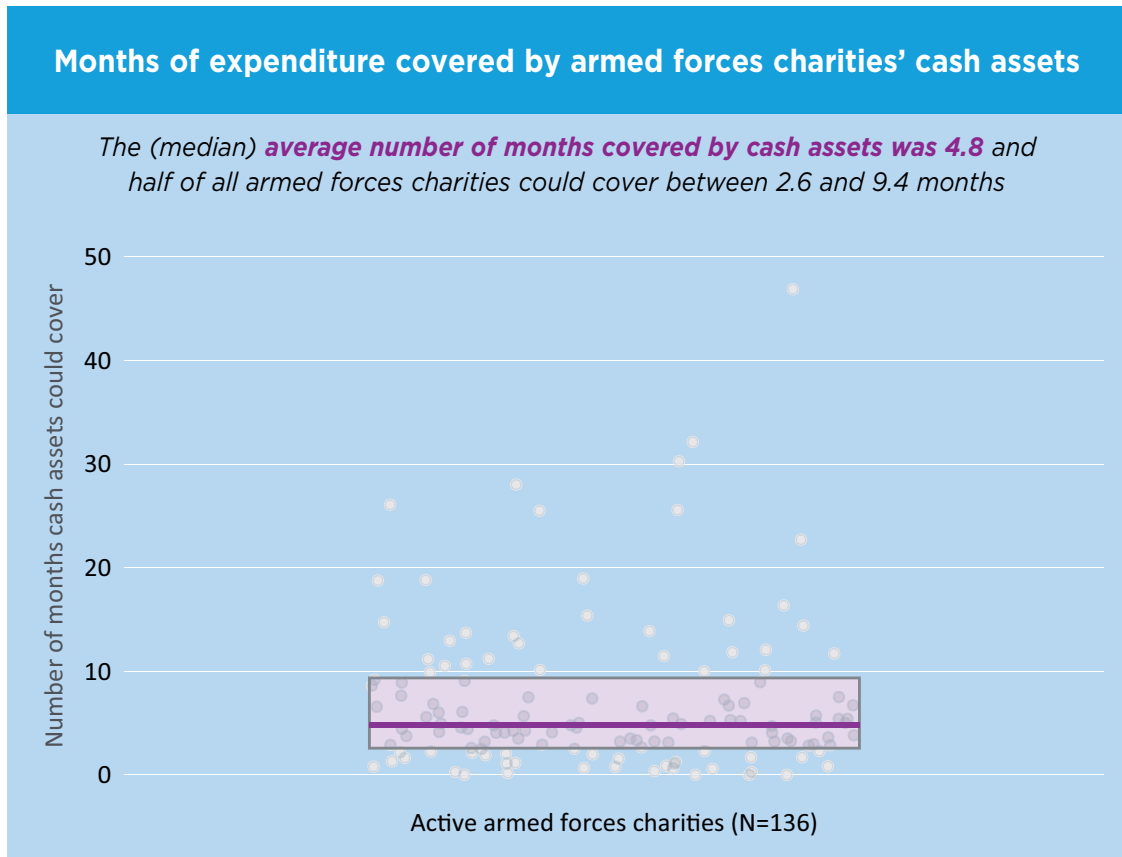
¹² Charities registered with both CCEW and OSCR – that is, cross-border charities – are included as these charities submit data to CCEW rather than OSCR.

Figure 3.8



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi), that had enhanced financial information in their most recent financial year and that were registered with the Charity Commission for England and Wales, including cross-border charities (N=136). For reasons of space, a small number (N=19) of outlying armed forces charities, which could cover more than 50 months of expenditure, are not shown (although they are included in the analysis in the text).

Figure 3.9



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi), that had enhanced financial information in their most recent financial year and that were registered with the Charity Commission for England and Wales, including cross-border charities (N=136). For reasons of space, one outlying armed forces charity, which could cover more than 50 months of expenditure, is not shown (although it is included in the analysis in the text).

To exemplify what different levels of reserves mean in concrete terms, DSC's researchers chose examples of armed forces charities that had reserves values that placed them in the first, second, third and fourth quartiles (respectively) of the distribution. These examples can be found in box 3.3.

Box 3.3

Examples of charities with different levels of reserves**A charity in the bottom quartile for reserves**

This charity is a medium Royal Navy-affiliated Service fund which has been registered with the Charity Commission for England and Wales (CCEW) for more than ten years. The charity's latest annual report and accounts (for 2021/22) state that it had £84,000 in reserves, equivalent to around two months of the charity's average expenditure over the past five years. The charity's reserves policy specifies that the trustees should maintain a sufficient level of reserves to cover six months of wages for staff in the event of redundancies and to cover the costs of leasing equipment that the charity requires to carry out its operations.

A charity in the second quartile for reserves

This charity is a medium tri-Service welfare charity which has been registered with CCEW for around ten years and with the Office of the Scottish Charity Regulator (OSCR) for less than ten years. The charity's latest annual report and accounts (for 2021/22) state that it had around £158,800 in reserves, equivalent to around three months of the charity's average expenditure over the past five years. The charity's reserves policy states that the trustees view it as imperative to hold reserves equal to one month of expenditure but ideal to have three months.

A charity in the third quartile for reserves

This charity is a medium tri-Service welfare charity which has been registered with CCEW for more than 20 years and with OSCR for more than 10 years. The charity's latest annual report and accounts (for 2021/22) state that it had around £3.9 million in reserves, equivalent to around nine months of the charity's average expenditure over the past five years. The charity's reserves policy states that the reserves are in place to ensure continuity of support in the case of certain events (such as changes in the number or needs of beneficiaries, a need to invest in improving support services or significant changes in income).

A charity in the top quartile for reserves

This charity is a medium British Army-affiliated Service fund which has been registered with CCEW for more than ten years. The charity's latest annual report and accounts (for 2021/22) state that it had around £12.2 million in reserves, equivalent to around 25 months of the charity's average expenditure over the past five years. The charity's reserves policy states that the reserves are in place to ensure continuity of operations and grant-making for 18 months, and to support the charity's assessed pension liability.

Note: These examples were chosen at random by DSC's researchers. Information was collated using the CCEW's 'part B' financial download for each charity and charities' annual accounts and reports.

3.2.7 How many volunteers and employees does the armed forces charity sector have?

Volunteers

Volunteers provide important contributions to the armed forces charity sector. As has been explored in DSC's previous research on armed forces charities, volunteer roles are extremely varied – examples include volunteers carrying out befriending services to support isolated veterans (Cole et al., 2020, p. 87) and volunteers carrying out the administrative activities of associations (p. 111).

In England and Wales, charities with an annual income of £10,000 or greater must submit data on volunteers to CCEW (CCEW, 2023e).¹³ Volunteer data was mostly available for this large subset of armed forces charities (N=767 out of N=889 with incomes of £10,000 or greater). Based on these armed forces charities' (N=767) most recent information, the armed forces charity sector has at least 87,500 volunteers. However, it should be noted that many more armed forces charities (N=223) had annual incomes under £10,000 but still provided data on their number of volunteers. Including these charities takes the total number of volunteers to 89,000.

Based on analysis of the nationally representative Community Life Survey, NCVO's *UK Civil Society Almanac 2023* reports that England's voluntary sector had around 7 million volunteers in 2021/22 (Tabassum and Fern, 2023a).¹⁴ DSC's estimated total number of volunteers for armed forces charities follows a different methodology, coming from each charity's most recent annual report and accounts, so the NCVO data is not completely comparable with the data presented here. Notwithstanding this limitation, comparing these two data sources suggests that armed forces charities are home to around 1.3% (N=89,000 out of N=7,000,000) of the charity sector's volunteers. This broadly aligns with the proportion of the charity sector that is made up of armed forces charities: around 0.9% of the charity sector consists of armed forces charities (see section 2.2).

It is important to keep in mind that these volunteers are far from evenly distributed. In fact, close to two-thirds (61.8%, N=55,000) of the total number of volunteers were attributed to just one armed forces charity.¹⁵ This contributes to a highly uneven distribution of volunteers, which can be captured by a simple inequality measure called the Gini index. The Gini index can take a value from 0 (which would mean all charities had the same number of volunteers) to 1 (which would mean one charity had all the volunteers while the others had none). In this case, the value for the distribution of volunteers is 0.96.¹⁶

A summary of how many employees armed forces charities generally have can be seen in figure 3.10 (which includes all charities that provided data, not just those above the £10,000 reporting threshold). The median average number of volunteers was just two, which was primarily due to the large number of armed forces charities that reported they had no volunteers. The top quarter of armed forces charities (the quarter with the most volunteers)

¹³ Data on the number of volunteers is not collected by CCNI or OSCR.

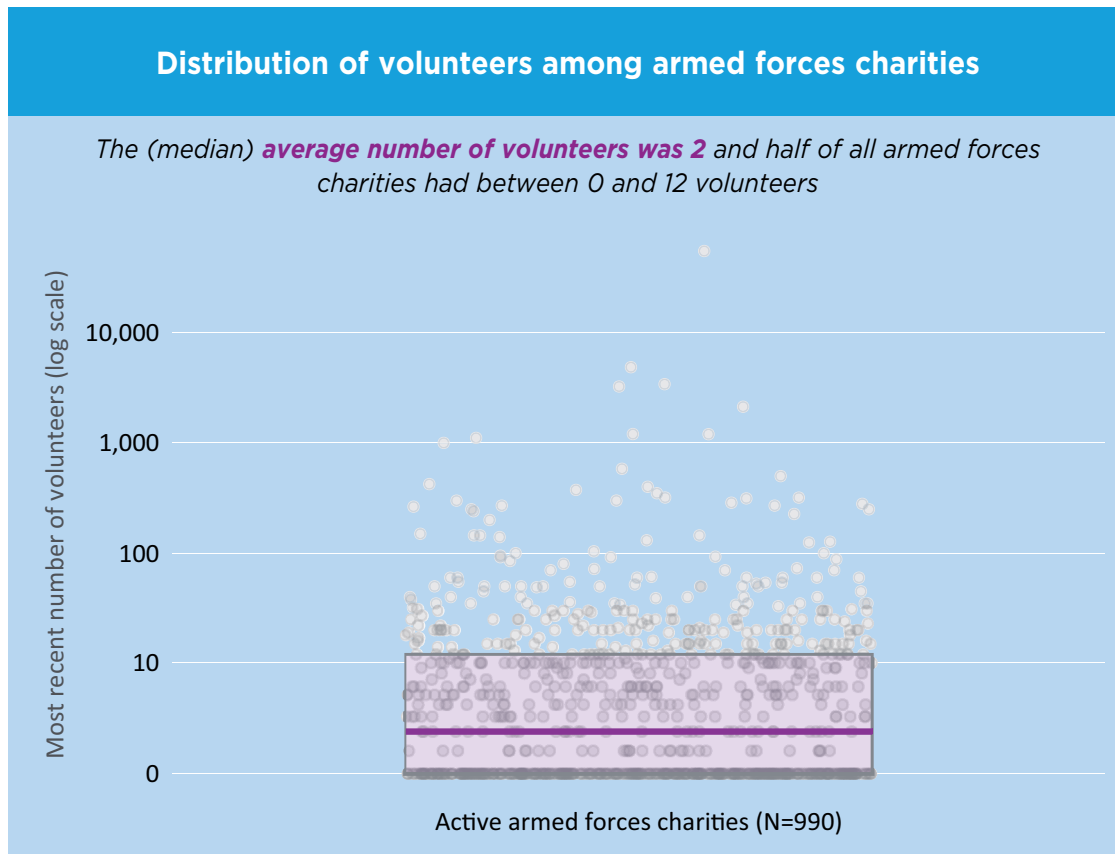
¹⁴ DSC's researchers focused on England for comparison here, rather than the 8.3 million volunteers reported by this source for the UK as a whole, because the data for armed forces charities was available only for charities registered with CCEW.

¹⁵ DSC's researchers checked this figure and the charity concerned consistently had a very large number of volunteers, which also resulted in a large proportion of the change in the number of volunteers the sector had over time (see 4.5.1).

¹⁶ The Gini index is a widely used measure of inequality (see Sitthiyot and Holasut, 2020).

had 12 or more volunteers. Meanwhile, the bottom quarter had no volunteers. This analysis shows that very few armed forces charities have large volunteer teams, and that the majority of the sector's volunteers are concentrated with one or a few armed forces charities.

Figure 3.10



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had data available (N=990). These charities were all registered with the Charity Commission for England and Wales, as charities registered with the Charity Commission for Northern Ireland or the Office of the Scottish Charity Regulator are not required to submit information about their numbers of volunteers.

Employees

Based on armed forces charities' most recent annual reports and accounts, the sector has around 9,300 employees. This data is limited to the armed forces charities with enhanced financial information (N=136). Therefore, this can be considered a conservative estimate of the number of employees in the armed forces charity sector overall. In other words, there are at least around 9,300 employees in the armed forces charity sector.

DSC's researchers used a very simple model to provide a rough estimate of what the total number of employees might be if all armed forces charities registered with CCEW provided data on their employee numbers (not just those registered with CCEW with an income over

£500,000). This model – which used charities' latest expenditure figures to calculate a line of best fit for the latest number of employees – was applied to the armed forces charities that had data available (N=136).¹⁷ DSC's researchers then used the results to predict the number of employees in each armed forces charity with an income under £500,000 (N=1,253). After removing negative values, this model predicts that there may be an additional 1,070 employees in the armed forces charity sector. This would take the total to around 10,400. Assuming that armed forces charities' workforce is similar to the charity sector's workforce more broadly, this equates to around 6,700 full-time staff and 3,700 part time staff.¹⁸

Based on analysis of the nationally representative Labour Force Survey, NCVO's *UK Civil Society Almanac 2023* reports that the voluntary sector employed approximately 968,000 people in 2022 (Tabassum and Fern, 2023a). DSC's estimated total number of employees within armed forces charities follows a different methodology, coming from each charity's most recent annual report and accounts, so the NCVO data is not completely comparable with the data presented here. Notwithstanding this limitation, the data suggests that armed forces charities employ around 1.1% (N=10,400 out of N=968,000) of the charity sector's employees. This aligns with the proportion of the charity sector that is made up of armed forces charities: around 0.9% of the charity sector consists of armed forces charities (see section 2.2).

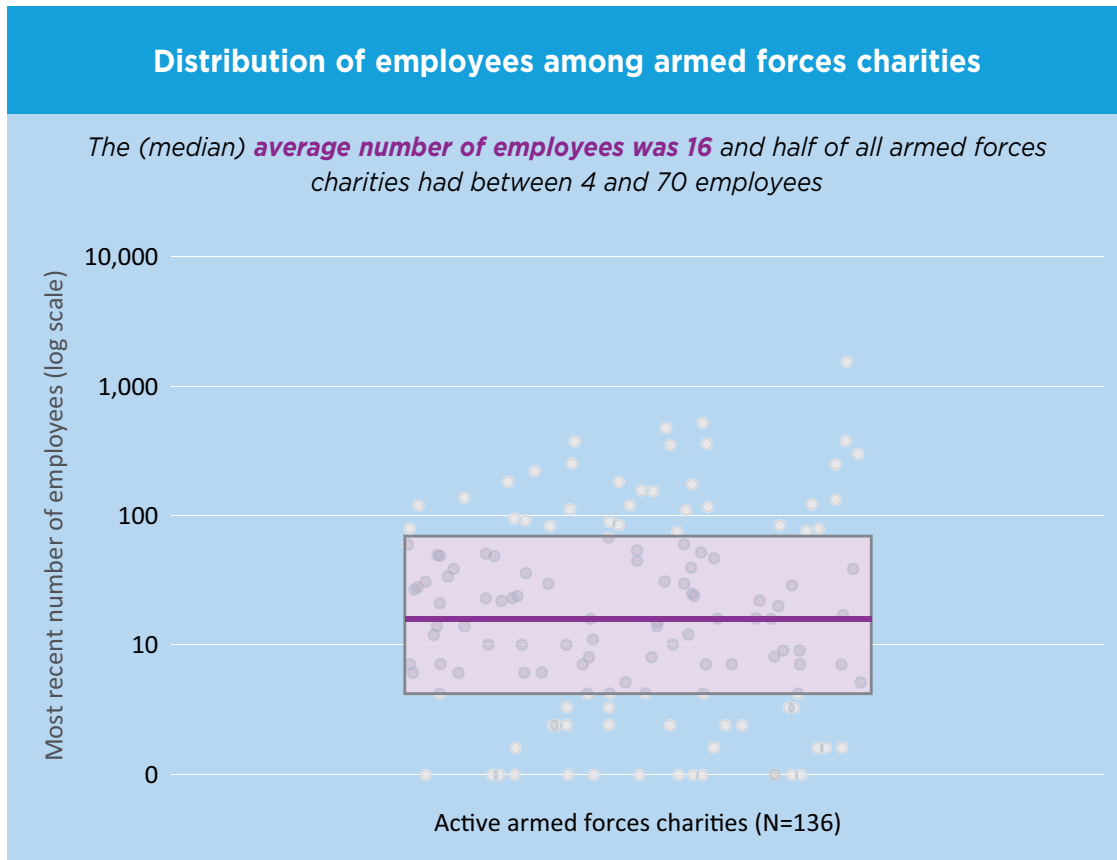
As was the case for volunteers, it is important to keep in mind that these employees are not evenly distributed across the armed forces charity sector. The Gini index for the number of employees – which can take a value from 0 (which would mean all charities had the same number of employees) to 1 (which would mean one charity had all the employees while the others had none) – is 0.75. While the distribution of employees is significantly more even than the distribution of volunteers (as described above), there is clearly notable variation in the number of staff employed by armed forces charities. Moreover, because data was not available for smaller charities (which have fewer financial resources to employ people), this is likely to be an underestimate. The single largest employer within the armed forces charity sector reported that it had 1,544 employees, which constitutes 16.6% of the total number of employees reported by the 136 charities with enhanced financial information (N=9,300).

A summary of how many employees armed forces charities generally have can be seen in figure 3.11. Among those armed forces charities with data available, the (median) average number of employees was 16. Meanwhile, the top quarter of armed forces charities (the quarter with the most employees) had at least 70 employees, and the bottom quarter (the quarter with the least employees) had up to 4 employees. Overall, this shows that half of the armed forces charities that had data available reported having between 4 and 70 employees.

¹⁷ The model included terms for expenditure, expenditure squared and expenditure cubed, which allowed the line of best fit to bend rather than be straight. The model showed a good fit statistically: it explained 88.3% of the variation in employee numbers.

¹⁸ This estimate is based on the additional data provided alongside NCVO's 2023 almanac (see Tabassum and Fern, 2023b, table F5).

Figure 3.11



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had enhanced data available (N=136).

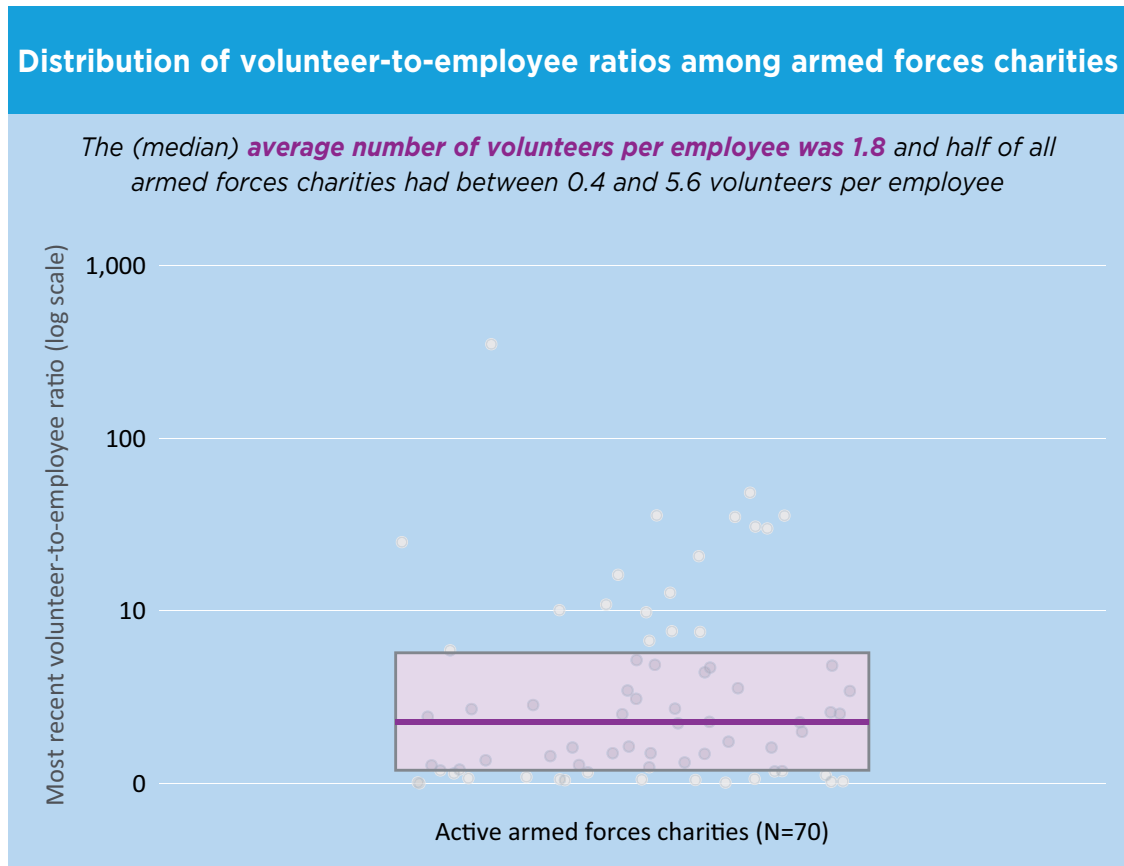
Employee-to-volunteer ratio

The analysis presented in the previous two sections shows that the armed forces charity sector had a total of around 89,000 volunteers and at least around 9,300 paid employees. Taking this number of employees as a conservative estimate of the total number of employees in the armed forces charity sector more broadly, this means that for every one employee there were 9.6 volunteers. However, when this analysis is restricted to the total number of volunteers among those armed forces charities for which data about employees was also available (N=136), DSC's researchers found that for every one employee there were 7.8 volunteers.

Again, given the uneven distribution of employees and volunteers, it is helpful to look beyond the overall ratio of employees to volunteers. This can provide a better understanding of the situation for individual armed forces charities. However, it should be noted that this analysis was restricted to the armed forces charities with enhanced financial information that had *non-zero* volunteer and employee numbers (N=70).

As shown in figure 3.12, this analysis revealed that the (median) average number of volunteers for every employee was 1.8. Meanwhile, the bottom quarter of armed forces charities had less than one volunteer for every employee and the top quarter of armed forces charities had at least 5.6 volunteers for every employee. This shows that the aggregate value for the sector does not reflect the situation for most armed forces charities, likely because of the highly unequal distribution of volunteers.

Figure 3.12



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi), had enhanced data available, and had non-zero volunteer and employee counts in their most recent financial year (N=70). That is, of the charities with available data on employees (N=136), charities with zero employees and/or zero volunteers were excluded (N=66), overwhelmingly due to their having zero volunteers (N=64).

3.3 DO KEY FINANCIAL CHARACTERISTICS VARY ACROSS THE SECTOR?

As outlined in section 2.3.1, armed forces charities can be broadly categorised into six distinct types (each of which carry out different activities) and four distinct Service branch affiliations (each of which serve a different beneficiary group). As outlined at the start of this chapter,

armed forces charities can also be grouped by their annual incomes into five categories ranging from micro (annual income below £10,000) to major (annual income above £10 million). This section takes the key headline figures about income presented earlier in this chapter and breaks them down by charity type, Service branch affiliation and charity size, in order to demonstrate the similarities and differences between these different categories.¹⁹

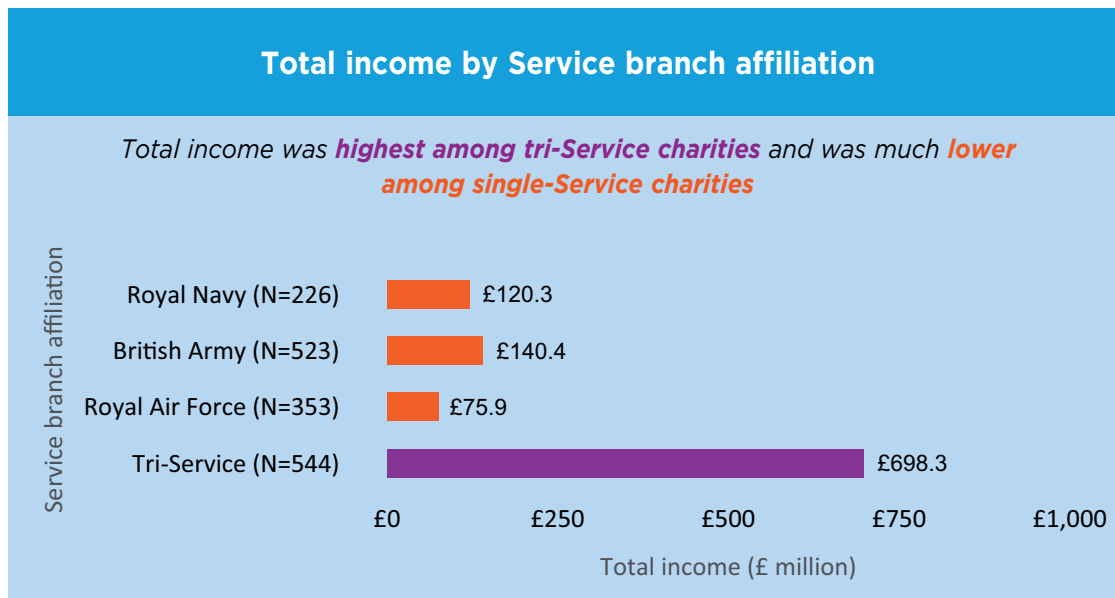
3.3.1 Differences and similarities in total income

As outlined in section 3.2.1, DSC’s researchers found that the armed forces charity sector generates around £1.03 billion in income (and spends around £1 billion). This is based on armed forces charities’ most recently reported annual incomes and expenditures (see section 3.1). This section explores how total income – and the distribution of income – varied across different Service branch affiliations, types of armed forces charity and sizes of armed forces charity.

By Service branch affiliation

Figure 3.13 shows the total income accrued by charities affiliated with each Service branch. Around two-thirds (67.5%) of the armed forces charity sector’s total income was generated by tri-Service charities, amounting to £698.3 million. The remainder of the sector’s total income was generated by charities that are affiliated with a single Service branch. British Army-affiliated charities generated around £140.4 million (13.6% of the total), Royal Navy charities made up £120.3 (11.6% of the total), and Royal Air Force (RAF) charities contributed £75.9 million (7.3% of the total).

Figure 3.13



Note: This analysis is limited to armed forces charities that were active (as defined in the ‘Methodology’ section, on page xxvi) and had the relevant financial information available (N=1,646). Total expenditure by Service branch affiliation is very similar (available upon request).

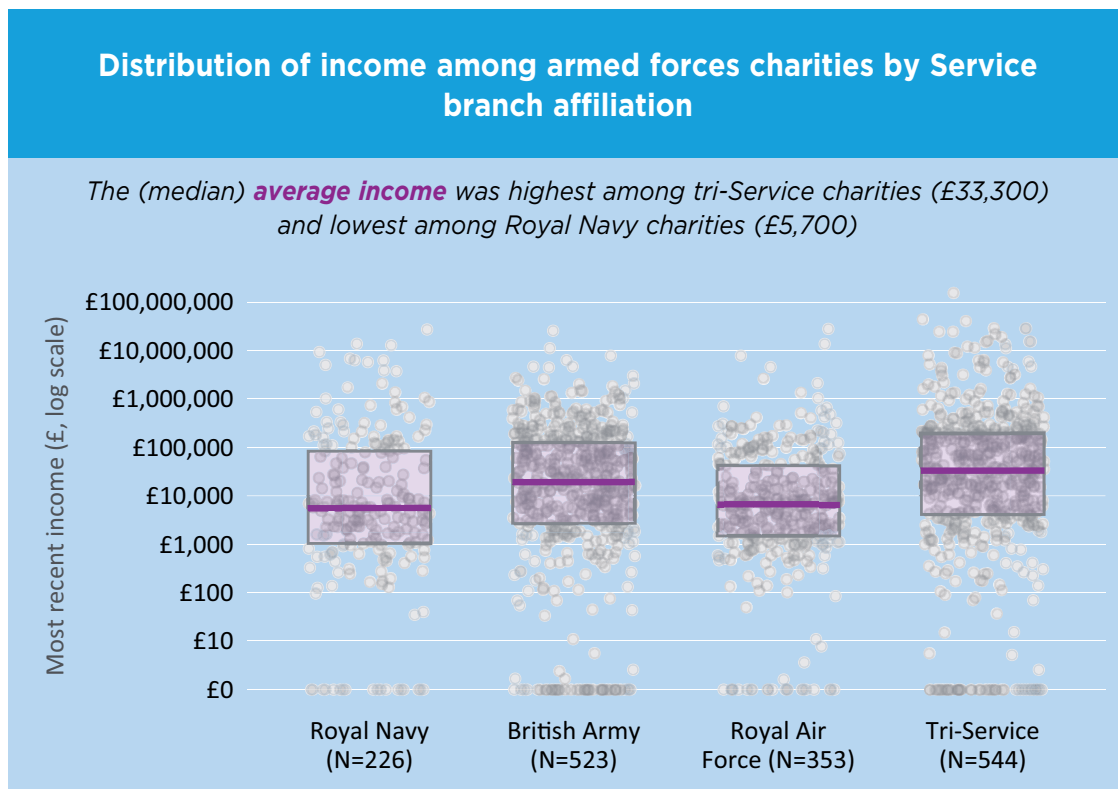
¹⁹ This section does not look at expenditure as DSC’s researchers found that the picture was very similar to income. However, the relevant figures are available upon request.

As can be seen in figure 3.13, the charities that support members of the armed forces community from any of the Service branches (i.e. tri-Service charities) accounted for the majority of the sector’s income. However, they were not notably more numerous than British Army charities: there were 544 tri-Service charities (with financial information) and 523 British Army charities (with financial information). This suggests there may be differences in the average incomes between charities with different Service branch affiliations.

Therefore, DSC’s researchers calculated the (median) average incomes across each of the Service branch affiliations. Figure 3.14 shows that average income was higher among tri-Service charities (£33,300) than among the other Service branch affiliations. To some extent, this is to be expected. Tri-Service charities have a theoretically larger number of eligible beneficiaries. However, the number of eligible beneficiaries will depend on each charity’s activities and other criteria for eligibility. For example, some charities may only support beneficiaries from a specific geographical area, and some charities may only support ex-Service personnel while others may support serving and ex-Service personnel and their families.

There were also notable differences between the single-Service armed forces charities: the British Army charities had an average income of £19,200, the RAF charities had an average income of £6,600 and the Royal Navy charities had an average income of £5,700.

Figure 3.14



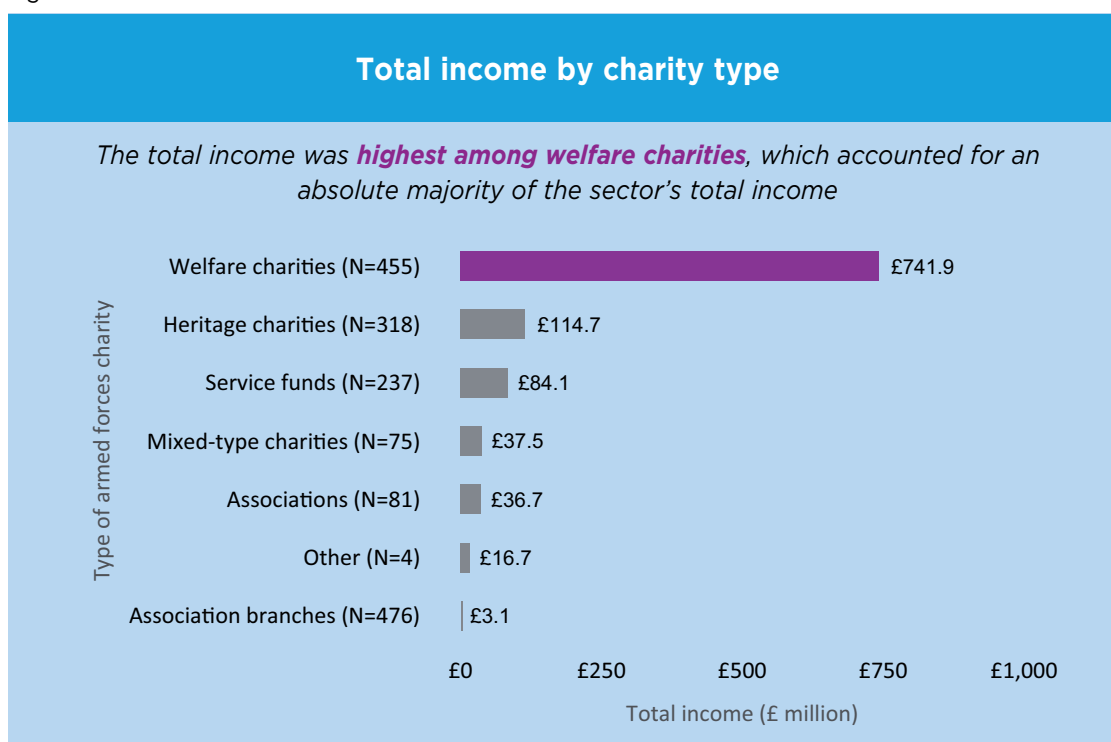
Note: This analysis is limited to armed forces charities that were active (as defined in the ‘Methodology’ section, on page xxvi) and had the relevant financial information available (N=1,646). Average expenditure by Service branch affiliation is very similar (available upon request).

By charity type

Figure 3.15 shows the total income generated across the sector by charity type. More than two-thirds (71.7%) of the armed forces charity sector's total income was generated by welfare charities, amounting to £741.9 million. DSC's researchers found that the remaining income was generated largely by heritage charities (which generated around £114.7 million, 11.1% of the total) and Service funds (which generated approximately £84.1 million, 8.1% of the total).

Mixed-type charities generated £37.5 million (3.6% of the total). While associations generated £36.7 million (3.6% of the total), their affiliated association branches generated the smallest amount of income (approximately £3.1 million, 0.3% of the total) of the six major charity types. This is despite the fact that association branches are the most numerous type of armed forces charity among those with financial data available (N=476). Finally, other types of charity generated £16.7 million (1.6% of the total).

Figure 3.15



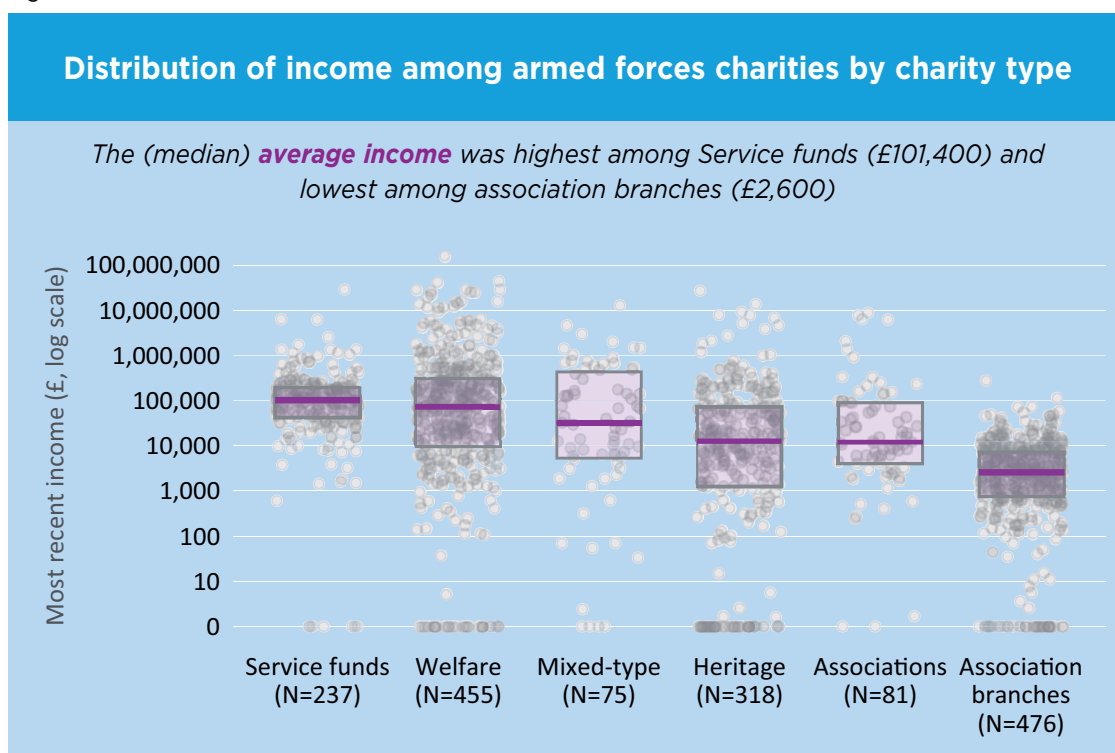
Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had the relevant financial information available (N=1,646). Total expenditure by charity type is very similar (available upon request).

Overall, this analysis demonstrates that the vast majority (almost three-quarters) of the sector's total income is generated (and, because of the close relationship between income and expenditure, spent) by welfare charities. This means that the single largest focus of the armed forces charity sector is around the provision of services and/or grants to alleviate need, hardship or distress among past and present members of the armed forces and their families. Nevertheless, a substantial proportion of the sector's financial activity relates to

heritage charities (which focus on the provision and preservation of armed forces museums, public memorials and historical societies) and Service funds (which focus on the provision of facilities, services and grants to improve the morale and the social and physical wellbeing of active serving personnel and their families).²⁰

As highlighted above, the most numerous type of armed forces charity with financial data – association branches – collectively generated a smaller value of total income than any of the other charity types. It follows that the average income among association branches should be lower than among any of the other charity types. Indeed, as shown in figure 3.16, DSC’s researchers found that the (median) average income was lowest among association branches (£2,600). They were followed by associations (average annual income of £12,000), heritage charities (£12,400), mixed-type charities (£32,400) and welfare charities (£72,000). The type of charity with the highest average income was Service funds (£101,400).

Figure 3.16



Note: This analysis is limited to armed forces charities that were active (as defined in the ‘Methodology’ section, on page xxvi) and had the relevant financial information available (N=1,646). Average expenditure by charity type is very similar (available upon request). The ‘other’ charity type is excluded from this figure for practical reasons relating to the low number of charities in this category (N=4).

By charity size

The final breakdown of the sector’s income in this section is by charity size. In this report, DSC categorises charities into five financial size categories, drawing on Tabassum and Fern (2023a). These five categories are micro (annual incomes under £10,000), small (annual

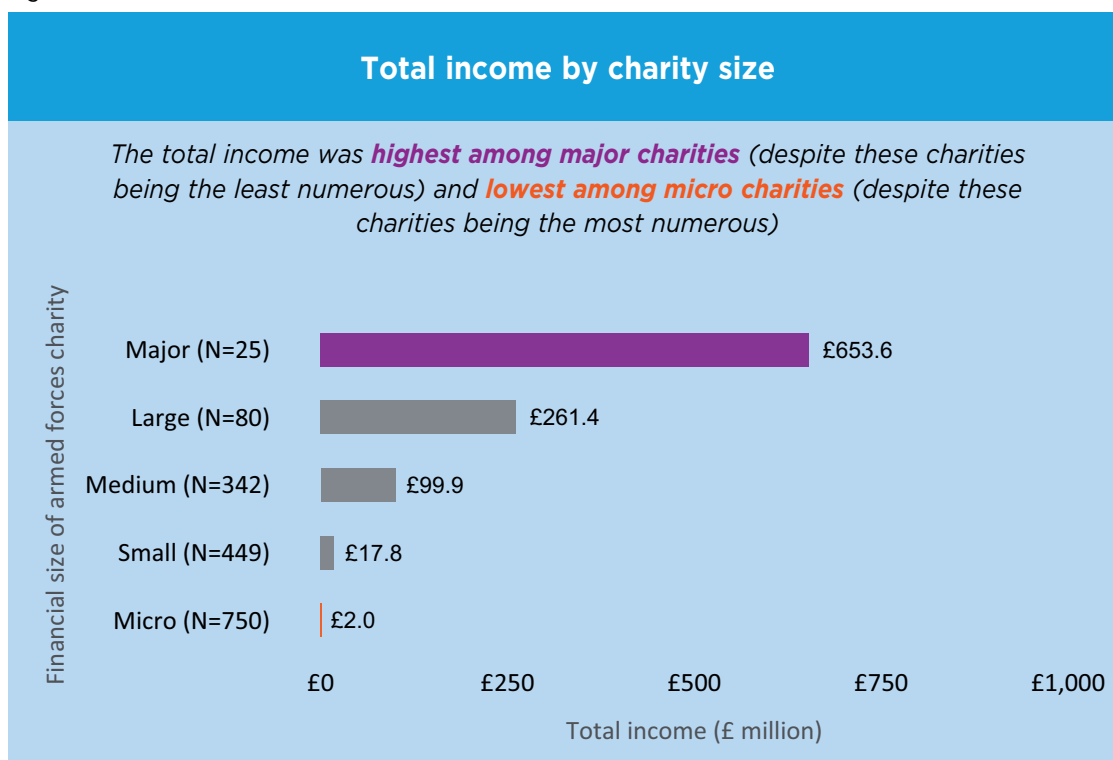
²⁰ Further details on each of the charity types defined by DSC can be found in section 2.3.1).

incomes between £10,000 and £100,000), medium (annual incomes between £100,000 and £1 million), large (annual incomes between £1 million and £10 million), and major (annual incomes over £10 million).

As shown in figure 3.17, despite making up just 1.5% (N=25) of all armed forces charities with financial information available, major charities generated just under two-thirds (63.2%) of the armed forces charity sector's income. Altogether, they contributed £653.6 million, according to their most recent accounts. Similarly, large charities made up only 4.9% of all armed forces charities, but 25.3% of the sector's income. Altogether, large and major charities contributed £915.0 million (88.1% of the sector's total) according to their most recent accounts.

In contrast, micro charities accounted for 45.6% (N=750) of the total number of armed forces charities. However, they contributed only 0.2% (£2 million in total) of the sector's total income. Similarly, small charities made up 27.3% (N=449) of the total number of armed forces charities and generated 1.7% (£17.8 million) of the sector's total income.

Figure 3.17



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had the relevant financial information available (N=1,646). Total expenditure by charity size is very similar (available upon request).

3.3.2 Differences and similarities in income sources

As outlined in section 3.2.3, DSC's researchers found that over two-fifths (44.2%) of the armed forces charity sector's total income came from donations and/or legacies and approximately one-third (33.6%) was generated from charitable activities. Relatively smaller proportions of income came from other trading activities (10.1%), income from investments (5.5%), and other sources of income (6.5%). This section explores how income dependence varied between charities of different Service branch affiliations, types and sizes.

As in section 3.2.3, the analysis is limited to armed forces charities that had enhanced financial information available (N=159).

By Service branch affiliation

Table 3.1 takes the total income generated by the charities within each of the Service branch affiliation groups and breaks it down by the same five sources of income. This analysis revealed that the most important source of income was typically still income from donations and/or legacies. Nevertheless, there were differences in the percentages of income from donations and/or legacies by Service branch affiliation. Income from donations and/or legacies made up more of the total income among British Army charities (which received 53.3% of their total income from donations and/or legacies) and Royal Navy charities (which received 48.9% from donations and/or legacies) than among RAF charities (which received 42.9% from donations and/or legacies) and tri-Service charities (which received 42.0% from donations and/or legacies).

Breaking down the income sources by Service branch affiliation further reveals that income from investments made up more of the total income among British Army charities (which received 13.4% of their total income from this source). Meanwhile, income from trading activities made up more of the total income among Royal Navy charities (which received 14.1% of their income from this source). Finally, income from charitable activities made up more of the total income among tri-Service charities (which received 37.3% of their total income from this source).

Table 3.1

Composition of income among armed forces charities by Service branch affiliation				
	Royal Air Force charities	British Army charities	Royal Navy charities	Tri-Service charities
Charitable activities	27.2%	20.1%	28.7%	37.3%
Donations and/or legacies	42.9%	53.3%	48.9%	42.0%
Investments	6.6%	13.4%	6.8%	3.9%
Other sources	12.7%	2.3%	1.5%	7.5%
Other trading activities	10.5%	10.9%	14.1%	9.3%
Totals	99.9%	100%	100%	100%

Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had enhanced data available; air force charities (N=11), army charities (N=49), naval charities (N=22) and tri-Service charities (N=77). The column for the air force charities does not sum to 100% due to rounding.

By charity type

DSC also investigated whether armed forces charities' income sources varied by charity type. The results are shown in table 3.2, which takes the total income generated by the charities within each of the charity types and breaks it down by the same five sources of income.

As shown in table 3.2, the single largest source of income was typically donations and/or legacies. However, there were substantial differences between the charity types. Among heritage charities, the proportion of total income generated from donations and/or legacies was 60.9%. The amounts were notably lower, but nevertheless substantial, among mixed-type charities (47.5%) and welfare charities (46.5%).

The percentages of income coming from donations and/or legacies were substantially lower for both Service funds and associations. Only 7.0% of the total income generated by Service

funds came from donations and/or legacies, and the figure for associations was only slightly higher, at 11.7%. Instead, Service funds generated a majority (70.7%) of their income through charitable activities – as did associations, although this was to a lesser extent (54.3%).

Table 3.2

Composition of income among armed forces charities by charity type					
	Associations	Heritage	Mixed-type	Service funds	Welfare
Charitable activities	54.3%	24.1%	19.1%	70.7%	31.5%
Donations and/or legacies	11.7%	60.9%	47.5%	7.0%	46.5%
Investments	2.6%	2.2%	20.3%	6.3%	5.4%
Other sources	7.1%	1.2%	1.5%	1.8%	7.8%
Other trading activities	24.3%	11.6%	11.7%	14.3%	8.9%
Totals	100%	100%	100.1%	100.1%	100.1%

Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had enhanced data available; associations (N=7), heritage charities (N=20), mixed-type charities (N=16), Service funds (N=21) and welfare charities (N=94). Association branches do not appear in this table due to their small financial size, and one 'Other' charity has been removed for practical reasons. The columns for mixed-type charities, Service funds and welfare charities do not sum to 100% due to rounding.

By charity size

DSC also investigated whether charities' income sources varied depending on the size of the charity. The results are shown in table 3.3, which takes the total income generated by the charities within each of the annual income size groups and breaks it down by the same five sources of income. For greater comparability with the latest data for the charity sector more broadly – and to achieve more balanced group sizes – in this subsection DSC's researchers employed the updated charity size definitions used in NCVO latest almanac (Tabassum and

Fern, 2023a). These groups are major (annual incomes over £10 million), large (annual incomes between £1 million and £10 million) and medium (annual incomes between £100,000 and £1 million).²¹ While the definitions and methods used are different, DSC's analysis of the additional data for financial year 2021/22 provided in NCVO's latest almanac (Tabassum and Fern, 2023b, table C2) can help to contextualise these findings within the broader sector.

The compositions of the income sources showed some substantive differences between the charity size groupings. Income from charitable activities made up 32.2% of total income among major armed forces charities, 38.6% among large armed forces charities and only 22.6% among medium armed forces charities. Within the charity sector more broadly, earned income from charitable activities made up 41.1% among major charities, 41.0% among large charities and 31.0% of income among medium charities (Tabassum and Fern, 2023b, table C2). The findings for the armed forces charity sector and the charity sector more broadly are therefore generally aligned, with larger charities tending to generate more income from charitable activities (although the percentages were, on the whole, lower for the armed forces charity sector).

A trend in the opposite direction can be seen for income from investments, which made up just 3.9% of all income generated by major armed forces charities, compared to 8.5% among large armed forces charities and 12.3% among medium armed forces charities. A very similar trend can be seen in the charity sector more broadly: income from investments made up 5.1% of the total income among major charities, 8.8% among large charities and 14.6% among medium charities (based on DSC's analysis of Tabassum and Fern, 2023b, table C2).

As table 3.3 shows, the picture was more mixed for income from donations and/or legacies. Income from donations and/or legacies made up 48.1% of the income among major armed forces charities and 33.1% among large charities, and was highest among medium charities, at 53.1%. Within the broader charity sector, voluntary income (income from donations, grants and legacies) made up 46.7% of the total income among major charities, 42.7% among large charities and 48.9% among medium charities (Tabassum and Fern, 2023b, table C2). While the differences between charity sizes were more pronounced among armed forces charities, the same overall trend is thus seen: income from donations and/or legacies was most important for medium charities, followed by the largest charities (major), with the large charities lowest.

The picture was also more mixed for income from other trading activities. As shown in table 3.3, 8.5% of the total income among major armed forces charities came from other trading activities, rising to 15.2% among large armed forces charities but dropping to 3.7% among medium armed forces charities. Income from other sources also shows a mixed picture, comprising 7.2% of the total income among major armed forces charities, 4.6% of the total income among large armed forces charities and 8.3% of the total income among medium armed forces charities.²²

²¹ Because of the reporting requirements set by the charity regulators, the minimum income within the medium charity group was £250,000 among OSCR charities and £500,000 among cross-border, CCEW and CCNI charities.

²² There are no comparable reference points for income from other trading activities and income from other sources from the NCVO data.

Table 3.3

Composition of income among armed forces charities by charity size			
	Major	Large	Medium
Charitable activities	32.2%	38.6%	22.6%
Donations and/or legacies	48.1%	33.1%	53.1%
Investments	3.9%	8.5%	12.3%
Other sources	7.2%	4.6%	8.3%
Other trading activities	8.5%	15.2%	3.7%
Totals	99.9%	100%	100%

Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had enhanced data available by real charity size: major (N=24), large (N=79) and medium (N=56) charities. Charity sizes based on real income (see the introduction to this chapter). The column for major charities does not sum to 100% due to rounding.

3.3.3 Differences and similarities in income dependence

As outlined in section 3.2.4, DSC's researchers found that - among the charities that had relevant data - only 15.7% of armed forces charities had no major income stream (accounting for 50% of more of their total income) or dominant income stream (accounting for 90% or more of their total income). In contrast, more than half (56.0%) of the armed forces charities had a major income stream and more than one-quarter (28.3%) had a dominant income stream. This section explores how income dependence varied between charities of different Service branch affiliations, types and sizes.

As in section 3.2.4, the analysis below was limited to armed forces charities that had enhanced financial information available (N=159).

By Service branch affiliation

Table 3.4 takes the overall level of income dependence (measured by whether a charity has a dominant income stream, a major income stream, or neither a dominant nor a major income stream) and breaks it down by Service branch affiliation. It shows that tri-Service charities were the least likely to have no major or dominant income stream: only 10.4% of tri-Service charities had no major or dominant income stream, compared to 27.3% of air force charities, 18.4% of army charities and 22.7% of naval charities.²³

In addition, this analysis revealed that similar proportions of army charities (55.1%) and tri-Service charities (53.2%) had a major income stream. The percentage of charities with a major income stream was higher for naval charities and air force charities (63.6% each).

Conversely, after air force charities (9.1% of which had a dominant income stream), naval charities were the least likely to have a dominant income stream (13.6%). Next came army charities (26.5%) and then tri-Service charities, which were most likely to have a dominant income stream: the percentage of tri-Service charities with a dominant income stream was more than one-third (36.4%).

Table 3.4

Income dependence among armed forces charities by Service branch affiliation					
	Overall	Royal Air Force charities	British Army charities	Royal Navy charities	Tri-Service charities
Dominant income stream	28.3% (N=45)	9.1% (N=1)	26.5% (N=13)	13.6% (N=3)	36.4% (N=28)
Major income stream	56.0% (N=89)	63.6% (N=7)	55.1% (N=27)	63.6% (N=14)	53.2% (N=41)
No major or dominant income stream	15.7% (N=25)	27.3% (N=3)	18.4% (N=9)	22.7% (N=5)	10.4% (N=8)
Total	100%	100%	100%	99.9%	100%

Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had enhanced data available; air force charities (N=11), army charities (N=49), naval charities (N=22) and tri-Service charities (N=77). The column for naval charities does not sum to 100% due to rounding.

²³ It should be noted throughout this section that the analysis of air force charities is based on a very low number of charities.

By charity type

Table 3.5 takes the overall level of income dependence (measured by whether the charity has a dominant, a major, or no dominant or major income stream) and breaks it down by armed forces charity type. Overall, this analysis shows that income dependence was highest among Service funds. Service funds had the highest percentage (33.3%) of charities with a dominant income stream and the second highest percentage (61.9%) of armed forces charities with a major income stream. While there were no associations with a dominant income stream, all (100.0%) of these charities had a major income stream (though it is important to note the small number of charities within this category).

Conversely, the degree of income dependence was lower among mixed-type charities, but it is important to keep in mind that this group of charities was among the smallest of those with available data (N=16).

Table 3.5

Income dependence among armed forces charities by charity type						
	Overall	Associations	Heritage charities	Mixed-type charities	Service funds	Welfare charities
Dominant income stream	28.3% (N=45)	0.0% (N=0)	30.0% (N=6)	31.3% (N=5)	33.3% (N=7)	27.7% (N=26)
Major income stream	56.0% (N=89)	100.0% (N=7)	50.0% (N=10)	43.8% (N=7)	61.9% (N=13)	55.3% (N=52)
No major or dominant income stream	15.7% (N=25)	0.0% (N=0)	20.0% (N=4)	25.0% (N=4)	4.8% (N=1)	17.0% (N=16)
Totals	100%	100%	100%	100.1%	100%	100%

Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had enhanced data available; associations (N=7), heritage charities (N=20), mixed-type charities (N=16), Service funds (N=21) and welfare charities (N=94). Association branches do not appear in this table due to their small financial size, and one 'Other' charity has been removed for practical reasons. The column for mixed-type charities does not sum to 100% due to rounding.

By charity size

The final comparison in this section, shown in table 3.6, takes the overall level of income dependence (measured by whether the charity has a dominant, a major, or no dominant or major income stream) and breaks it down by armed forces charity size (as determined by annual income).

As shown in table 3.6, the overall level of income dependence was similar between major charities (which had an annual income above £10 million) and large charities (which had an annual income between £1 million and £10 million). Around one-fifth (20.8%) of major charities had a dominant income stream. Meanwhile, 24.1% of large charities had a dominant income stream. In contrast, just under two-fifths (37.5%) of medium charities (which had an annual income between £100,000 and £1 million) had a dominant income stream.

This suggests that the level of income dependence is notably higher among charities that have lower incomes. Nevertheless, this analysis is based on relatively small groups of armed forces charities. Further research is required to fully understand how income dependence varies between armed forces charities of different sizes, including the armed forces charities for which enhanced financial data was not available in this report. This could be achieved by more intensive methods of collating additional data from annual reports and accounts, as has been undertaken in previous research among the charity sector more broadly (Mohan et al., n.d., p. 9). This research could additionally usefully investigate whether the sources of income that are major or dominant also differ.

Table 3.6

Income dependence among armed forces charities by charity size				
	Overall	Major	Large	Medium
Dominant income stream	28.3% (N=45)	20.8% (N=5)	24.1% (N=19)	37.5% (N=21)
Major income stream	56.0% (N=89)	50.0% (N=12)	59.5% (N=47)	53.6% (N=30)
No major or dominant income stream	15.7% (N=25)	29.2% (N=7)	16.5% (N=13)	8.9% (N=5)
Total	100%	100%	100.1%	100%

Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had enhanced data available by major (N=24), large (N=79) and medium (N=56) charities. The column for large charities does not sum to 100% due to rounding.

3.3.4 Differences and similarities in the percentages of income spent

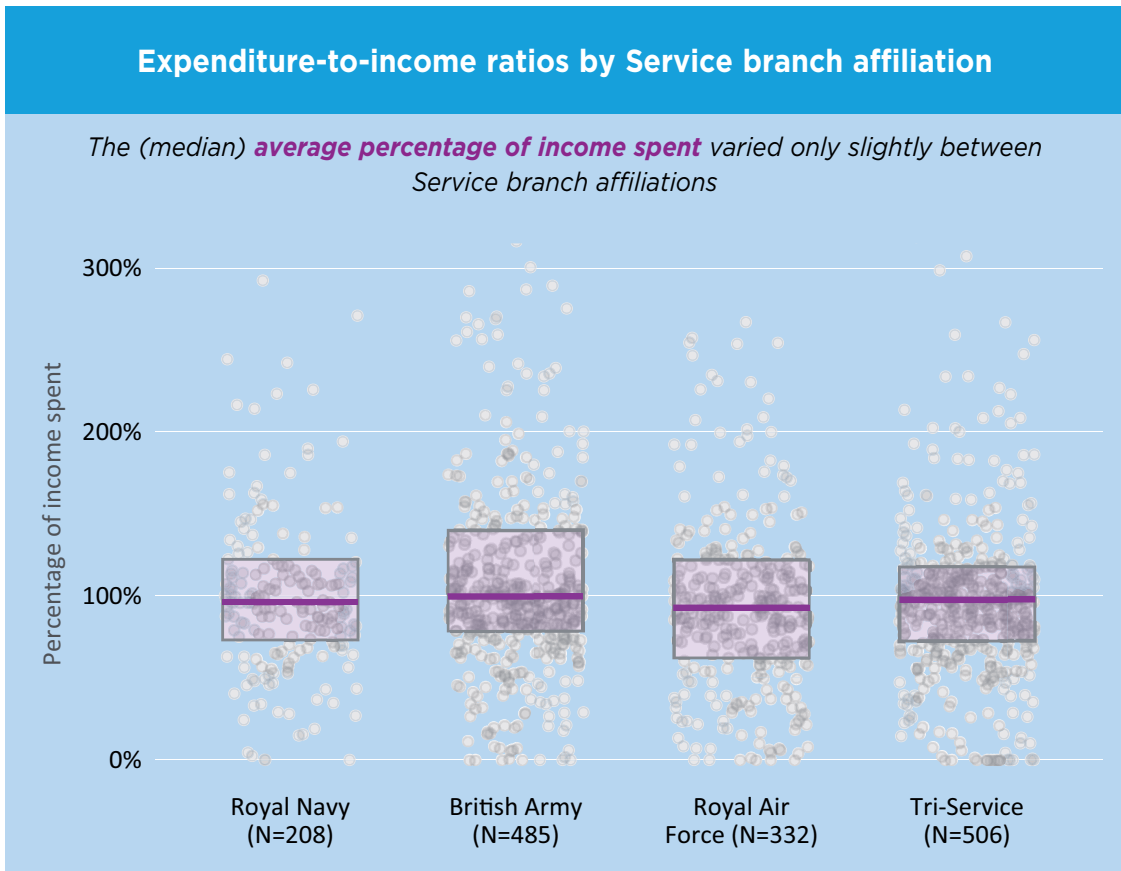
As outlined in section 3.2.2, DSC's researchers found that the (median) average armed forces charity spent 97.4% of its total income. Meanwhile, the bottom quarter of armed forces charities spent up to 72.6% of their income and the top quarter spent over 125% of their income. This section explores how the percentages of income spent varied between charities of different Service branch affiliations, types and sizes.

By Service branch affiliation

Figure 3.18 shows the expenditure-to-income ratio (expressed as the percentage of income spent) within each of the Service branch affiliations. The (median) average percentages of income spent within the different Service branch affiliations were broadly similar: the average ratio of spending was lowest among RAF charities, at 93.2% of income, and highest among British Army charities, at 100.0% of income.

Looking beyond the (median) average values, figure 3.18 shows some differences in the variations (i.e. difference between the 25th and 75th percentiles) of the expenditure-to-income ratios. The variation was largest for the British Army charities, which also showed a skew towards spending more of their incomes. Specifically, the data showed that the top quarter of British Army charities spent 143.5% or more of their income. Meanwhile, the corresponding figure for Royal Navy charities was 129.2%, for RAF charities it was 122.8% and for tri-Service charities it was 118.8%.

Figure 3.18



Note: This analysis is limited to armed forces charities that were active (as defined in the ‘Methodology’ section, on page xxvi) and had financial information available (N=1,531). For readability, this chart does not show the charities that had an expenditure-to-income ratio greater than 3 (i.e. that spent the equivalent of more than 300% of their income). These charities (N=93 out of the N=1,531) are still included in the calculation of the statistics in this figure.

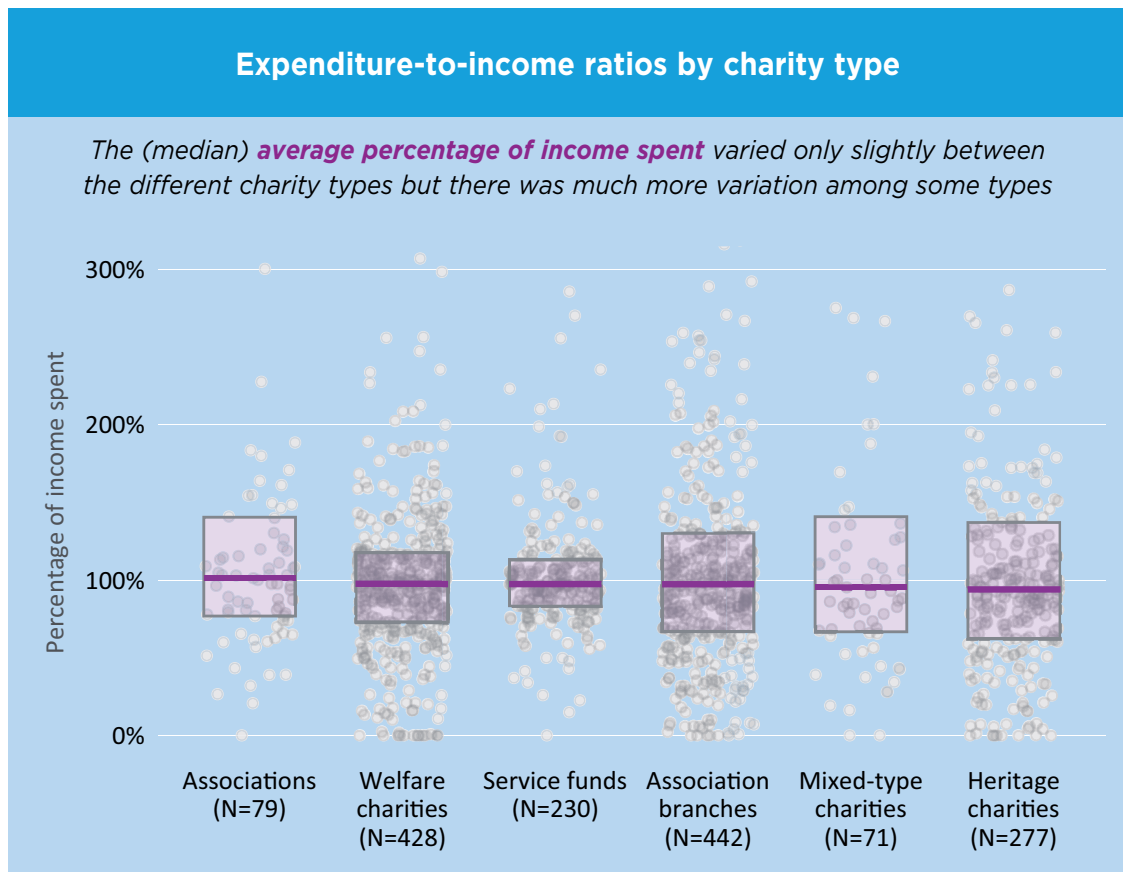
By charity type

Figure 3.19 shows the percentage of income spent within each of DSC’s charity type categories. Again, the (median) average percentages of income spent within each of these charity types were relatively similar - and all were around 100%. Specifically, the percentage of income spent was highest for associations (101.2%), followed by welfare charities (97.8%), Service funds (97.5%) and association branches (97.1%). Mixed-type armed forces charities spent a slightly lower proportion of their income (95.3%), as did heritage charities (93.9%).

The sizes of the boxes in figure 3.19 also show that there was more variation (i.e. the difference between the 25th and 75th percentiles) within some types of armed forces charity than others. The variation was largest for heritage charities. Among heritage charities, the bottom quarter spent up to 62.2% of their income while the top quarter spent at least 137.1% of their income. Variability was lowest among Service funds: within this group, the bottom

quarter spent up to 83.5% of their income while the top quarter spent at least 113.3% of their income.

Figure 3.19



Note: This analysis is limited to armed forces charities that were active (as defined in the 'Methodology' section, on page xxvi) and had financial information available (N=1,531). For readability, this chart does not show the charities that had an expenditure-to-income ratio greater than 3 (i.e. that spent the equivalent of more than 300% of their income). These charities (N=93 out of the N=1,531) are still included in the calculation of the statistics in this figure. The 'other' charity type is excluded from this figure for practical reasons relating to the low number of charities in this category (N=4).

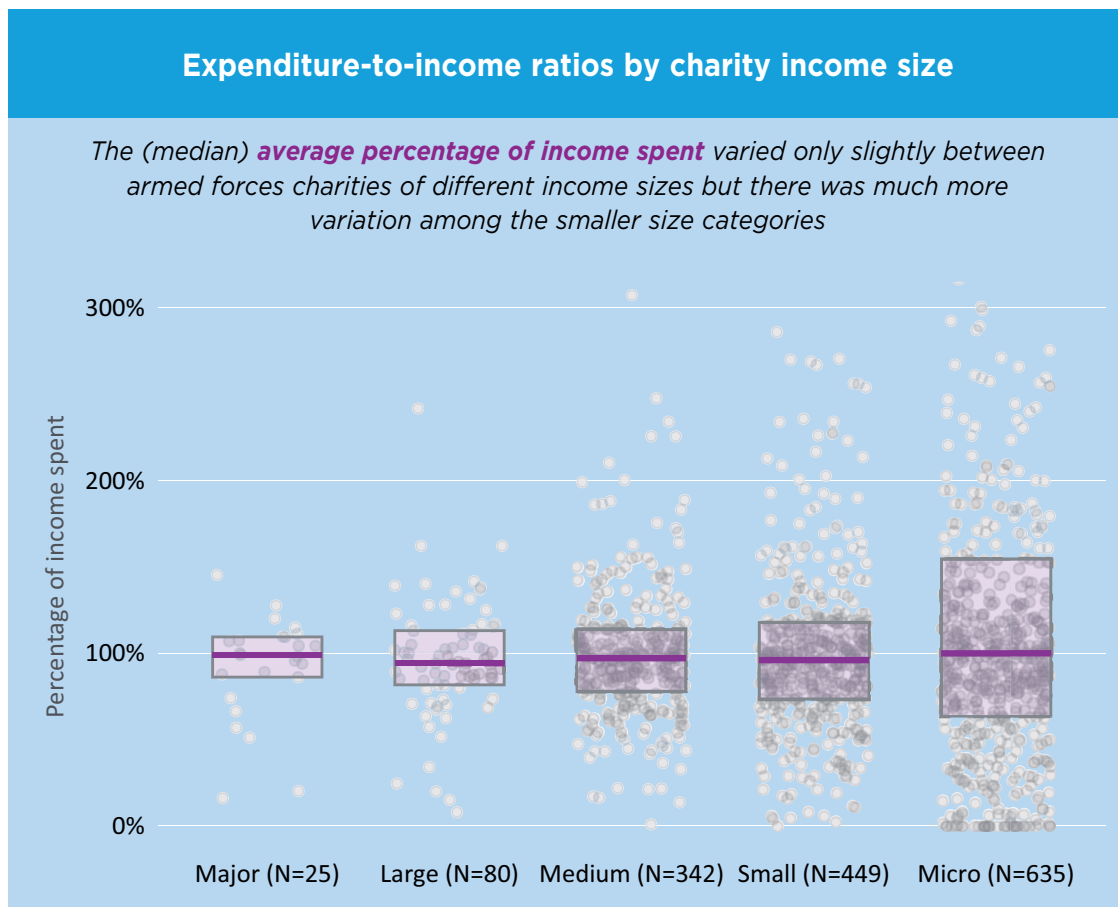
By charity size

Figure 3.20 shows the percentage of income spent within each of the armed forces charity size categories (as determined by annual income). Again, the (median) average charities within each of these income size brackets were relatively similar - and all were in the region of 100%. At the lower end, large charities (with real annual incomes between £1 million and £10 million) spent, on average, 94.0% of their income. At the upper end, micro charities (with real annual incomes under £10,000) spent, on average, 100.0% of their income.

The sizes of the boxes in figure 3.20 also show that there was significantly more variation (i.e. the difference between the 25th and 75th percentiles) as the charity sizes became

smaller. As discussed in section 3.2.2, where the level of income is very low, the expenditure-to-income ratio can become very high. The same principle underpins the results shown here. For example, it was less common for major charities (with real annual incomes over £10 million) to spend many times their income (e.g. through saving or borrowing). Therefore, even the top quarter of major charities spent only 109.3% or more of their income – lower than the percentages of spending among large (113.0%), medium (113.6%), small (117.7%) and micro charities (154.5%).

Figure 3.20



Note: This analysis is limited to armed forces charities that were active (as defined in the ‘Methodology’ section, on page xxvi) and had financial information available (N=1,531). For readability, this chart does not show the charities that had an expenditure-to-income ratio greater than 3 (i.e. that spent the equivalent of more than 300% of their income). These charities (N=93 out of the N=1,531) are still included in the calculation of the statistics in this figure.

3.4 CHAPTER SUMMARY

3.4.1 What did this chapter aim to find out?

This chapter aimed to provide insights about the current financial picture of armed forces charities. These financial characteristics included income, expenditure, reserves and workforce characteristics. Specifically, this chapter aimed to answer the following research questions:

- What are the financial characteristics of the sector overall?
- Do key financial characteristics vary across the sector?

3.4.2 What were the key findings from this chapter?

DSC's researchers analysed data from armed forces charities' most recent financial years, most of which ended in 2022 (67.7%, N=1,114) or 2021 (27.9%, N=459). This revealed the following key findings.

What are the key financial characteristics of the sector overall?

- According to charities' most recent accounts, the armed forces charity sector generated around £1.03 billion in income and spent a similar amount (£1 billion).
- The single largest source of income was donations and/or legacies (44.2% of total income), followed by income from charitable activities (33.6% of total income).
- The single largest stream of spending in the armed forces charity sector was charitable expenditure (81.0% of total spending).
- Among charities with available data (N=136), the average armed forces charity could cover up to 8.2 months of expenditure with its reserves (or 4.8 months with its more liquid cash assets).
- The armed forces charity sector has approximately 89,000 volunteers but almost two-thirds of these (N=55,000) were attributed to just one armed forces charity.
- Because of the reporting requirements set by the charity regulators, data on employees was available for only a limited number of larger armed forces charities (N=136). Altogether, these charities had 9,300 employees, and DSC's researchers estimate that the total for the sector overall stands at around 10,400.

Do key financial characteristics vary across the sector?

- When the data was split out by Service branch affiliation, around two-thirds (67.5%) of the armed forces charity sector's total income was generated by tri-Service charities, amounting to £698.3 million. Tri-Service charities also had the highest (median) average income, at £33,300.

- When the data was split out by charity type, almost three-quarters (71.7%) of the armed forces charity sector's total income was generated by welfare charities, amounting to £741.9 million. However, the average income was highest among Service funds, at £101,400.
- When the data was split out by charity size, the majority (£653.6 million, 63.2% of the total) of the armed forces charity sector's income was generated by a small number (N=25) of financially large charities.

CHAPTER FOUR

The changing armed forces charity sector

4.1 INTRODUCTION

4.1.1 About the structure of this chapter

This chapter focuses on whether and how the armed forces charity sector has changed over the past decade. It explores changes in relation to the sector's size, composition and financial picture. Specifically, this chapter aims to answer the following research questions:

- How has the number of armed forces charities changed over the past decade?
- How have the sector's income and expenditure changed over the past decade?
- How have the sector's financial reserves changed over recent years?
- How have the sector's volunteer and employee numbers changed over recent years?

When looking at how the number of armed forces charities has changed over the past decade, this chapter also takes a closer look at the period since 2019. This shows how the armed forces charity sector has changed since just before the onset of the COVID-19 pandemic, in January 2020. This interval largely coincides with the period since the data was collected for DSC's previous *Sector Insight* report (April 2019; see Cole et al., 2020) and so the analysis of the period since 2019 can broadly be interpreted as an analysis of the changes in the sector since that report.

4.1.2 About the data and presentation in this chapter

This chapter primarily uses data from DSC's database of armed forces charities, which draws information from the three charity regulators in the UK (see 'Methodology' on page xxvi); this data can be found in the blue boxes. It also draws on data from DSC's surveys of Cobseo members (which can be found in the green boxes) and interviews and insights from armed forces charities (which can be found in the purple boxes).

4.2 HOW HAS THE NUMBER OF ARMED FORCES CHARITIES CHANGED OVER THE PAST DECADE?

4.2.1 How has the size of the sector changed overall?

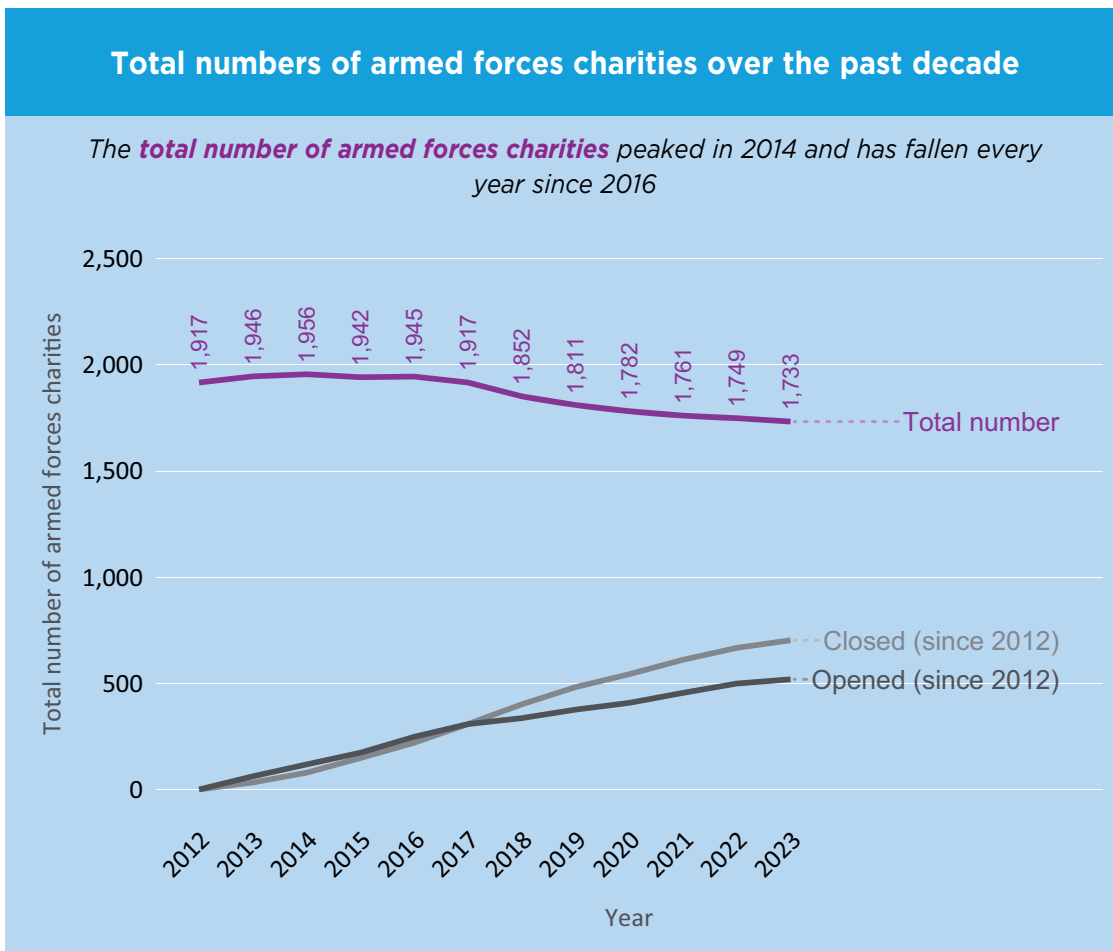
As noted in the 'Terminology' section (page xxv), DSC defines armed forces charities as 'charities that are established specifically to support past and present members of the armed forces and their families' (Cole and Traynor, 2016, p. 24). Figure 4.1 shows the total numbers of armed forces charities for each year between 2012 and 2023. The figure also shows the cumulative numbers of armed forces charities that opened and closed for each year (i.e. the numbers of armed forces charities that had opened and closed relative to 2012).

Between 2012 and 2017, the numbers of charities opening were similar to the numbers of charities closing (as can be seen from the very close grey lines in figure 4.1). Therefore, the total number of armed forces charities, shown by the purple line, remained relatively constant. In fact, despite a small rise in between, the total number of armed forces charities was the same in 2017 as it was in 2012 (N=1,917).

After 2017, the two grey lines in figure 4.1, representing charity openings and closures, begin to diverge: the cumulative number of charities closing outpaced the cumulative number of charities opening. As a result, the total number of armed forces charities has fallen in each year since 2016, reaching 1,733 in (July) 2023. The single largest drop in the total number of armed forces charities was between 2017 and 2018, when the total fell from 1,917 to 1,852.

Overall, the number of armed forces charities has fallen by 9.6% over the past decade. This stands in contrast to the charity sector more broadly, which has seen an overall growth of 2.6% in the number of organisations from financial year 2011/12 to financial year 2020/21 (Tabassum and Fern, 2023a).

Figure 4.1



Note: This analysis includes all armed forces charities (N=2,470), both active and closed (as defined in the ‘Methodology’ on page xxvi). The data for 2023 is only up to the time of data collection (July 2023). The charity closures include transferor charities within the Charity Commission for England and Wales register of merged charities for 2013 (N=2), 2014 (N=4), 2015 (N=4), 2016 (N=2), 2017 (N=6), 2018 (N=4), 2019 (N=4), 2020 (N=8), 2021 (N=4), 2022 (N=3) and 2023 (N=1). One additional charity was registered as a transferor but had not yet closed, so it is not included in the number of closed charities in this figure. DSC is also aware of additional mergers that have taken place among charities registered with the Office of the Scottish Charity Regulator (OSCR) (see box 4.2 on page 134) but there is no public register of mergers for charities registered with OSCR.

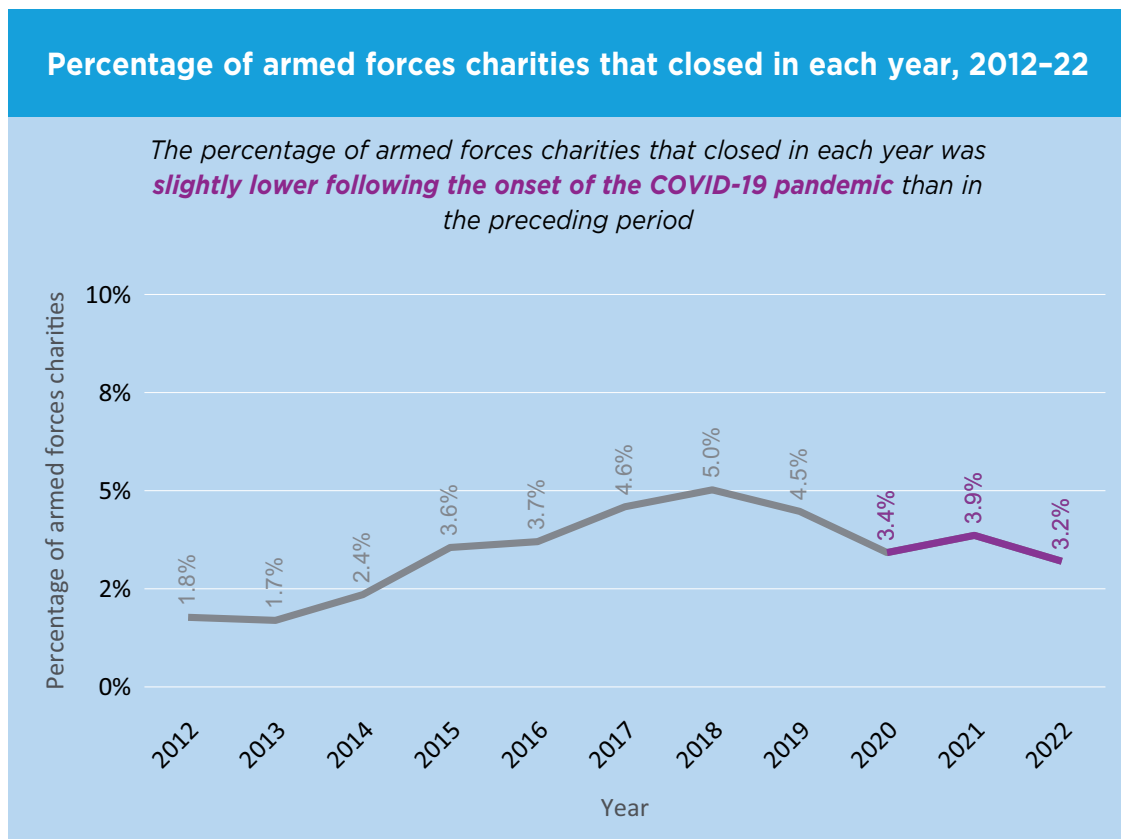
A closer look at the changes since 2019

It is interesting to note that the number of armed forces charities did not fall rapidly following the onset of the COVID-19 pandemic. However, during 2020–23, the total number of charity closures did outstrip the number of charity openings in each year. This contrasts with the situation in the sector more broadly: analysis by NCVO shows that the number of registrations outstripped the number of closures in both 2020 and 2021 (Chan et al., 2022).

However, this was a continuation of a previous trend emerging since 2017 - a trend that does not appear to have intensified following the onset of the COVID-19 pandemic.

Indeed, DSC's researchers also investigated the rate of charity closures (the percentage of active charities that closed) for each year between 2012 and 2022. As shown in figure 4.2, this revealed that the annual rate of closure among armed forces charities was *lower* during 2020–22 than in the three-year period immediately prior (2017–19), resembling the rates seen in 2015 and 2016. Nevertheless, while in 2020–22 the annual rate of charity closures had fallen slightly, it remained higher than during 2012–14.

Figure 4.2



Note: This analysis includes all armed forces charities (N=2,470), both active and closed (as defined in the 'Methodology' on page xxvi). The data for 2023 is excluded as it is only complete up to July 2023.

4.2.2 How has the number of charities changed by Service branch affiliation?

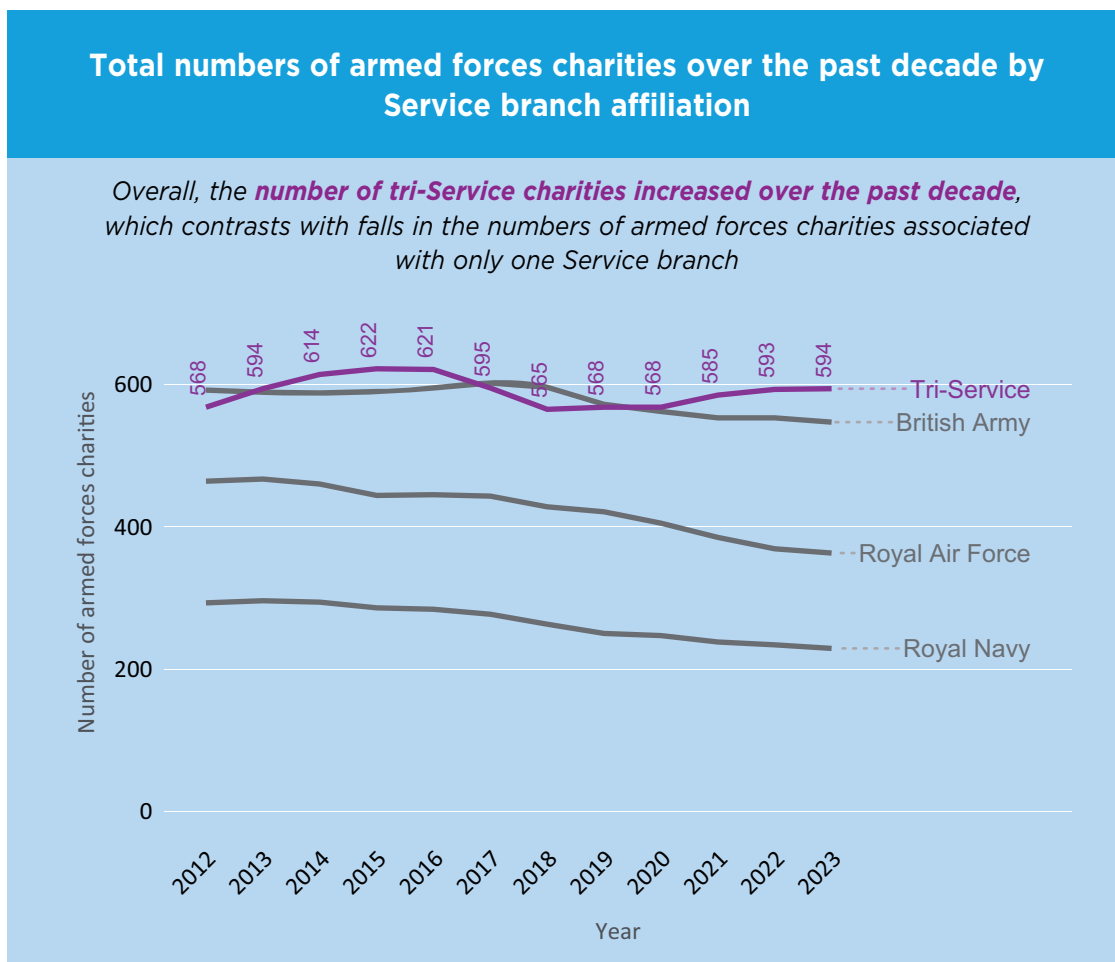
As shown in figure 4.3, when the armed forces charity sector is broken down into each of the different Service branch affiliations, a distinction emerges between tri-Service charities (i.e. charities that support members of the armed forces community from any of the three Service branches) and charities that are affiliated with one particular Service branch (i.e. Royal Navy, British Army or Royal Air Force (RAF)).

Over the past decade, the total number of tri-Service charities (represented by the purple line in figure 4.3) showed greater fluctuation than the numbers of armed forces charities associated with any one Service branch. Specifically, there were 568 tri-Service charities in 2012 and this number rose to 622 in 2015, before falling to its lowest point of 565 in 2018. Since 2018, there has been an increase in the number of tri-Service charities: to 594 in 2023 (which is, overall, 4.6% higher than in 2012).

Meanwhile, despite some fluctuations (which were smaller in magnitude than those seen among tri-Service charities), the total numbers of armed forces charities associated with any one of the Service branches decreased. Specifically, the total number of British Army charities fell from 593 in 2012 to 547 in 2023 (a decline of 7.8%). Over the same period, the total number of RAF charities fell from 465 to 363 (a decline of 21.9%) and the total number of Royal Navy charities fell from 293 to 229 (a decline of 21.8%).

Overall, the trends shown in figure 4.3 suggest that there has been a move towards more tri-Service charities, relative to single-Service charities, over the past decade.

Figure 4.3



Note: This analysis includes all armed forces charities (N=2,470), both active and closed (as defined in the 'Methodology' on page xxvi).

As shown in box 4.1, DSC's researchers spoke with the Army Families Federation to gather insights into why providing specialist support for individual Service branches is important and learn more about the work the charity does to support army families.

Box 4.1

Insights on specialist support for Service branches:

Army Families Federation

The Army Families Federation (AFF) is the independent voice of British Army personnel and their families. Its work aims to improve the quality of life of army families around the world. AFF provides comprehensive information, advice and support on wide-ranging aspects of Service life and advocates for army families' concerns (AFF, 2023).

AFF has been pivotal in implementing changes to government and military policy around armed forces families and improving how help is provided to families. AFF does this by highlighting problems to the chain of command, service providers and other agencies - and then AFF working alongside them to improve the support that they provide for Service families (AFF, 2023).

DSC's researchers spoke with the Director of Policy and Research at the AFF to understand better the charity's work around research and policy influencing.

How does your organisation gather and share information about the needs of your beneficiaries?

'We gather evidence to determine the needs [of our beneficiaries] through responses to our surveys, social media engagement and quick polls, and ... from the enquiries [we receive] from families (e.g. raising issues, asking for help or advice). We also make use of academic research and reports and surveys conducted by the Ministry of Defence and other external organisations (e.g. the Tri-Service Families Continuous Attitude Survey).

'We share information through briefings about our survey evidence - but also by having an effective stakeholder network. Through our stakeholder network we can feed in the survey evidence as we analyse it, while policy is being developed and not just as a response to it. This means we can flag emerging issues and trends to decision makers and discuss potential solutions.'

How does your organisation represent the voices of your beneficiaries?

'By basing the information we provide on the evidence from families, rather than our own opinion or personal experience. We also try to collate evidence from a wide range of families and cohorts (e.g. single parents, dual serving families with two serving parents or carers, long-term relationship - as well as married, living in Service Family Accommodation, etc.). But this is not always easy: for example,

those living in their own home may regard the fact they have a partner serving in the military as no different to another [form of] employment and don't want or need to engage with us for support and advice. Nevertheless, we endeavour to cover all angles and represent the breadth of views.'

How does your organisation influence policy and decision-making?

'By feeding in evidence as policy is being developed. While policies may not always be changed, it is crucial that they are developed with families in mind, recognising each policy's unique impacts. The impact on the family is not always considered, and serving personnel can be viewed as an individual without being part of the family unit. We remind policymakers about the family angle, which they may have omitted to consider through not remembering rather than intentionally excluding. We focus on emphasising the role of families in operational effectiveness and in retention of serving personnel because the main reason serving personnel leave is due to family life, not due to repeatedly being deployed on operations.'

Do you think it is important that charities are involved in campaigning and policymaking?

'Yes - there is otherwise a danger that policy is developed based on ideology or current political interests, rather than the needs of families that need to be addressed. It is essential to have evidence-based decision-making, not decision-making later being confirmed by evidence. Charities need a clear sense of the need they are trying to meet and the world they want to see, and their purpose in achieving this.'

Do you think it is important that some armed forces charities offer specialist support (e.g. to a specific beneficiary group or Service branch) rather than tri-Service support?

'I think it is important as differing Services and cohorts have differing needs. For army families a key issue is the impact of frequent mobility, for naval families it may be separation, while for Royal Air Force families the focus may be on living in dispersed locations. This then affects what needs [families] have and what support they require. It also ensures that all cohorts are supported: for example, would a female or LGBTQ+ veteran feel comfortable going to a veterans' drop-in centre? Hopefully - but they might feel it is aimed at male, heterosexual veterans and therefore could feel excluded. But charities with different beneficiary groups all need to work together to ensure that everyone can find the support they need.'

Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

Rates of volatility in charity numbers by Service branch affiliation

It is important to note that figure 4.3 shows the net numbers of charities affiliated with each of the different Service branches or with all Service branches. The figure does not show how many charities opened and closed in each year. Therefore, the level of volatility is not represented, only the resulting balance of charities – despite the fact that the number of charities could, in theory, stay relatively constant even with large numbers of openings and closures in each year. This would be the case if the number of charity openings were similar to the number of charity closures.

To shed light on the volatility in charity openings and closures by Service branch affiliation, DSC's researchers undertook additional analyses over the period from 2012 to 2022 (the data for 2023 was excluded as it was complete only up to July and would therefore skew the figures). This analysis focused on the numbers of openings and closures relative to the (mean) average sizes of each category (i.e. each Service branch). This is because the absolute numbers of armed forces charities opening and closing within each category are related to its size (e.g. as there are more tri-Service charities than other types of charity, the numbers of openings and closures within that category can, in principle, be greater).¹

As shown in table 4.1, DSC's researchers found that, on average, 5.0% of tri-Service charities opened each year and 4.1% closed each year, giving rise to the highest level of volatility (9.1% total volatility). In contrast, the total volatility was lowest (at 4.3%) among Royal Navy-affiliated charities: this is derived from the fact that only 1.2% of Royal Navy-affiliated charities opened each year and only 3.1% closed each year. Overall, total volatility was greatest among tri-Service charities, followed by British Army charities, RAF charities and then Royal Navy charities.

¹ Indeed, the (mean) average number of charity openings was highest among tri-Service charities, at 29 per year, and lowest among Royal Navy charities, at 3 per year. Similarly, the (mean) average number of charity closures was highest among tri-Service charities, at 24 per year, and lowest among Royal Navy charities, at 8 per year.

Table 4.1

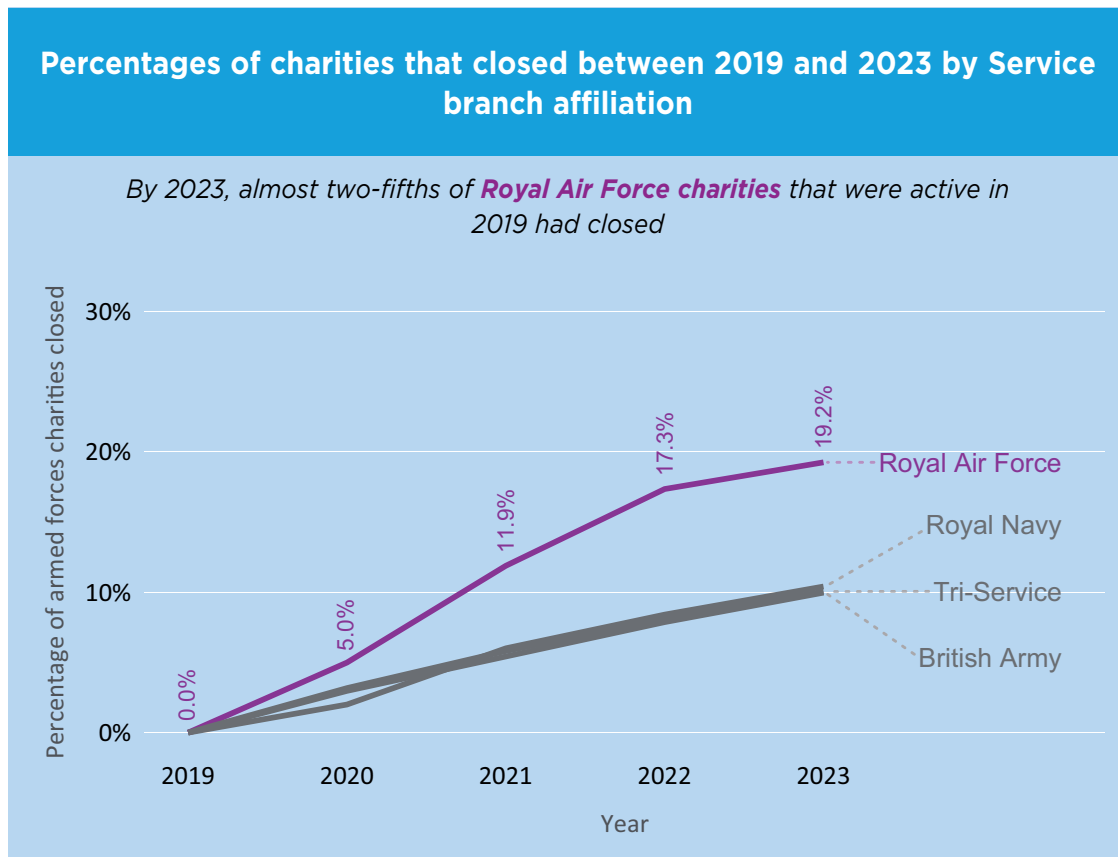
Relative volatility of charity openings and closures within each Service branch affiliation			
Charity type	Average openings (as percentage of sub-sector)	Average closures (as percentage of sub-sector)	Total
Royal Navy charities	1.2%	3.1%	4.3%
British Army charities	2.2%	2.7%	4.9%
Royal Air Force charities	1.6%	3.7%	5.3%
Tri-Service charities	5.0%	4.1%	9.1%

Note: This analysis includes all armed forces charities (N=2,470), both active and closed (as defined in the 'Methodology' on page xxvi). As the data for 2023 was incomplete at the time of data collection (July 2023), this analysis only includes the years 2012 to 2022. The average openings and closures (as percentages of the sub-sector) are the (mean) average numbers of openings and closures as percentages of the average number of charities within each sub-sector during 2012-22.

A closer look at the period since 2019

As shown in figure 4.4, since 2019, the rate of closure has been higher among RAF charities than among the other Service branch affiliations. By 2023, 19.2% of the RAF charities that were active in 2019 had closed. The rates of closure among the other Service branch affiliations (i.e. Royal Navy, British Army and tri-Service charities) were notably lower and followed similar trends. By 2023, between 10.0% (tri-Service charities and British Army charities) and 10.4% (Royal Navy charities) of the charities that were active in 2019 had closed.

Figure 4.4

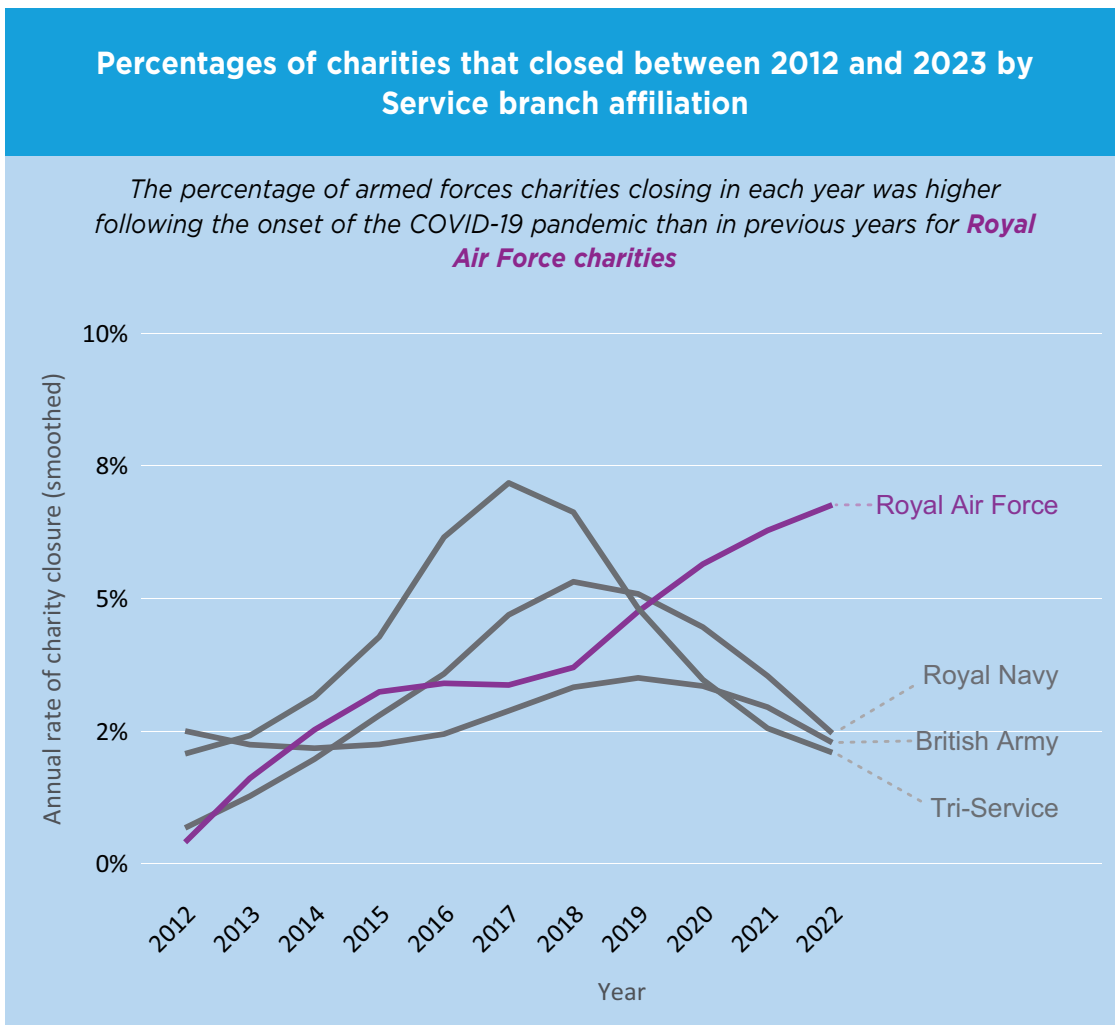


Note: This analysis is limited to armed forces charities that were 'active' (as defined in the 'Methodology' section, on page xxvi) in 2019; Royal Navy (N=250), British Army (N=572), Royal Air Force (N=421) and tri-Service (N=568).

To add context to the finding above, DSC's researchers also determined the percentages of armed forces charities that closed in each year between 2012 and 2022 within each of the four Service branch affiliations. As shown in figure 4.5, the key trend is that the percentage of RAF charities closing in each year has been gradually increasing since 2017.

DSC researchers also undertook a comparison of the Service branch affiliations of the charities that closed before the COVID-19 pandemic (i.e. in 2019 or before) and after the onset of the COVID-19 pandemic (i.e. in 2020 or after), as outlined in the table A4.1, in the appendix. Among the armed forces charities that closed in 2020 or after, the most common Service branch affiliation was RAF (36.7% of closed charities). This was notably higher than in the previous period (between 2012 and 2019: 19.4%). In contrast, tri-Service charities accounted for 25.8% of the armed forces charities that closed in 2020 or after – notably lower than between 2012 and 2019 (41.9%). British Army and Royal Navy charities accounted for similar proportions of closed charities in both periods (see table A4.1, in the appendix).

Figure 4.5



Note: This analysis includes all armed forces charities (N=2,470), both active and closed (as defined in the 'Methodology' on page xxvi). The lines in this chart have been partially smoothed so that the overall trends are easier to see. Therefore, percentage labels have not been included and the chart should not be used to read off percentage values for each year.

4.2.3 How has the number of charities changed by charity type?

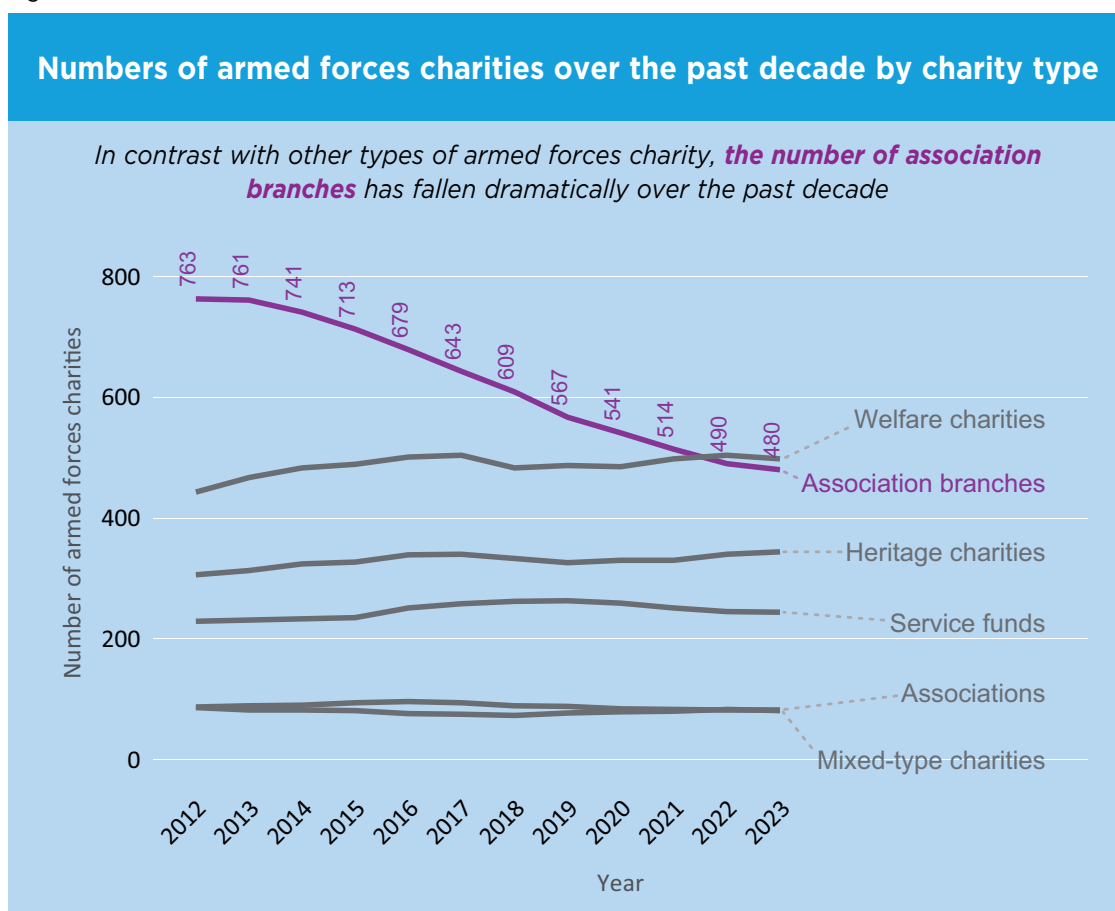
As shown in figure 4.6, when the armed forces charity sector is broken down into the different charity types (defined in section 2.3.1), some important distinctions emerge. The key trend, which is emphasised by the purple line in the figure, is that the total number of association branches has fallen dramatically over the past decade. Specifically, the total number of association branches was 763 in 2012 and fell each year thereafter, reaching 480 by (July) 2023: a decline of more than one-third (37.1%).

In contrast, the total number of welfare charities increased between 2012 and (July) 2023. Specifically, there were 443 welfare charities in 2012 and 498 by 2023 (an increase of 12.4%). While starting from a lower point, the same degree of overall change was observed among heritage charities: the total number of heritage charities increased from 306 in 2012 to 344 in 2023 (also an increase of 12.4%).

Over the same period, the number of Service funds increased – reaching a maximum of 263 in 2019 – but then decreased. Despite this fall, the number of Service funds was higher in 2023 than in 2012, increasing by a total of 6.6% (from 229 to 244).

As shown at the bottom of figure 4.6, the numbers of associations and mixed-type charities have not changed notably over the past decade. There were 87 associations in 2012, and this number increased slightly (reaching a maximum of 94 in 2017) and then decreased; by 2023, the number of associations (N=82) was slightly lower than in 2012 (a decline of 5.7%). Mirroring this, the number of mixed-type charities declined slightly (reaching a minimum of 73 in 2018) and then increased slightly; by 2023, the number of mixed-type charities (N=81) was also slightly lower than the number that were active in 2012 (N=86).

Figure 4.6



Note: This analysis includes all armed forces charities (N=2,470), both active and closed (as defined in the 'Methodology' on page xxvi). The 'other' type of armed forces charity (N=5) has been excluded from this chart for reasons of space.

Rates of volatility in charity numbers by charity type

To provide insights about the volatility in charity openings and closures by charity type, DSC's researchers undertook additional analyses concerning the period from 2012 to 2022 (as above, the data for 2023 was excluded as it was complete only up to July and would therefore skew the figures). As explained above, this analysis focused on the numbers of openings and closures relative to the (mean) average sizes of each category (i.e. each charity type).²

As shown in table 4.2, relative to the (mean) average number of association branches over the period 2012–22, this category had the greatest proportion of closures, on average, per year (at 4.3%). On the other hand, welfare charities had the greatest proportion of openings, on average, per year (at 5.4%). Taking openings and closures together, the greatest total volatility was seen among welfare charities (at 9.1%).

Table 4.2

Relative volatility of charity openings and closures within each charity type			
Charity type	Average openings (% of sub-sector)	Average closures (% of sub-sector)	Total volatility
Association branches	0.4%	4.3%	4.7%
Associations	2.0%	1.9%	3.9%
Heritage charities	3.4%	2.3%	5.7%
Mixed-type charities	3.3%	4.0%	7.3%
Service funds	2.9%	2.2%	5.1%
Welfare charities	5.4%	3.7%	9.1%

Note: This analysis includes all armed forces charities (N=2,470), both active and closed (as defined in the 'Methodology' on page xxvi). The 'other' type of armed forces charity (N=5) has been excluded from this table for reasons of space. As the data for 2023 was incomplete at the time of data collection (July 2023), this analysis only includes the years 2012 to 2022. The average openings and closures (as percentages of the sub-sector) are the (mean) average numbers of openings and closures as percentages of the average number of charities within each sub-sector during 2012–22.

² Indeed, the (mean) average number of charity openings was highest among welfare charities, at 26 per year, and lowest among association branches, at 3 per year. Meanwhile, the (mean) average number of charity closures was highest among association branches, at 27 per year.

As shown in figure 4.6, there was a significant decline in the number of association branches between 2012 and 2023. Despite this, the total average volatility of association branches (4.7%) was one of the lowest (second only to associations, which had a total average volatility of 3.9%). This is because total volatility accounts for the relative magnitude of closures (which were relatively high among association branches) and openings (which were especially low among association branches).

Box 4.2 provides insights from Legion Scotland in relation to a reduction in the number of association branches in Scotland, which has to do with the closure of branches but also mergers with the overarching corporate body.

Box 4.2

Insights into the closure of association branches: Legion Scotland

Legion Scotland has been providing support to Scottish veterans and their families since 1921. The charity's aims are to provide comradeship and befriending programmes for veterans, develop strong communities, and support remembrance (Legion Scotland, 2023).

Legion Scotland's operations are structured around geographical areas. These areas - which cover all of Scotland - each have an executive committee responsible for supporting and working with the branches and clubs in their geographical remit. In total, there are 139 Legion Scotland branches and 59 of these branches have a club affiliated with them. The clubs serve as a physical location for the branch members to meet and socialise, and they are often the central hub for all branch activity. Branches that do not have their own club meet in local pubs, hotels or community spaces, and they sometimes use the meeting spaces of nearby branches and clubs.

In 2016, Legion Scotland became a Scottish charitable incorporated organisation (SCIO). This is a legal charity structure unique to Scotland. It enables charities to 'enter into contracts, employ staff, incur debts, own property, sue and be sued' and 'provides a high degree of protection against liability' (OSCR, 2023b).

DSC spoke with the Chief Executive of Legion Scotland to find out more about how the closure of association branches has affected Legion Scotland and its members.

Why do you think association branches have been closing since 2012? Are any of these reasons unique to association branches?

'Since we became a SCIO in 2016, two of our areas and 43 of our branches have relinquished their individual charitable status and become part of the main SCIO. The number of branches now in the SCIO has increased since 2020. The branches that have relinquished their individual charity status have done so to come under the main umbrella of the organisation. Joining the SCIO has provided more protection for these branches' volunteers and trustees (by taking away worries with respect to personal liability) and has provided access to the SCIO's insurance cover. Joining the SCIO has also helped branches to reduce and manage their administrative workload.

'As well as seeing [some] branches join the SCIO, we have also seen a proportion of our branches closing since 2012: more than 30 branches have closed. The branches [that closed] were struggling to retain and/or attract new members and had ageing committee members who were struggling to keep up with branch administration. Changes in legislation, reporting requirements, the General Data Protection Regulation and the use of digital technology for communications were also challenges for these branches, and they made the decision to close their doors.

'The COVID-19 pandemic also had a dramatic and devastating effect on the branches that were already struggling to renew and retain their membership. The demographic of our members reflects an ageing veteran population, and lockdowns and restrictions severely affected their confidence in terms of travelling to branch meetings (when allowed). It has taken considerable time for many of our members to return to normal face-to-face interactions, while many never have.'

Do you think this trend is likely to continue into the future?

'Although we are seeing a positive upward trend - in terms of the number of members and activities now returning to more normal, pre-COVID-19 levels - we anticipate that more of our smaller branches with older members will close in the months and years ahead. It is, unfortunately, a sign of the times - branches in more remote locations or within areas that have a low concentration of veterans in the local population are struggling to remain active and attract volunteers and members.'

What effects (if any) have the closure of association branches had on the armed forces communities they serve?

'The effect is likely to be minimal as the closures are a result of lack of local interest or [numbers of] veterans [living] in the areas in question. We are continuing to encourage smaller branches facing closure to merge or amalgamate with a nearby Legion Scotland branch if possible, so that their members can still remain part of the Legion network.'

Have you seen a drop in membership numbers across Legion Scotland's association branches since 2019?

'Yes, we've seen a significant drop in membership numbers in recent years, exacerbated by the COVID-19 pandemic. We had our lowest membership numbers ever in October 2022, ending our financial year with 18,444 members in total. This has slowly been recovering since then, and we are currently sitting at just over 21,000 members [as of July 2023].'

To what extent do you think the association branch model needs to adapt to changing circumstances?

If we take our clubs - many of them need to review their programme of activities to put on events that are more inclusive and more reflective of what today's veterans wish to participate in. We find that the clubs and branches that are successfully attracting new members at present have a vibrant and active social calendar. They also ensure that they have good public relations and open their doors to the wider local community. Involvement in community activities and support, such as local food banks, has been pivotal in ensuring that clubs make their mark in the local communities and are seen to be "doing their bit".'

What do you think are the greatest concern and the greatest opportunity for armed forces charities over the next year?

'Charities that rely on membership or subscriptions as heavily as we do face the challenge of retaining and attracting new members to ensure that they maintain their income stream. Since the COVID-19 pandemic, we are finding that many veterans are not as active in the community as they used to be or looking for face-to-face contact at branches and clubs. This is definitely a longer-term challenge - how people socialise has changed and we see less inclination to join up and attend meetings and events. Veterans are [now] able to seek contact and camaraderie through more online remote methods such as social media and Zoom.

'Funding is also a major concern in the sector. With increased demands on all of our services and income being stretched, finding funding to keep our support service and membership services going is a challenge. More charities are requiring financial support, and everyone is fighting for the same money.

'Opportunities lie in collaboration - charities and organisations working together to ensure the best possible support for veterans and their families. The more that we can reduce the duplication of services and the dilution of the available funding by collaborating and co-ordinating our services and support, the better off our veterans in Scotland will be.'

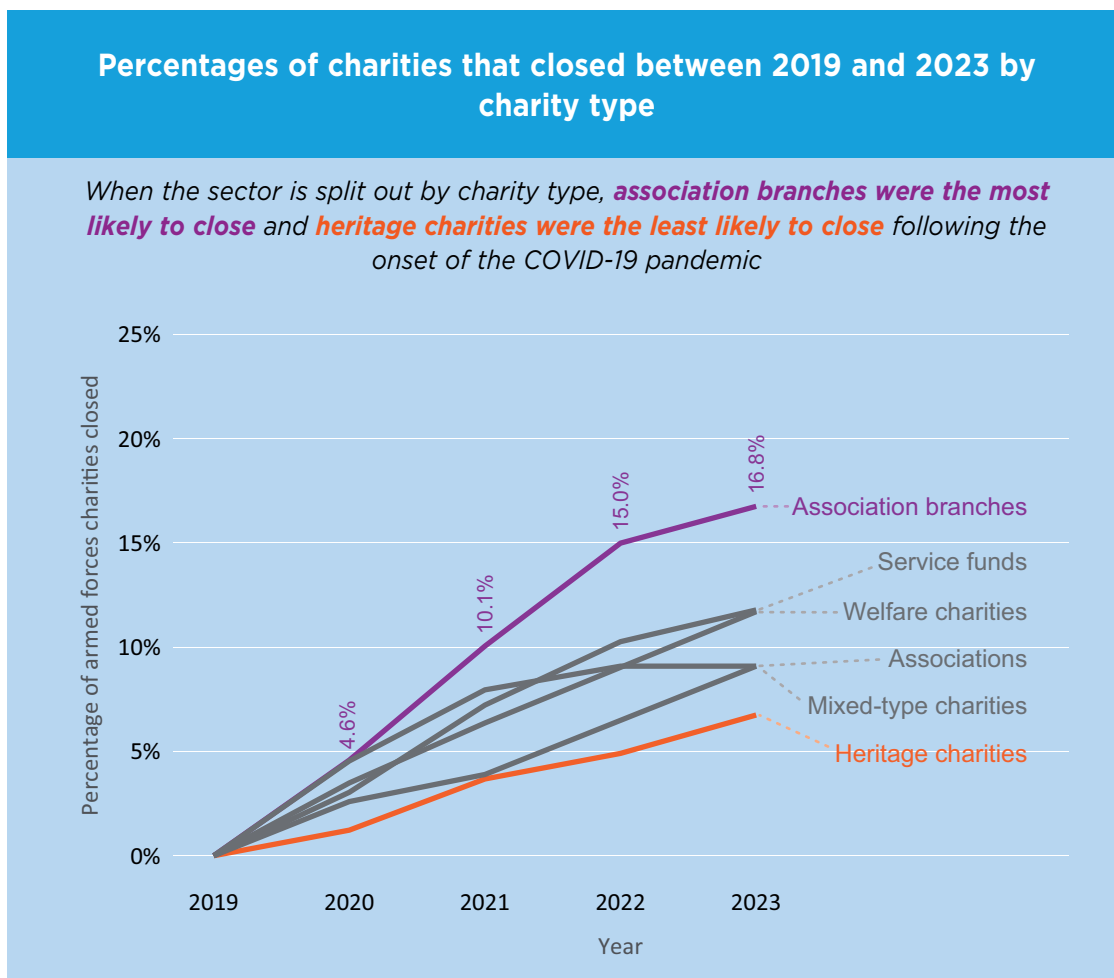
Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

A closer look at the period since 2019

Figure 4.7 shows that association branches (represented by the purple line) were more likely than other types of armed forces charity to close between 2019 and 2023. By 2023, 16.8% of the association branches that were active in 2019 had closed. In contrast, only 6.5% of the heritage charities (represented by the orange line) that were active in 2019 had closed; this was the lowest rate of closure among the six types of armed forces charity.

In between association branches (which had the highest rate of closure) and heritage charities (which had the lowest rate of closure) were Service funds (of which 11.8% of charities active in 2019 had closed by 2023), welfare charities (of which 11.7% had closed by 2023), associations (of which 9.1% had closed by 2023) and mixed-type charities (of which 9.1% had closed by 2023). It is interesting to note that almost all of the associations that closed after 2019 did so in 2020 or 2021 – after this, few additional associations closed.

Figure 4.7

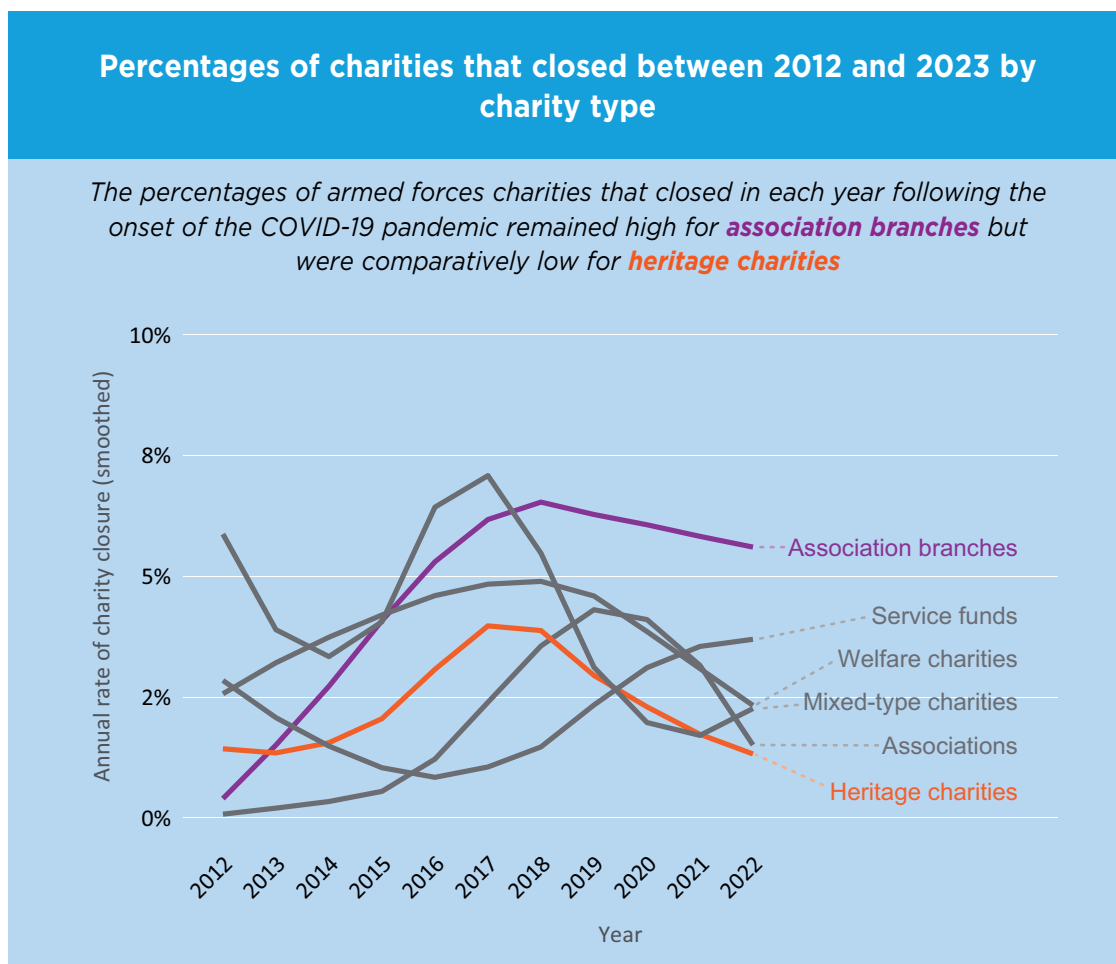


Note: This analysis is limited to armed forces charities that were ‘active’ (as defined in the ‘Methodology’ section, on page xxvi) in 2019; association branches (N=567), associations (N=88), heritage charities (N=326), mixed-type charities (N=77), Service funds (N=263) and welfare charities (N=487). The ‘other’ type of armed forces charity (N=3) has been excluded from this chart for reasons of space.

To add context to the finding above, DSC’s researchers also analysed the percentage of armed forces charities that closed in each year since 2012 within each of the charity types. As shown by the purple line in figure 4.8, the percentage of association branches closing in each year increased between 2012 and 2018 and remained high following the onset of the COVID-19 pandemic (January 2020). Meanwhile, as shown by the orange line, the percentage of heritage charities closing in each year was somewhat lower following the onset of the COVID-19 pandemic.

This suggests that the higher rate of closure among association branches (shown in figure 4.8) was a continuation of previous trends. Meanwhile, the lower rate of closure among heritage charities since 2019 (also shown in figure 4.8) was, at least to some extent, new: heritage charities appeared to become less likely to close following the onset of the COVID-19 pandemic. It is also interesting to note that the rate of closure among Service funds appears to have increased in the period leading up to and including the COVID-19 pandemic.

Figure 4.8



Note: This analysis includes all armed forces charities (N=2,470), both active and closed (as defined in the ‘Methodology’ on page xxvi). The lines in this chart have been partially smoothed so that the overall trends are easier to see. Therefore, percentage labels have not been included and the chart should not be used to read off percentage values for each year.

These conclusions are supported by a comparison of the types of charities that closed before the COVID-19 pandemic (i.e. in 2019 or before) and after the onset of the COVID-19 pandemic (i.e. in 2020 or after). At more than two-fifths (43.0%), association branches accounted for the single highest percentage of armed forces charity closures after 2019. This was very similar to the figure in the period between 2012 and 2019: 42.1%. Welfare charities, heritage charities and associations also accounted for broadly similar percentages of armed forces charity closures in both periods. Among Service funds, a slightly different picture emerged: between 2012 and 2019, Service funds accounted for 6.2% of all armed forces charity closures; however, during and after 2020, Service funds accounted for a notably larger percentage (14.0%) of all armed forces charity closures (see table A4.1, in the appendix).

4.2.4 How has the number of charities changed by charity size?

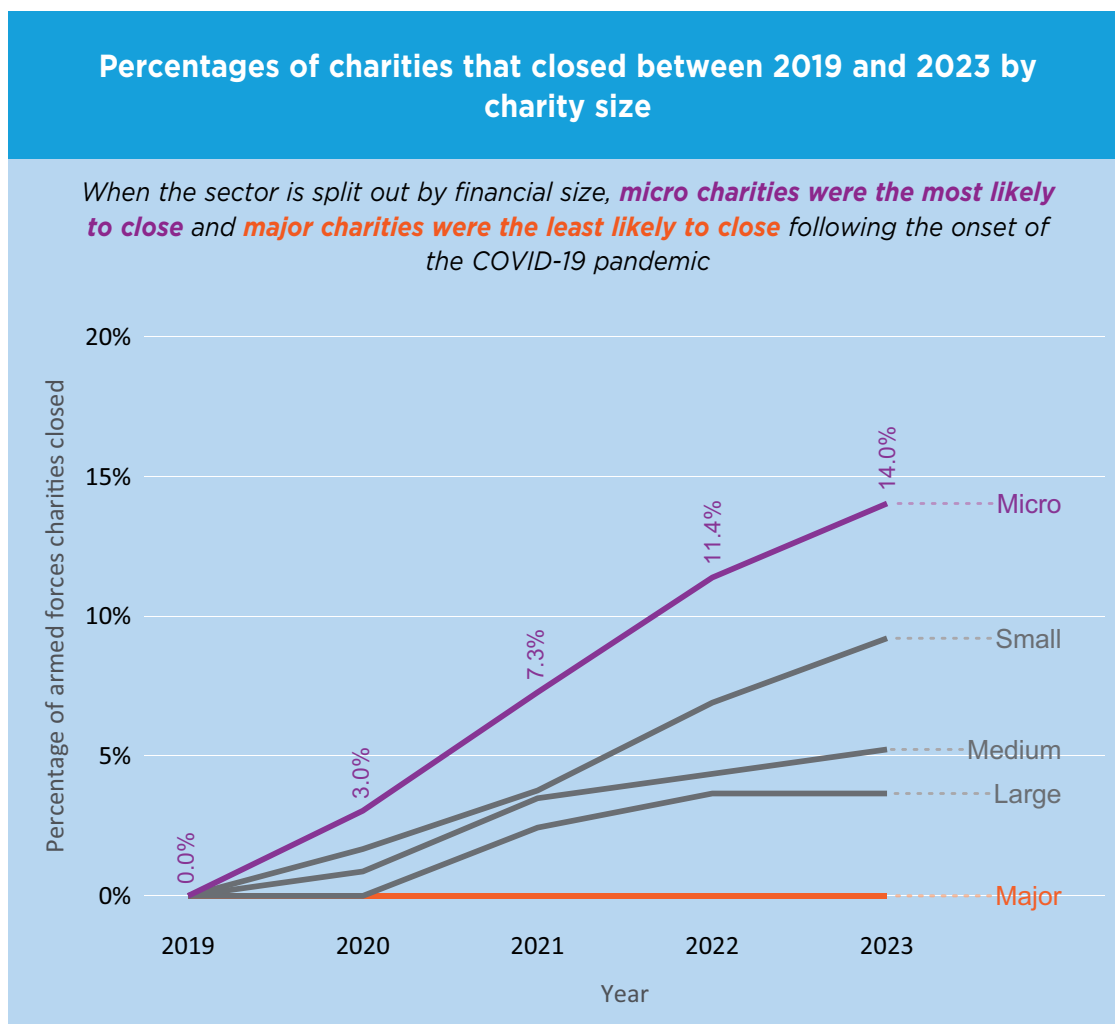
As outlined in the 'Terminology' (see page xxv), in this report, DSC categorises charities into five financial sizes, drawing on work from NCVO (Tabassum and Fern, 2023a). These five categories are micro (annual incomes under £10,000), small (annual incomes between £10,000 and £100,000), medium (annual incomes between £100,000 and £1 million), large (annual incomes between £1 million and £10 million) and major (annual incomes over £10 million).

Unlike charity type and Service affiliation (explored in the previous two sections), charity size can change from year to year. Therefore, the analysis in this section is based on charities' real sizes in 2019. The analysis thus reveals the rate of closure among armed forces charities based on their financial size before the onset of the COVID-19 pandemic.

As shown in figure 4.9, DSC's researchers found that the rate of armed forces charity closure was inversely related to charity size. In other words, the proportion of active charities closing since 2019 was highest among those charities with the lowest incomes and decreased with each increasing income size category.

A notably greater percentage of the micro charities that were active in 2019 have since closed than the percentages of small, medium, large or major armed forces charities. Specifically, 3.0% of the micro charities that were active in 2019 had closed by the end of 2020, 7.3% had closed by the end of 2021, 11.4% had closed by the end of 2022, and 14.0% had closed by July 2023. Meanwhile, 9.2% of small charities that were active in 2019 had closed by July 2023, while this figure was 5.2% for medium charities, 3.7% for large charities and 0.0% among major charities.

Figure 4.9



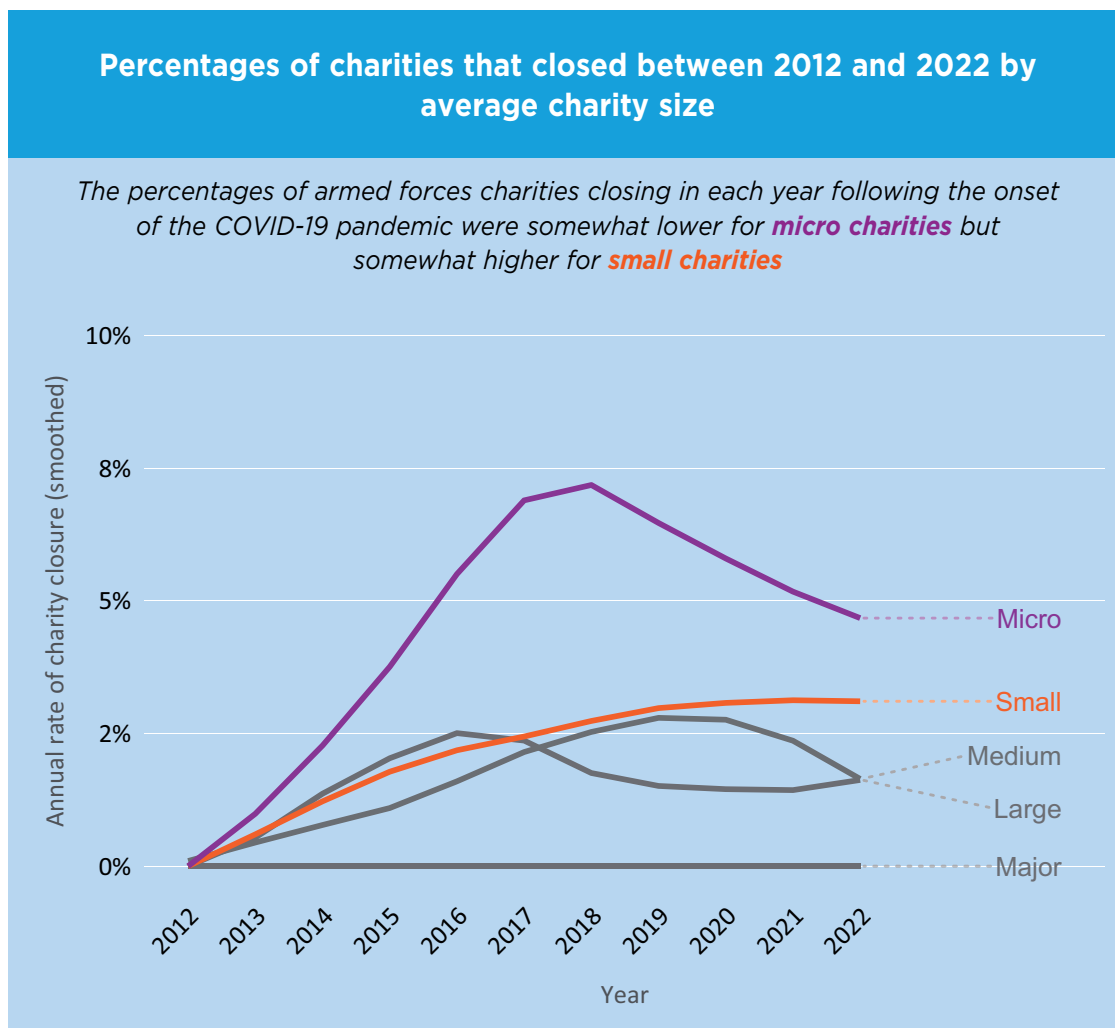
Note: This analysis is limited to armed forces charities that were ‘active’ (as defined in the ‘Methodology’ section, on page xxvi) and had financial data available in 2019, by real charity size as it was in 2019: micro (N=756), small (N=478), medium (N=344), large (N=82) and major (N=24).

While micro charities were more likely to close when compared to financially larger groups of armed forces charities, this is not a new trend. As shown in figure 4.10, the annual rate of closure has always been notably higher among charities that are, on average, micro charities than among charities that are, on average, financially larger. Following the trend in the sector overall (shown in figure 4.2), the rate of closure among micro charities fell in the few years prior to and during the COVID-19 pandemic. Meanwhile, the annual rate of closure among charities that were, on average, small increased following the onset of the COVID-19 pandemic, which was also part of a longer-term trend.³

³ Each armed forces charity’s financial size can change from one financial year to the next. However, this analysis requires just a single financial size category for each armed forces charity. Therefore, here and in the paragraph below, DSC’s researchers group charities by their (mean) average charity size. Compared to simply taking the financial size from each armed forces charity’s most recent annual report and accounts (i.e. their final accounts before they closed), using the average financial size produces a single financial size category that can better reflect the charity (armed forces charities may spend more or less than was broadly usual for them during their final operating year).

These conclusions are supported by a comparison of the average financial size of the charities that closed before the COVID-19 pandemic (i.e. in 2019 or before) and after the onset of the COVID-19 pandemic (i.e. in 2020 or after). Micro armed forces charities accounted for a majority of charity closures in both periods, but substantially more before (68.5%) than after (55.5%) the onset of the COVID-19 pandemic. Conversely, small and medium armed forces charities made up greater numbers of closures from 2020 onwards. The percentages of large charities closing in both periods were broadly similar and no major charities closed in either period (see table A4.1, in the appendix).

Figure 4.10



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi), that had two or more years of financial data (N=2,275). Average charity size is based on real average income over all available years for each armed forces charity size: major (N=22), large (N=110), medium (N=441), small (N=641) and micro (N=1,061). The lines in this chart have been smoothed in order to show the overall trends more clearly. Therefore, the chart should not be used to read off percentage values for each year

4.3 HOW HAVE THE SECTOR'S INCOME AND EXPENDITURE CHANGED OVER THE PAST DECADE?

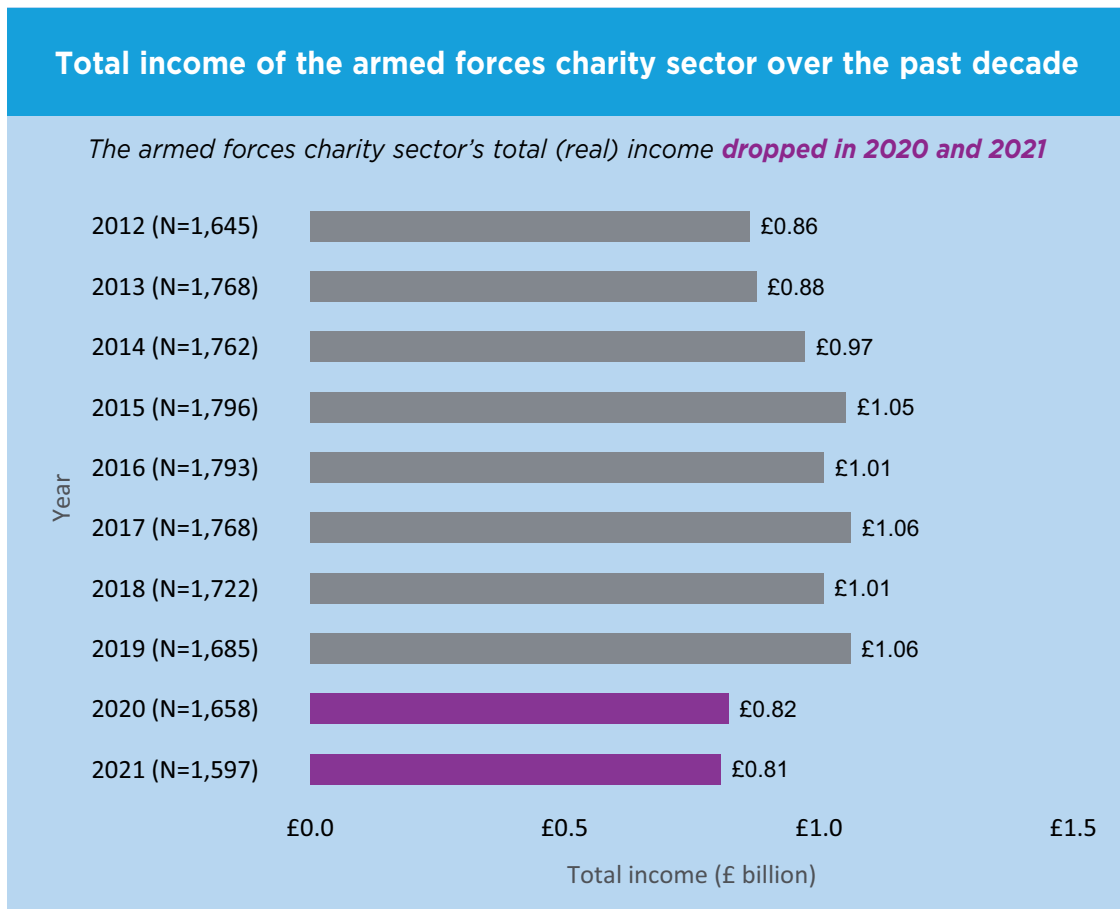
4.3.1 Total income and expenditure over time

For the period 2012–21, figures 4.11 and 4.12 illustrate the total income and expenditure generated and spent by the armed forces charity sector, respectively. The two charts display similar trends over time. The value of the armed forces charity sector's income was £0.86 billion in 2012. This showed a systematic upwards trend – despite some fluctuations – over the following years and was £1.06 billion in 2019. Similarly, the value of the armed forces charity sector's expenditure was £0.77 billion in 2012, and this also generally rose until 2019, reaching £1.00 billion.

After 2019, both charts show that the general upward trend in the total values of both income and expenditure came to an end. In 2020, armed forces charities had a total of £0.82 billion in income, which was 22.6% lower than the total in 2019. In the following year (2021), the sector's total income remained at a similar comparatively low level (£0.81 billion). Meanwhile, armed forces charities spent £0.92 billion in 2020, which was 8.0% lower than the total had been in 2019 – and they spent £0.81 billion in 2021, which was a further 12.0% less than was spent in 2020 and 19.0% lower than in 2019.

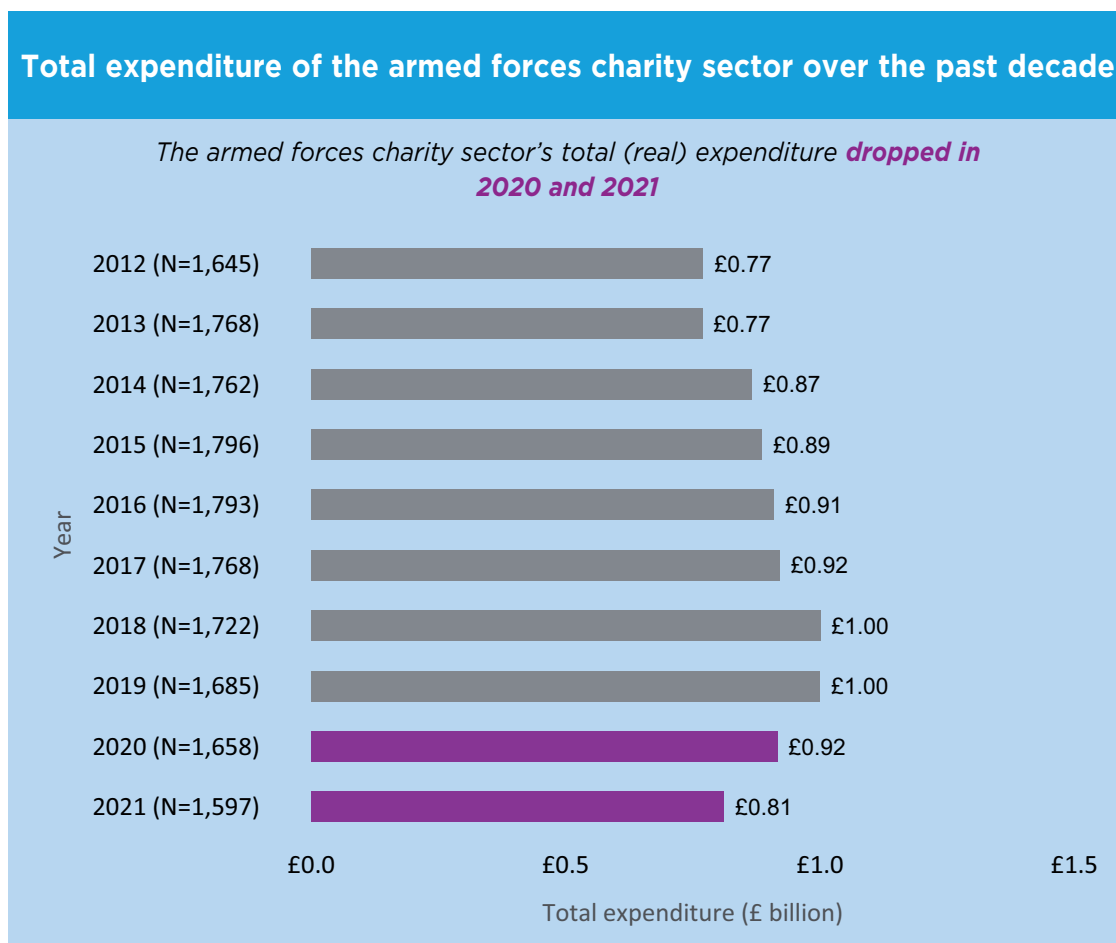
It is interesting to note that the changes that can be observed in figures 4.11 and 4.12 for the armed forces charity sector are notably more pronounced than those in the broader charity sector. NCVO reports that there was a drop in income of 6% between financial years 2019/20 and 2020/21 for the charity sector as a whole (Tabassum and Fern, 2023a). It would be useful for further research to unpack how far the magnitude of changes has varied across the charity sector – for example, according to the International Classification of Non-Profit Organizations – to shed light on whether specific groups in the whole charity sector had similar experiences to armed forces charities.

Figure 4.11



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). The numbers of armed forces charities included in the analysis for each year are shown in parentheses. Due to recent improvements in data collection and availability, the data for 2012-17 is slightly less complete than the data for 2018-21 among charities removed prior to 2018. However, robustness checks carried out by DSC's researchers suggest this does not alter the overall conclusions. Real income is adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

Figure 4.12



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). The numbers of armed forces charities included in the analysis for each year are shown in parentheses. Due to recent improvements in data collection and availability, the data for 2012-17 is slightly less complete than the data for 2018-21 among charities removed prior to 2018. However, robustness checks carried out by DSC's researchers suggest this does not alter the overall conclusions. Real expenditure is adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

Additional insights from across the sector

To gain additional insights about the value and distribution of income over the past decade, DSC's researchers also investigated whether the percentages of income accruing to each of the distinct Service branch affiliations, charity types and charity sizes were consistent or changed over time.

Service branch affiliation

Turning first to Service branch affiliation, section 3.3.1 previously showed that, when the data is broken down by Service branch affiliation, tri-Service charities generated the majority (67.5%) of the sector's total income. Additional analysis (available upon request) showed some (unsystematic) fluctuations but, overall, these findings were consistent. In each year, tri-Service charities generated most (between 65.4% and 73.3%) of the total income (and 64.5% to 68.9% of the total expenditure).

Charity type

Looking at the charity types, in the most recent financial year, most (71.7%) of the sector's total income came from welfare charities (see section 3.3.1). Again, the additional analysis (available upon request) showed some (unsystematic) fluctuations but the finding for the most recent financial year held over time. Welfare charities always generated most (between 66.4% and 74.7%) of the total income (and 69.4% to 74.4% of the total expenditure).

Charity size

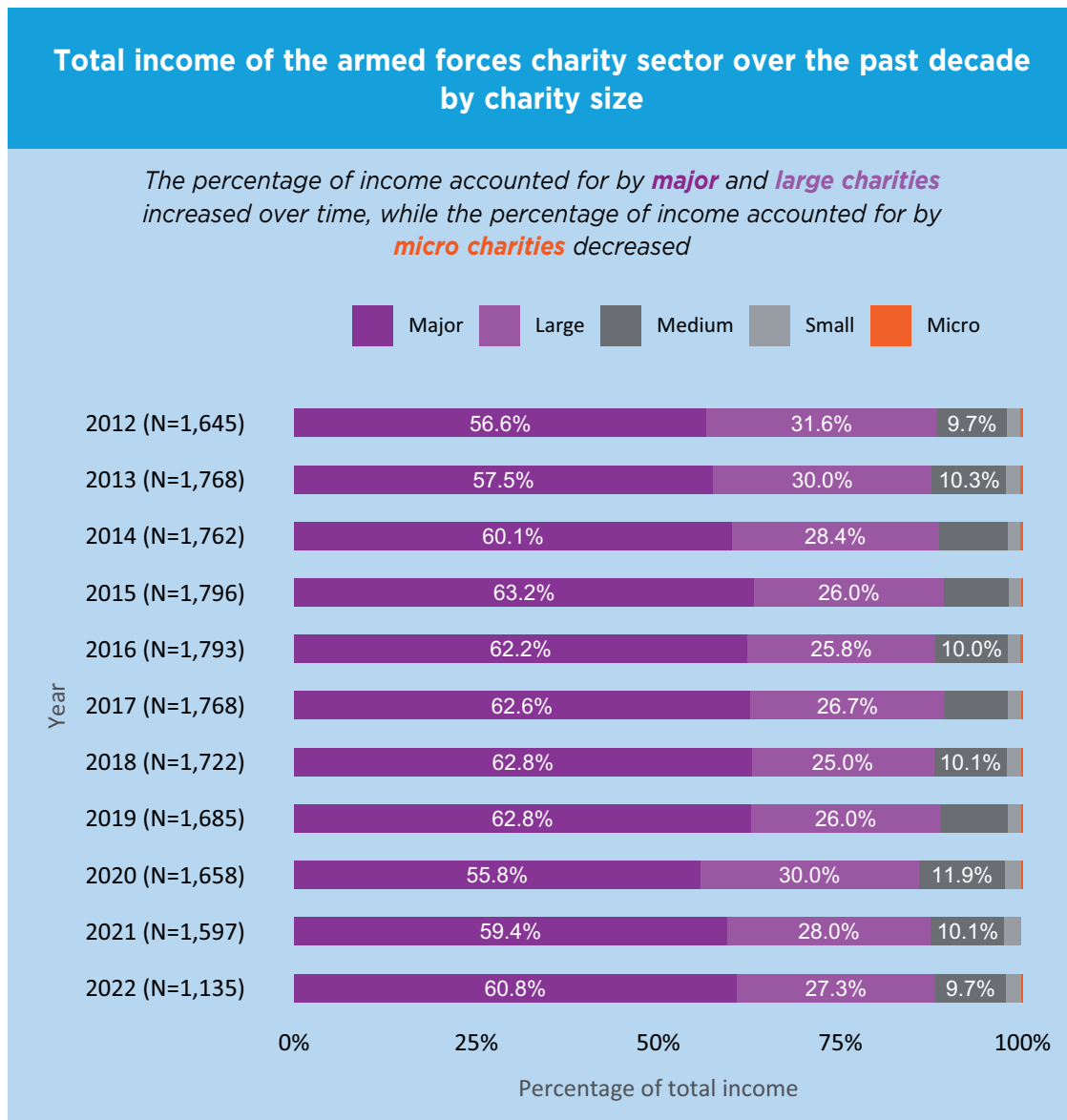
The final decomposition of the sector undertaken by DSC's researchers was in relation to charity size. As highlighted in chapter 3, using data from each charity's most recent financial year, large and major armed forces charities generated the majority (88.1%) of the sector's total income. This has been the case for each year over the past decade.

However, as shown in figure 4.13, the percentage of the sector's income accounted for by large and major charities has fluctuated over time. Between 2012 and 2019, the percentage of income accounted for by major charities increased overall, from 56.6% to 62.8%. Meanwhile, the percentage of income accounted for by large charities decreased overall, from 31.6% to 26.0%. As a result, the share of income made up by large and major charities increased only slightly over this period (from 88.2% in 2012 to 88.8% in 2019).

After a drop in the share of income accruing to major charities in 2020 (to 55.8%), this share steadily rose again up to 2022 (60.8%, based on a limited number of data points). Therefore, between 2012 and 2022, the share of income accounted for by large and major charities did not change (falling insubstantially from 88.2% in 2012 to 88.1% in 2022). However, major charities alone did account for an increased share of income overall (from 56.6% in 2012 to 60.8% in 2022).

This trend is somewhat different from that seen in the charity sector more broadly. NCVO's *UK Civil Society Almanac 2023* – which includes financial analysis up to the 2020/21 financial year – shows that large and major charities generated 77.9% of the charity sector's total income in 2011/12, with this figure rising to 83.1% in 2020/21 (Tabassum and Fern, 2023a). As shown in figure 4.13, this was not the case in the armed forces charity sector; however, the armed forces charity sector saw a greater concentration of income among the major charities.

Figure 4.13



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). The numbers of armed forces charities included in the analysis for each year are shown in parentheses. Percentage labels below 9.5% are not shown for reasons of space.

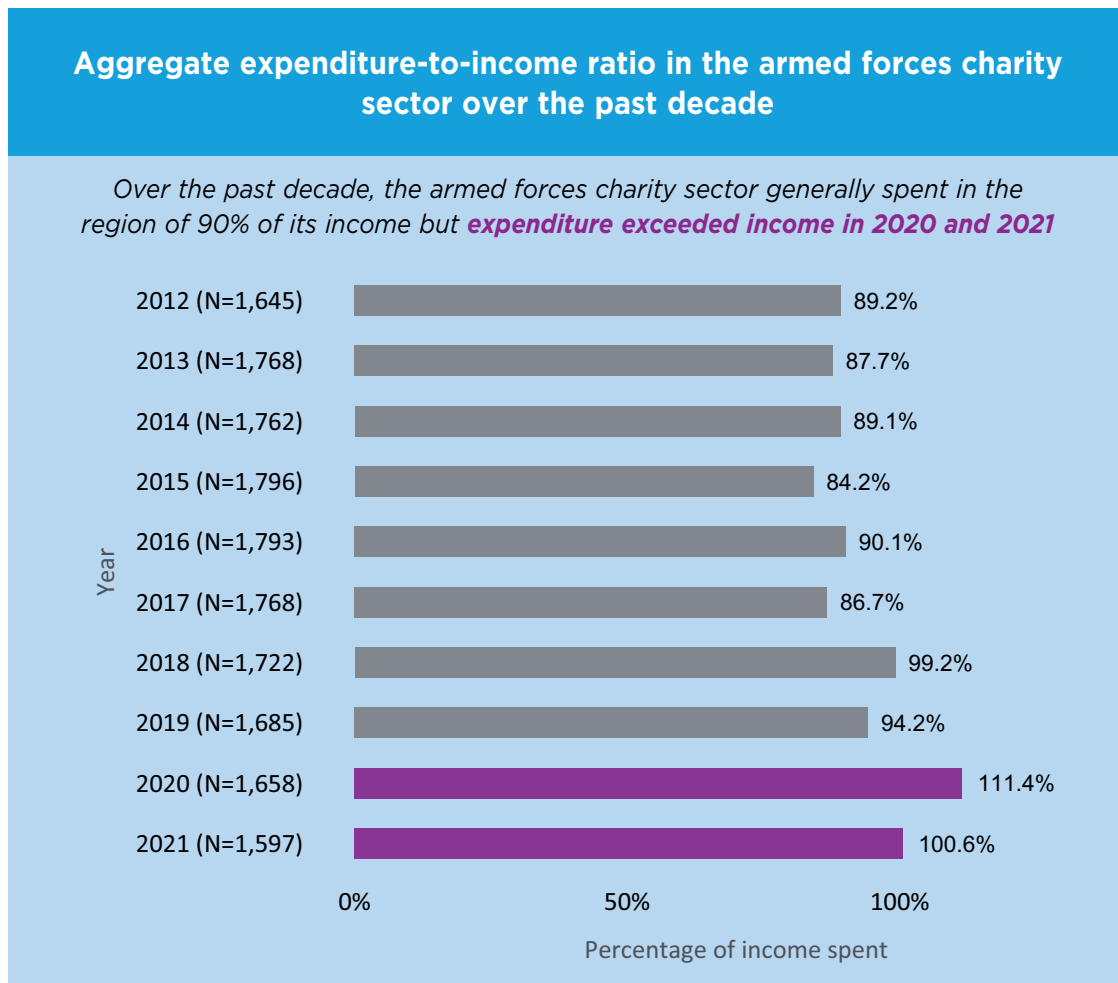
Percentage of income spent

The findings above show a drop in 2020 in total income and expenditure (which both also remained around this lower level in 2021). However, the magnitude of these changes was higher for total income than it was for total expenditure. DSC's researchers therefore calculated the aggregate expenditure-to-income ratio for the sector. This can be interpreted as the overall percentage of the sector's income that is spent in any one year, which can be lower than 100% when expenditure is lower than income or higher than 100% when expenditure is higher than income.

As shown in figure 4.14, the percentage of income spent in each year fluctuated slightly between 2012 and 2019 but was consistently under 100%. More specifically, the lowest point was 84.2% in 2015 and the highest was 99.2% in 2018. In 2020, the sector's aggregate expenditure-to-income ratio exceeded 100% for the first time over the period analysed: from 94.2% in 2019, the expenditure-to-income ratio rose to 111.4% in 2020. The sector's aggregate expenditure-to-income ratio then dropped notably again in 2021 but remained comparatively high at marginally over 100%.

It is worth noting that many voluntary sector organisations took advantage of the Coronavirus Job Retention Scheme (Delahunty, 2021). This scheme enabled employers to claim for some or all of their employees' wages where these employees had been placed on furlough due to the COVID-19 pandemic (HMRC, 2021). DSC's researchers expect this scheme, also known as the furlough scheme, will have attenuated the findings above among armed forces charities. This is because the furlough scheme payments increased armed forces charities' incomes while at the same time reducing their expenditure (compared to what it would have been if staffing levels had been sustained). Without this government scheme, the overall expenditure-to-income ratios for 2020 and 2021 may have been even higher (all else equal).

Figure 4.14



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). The numbers of armed forces charities included in the analysis for each year are shown in parentheses.

4.3.2 Average income and expenditure over time

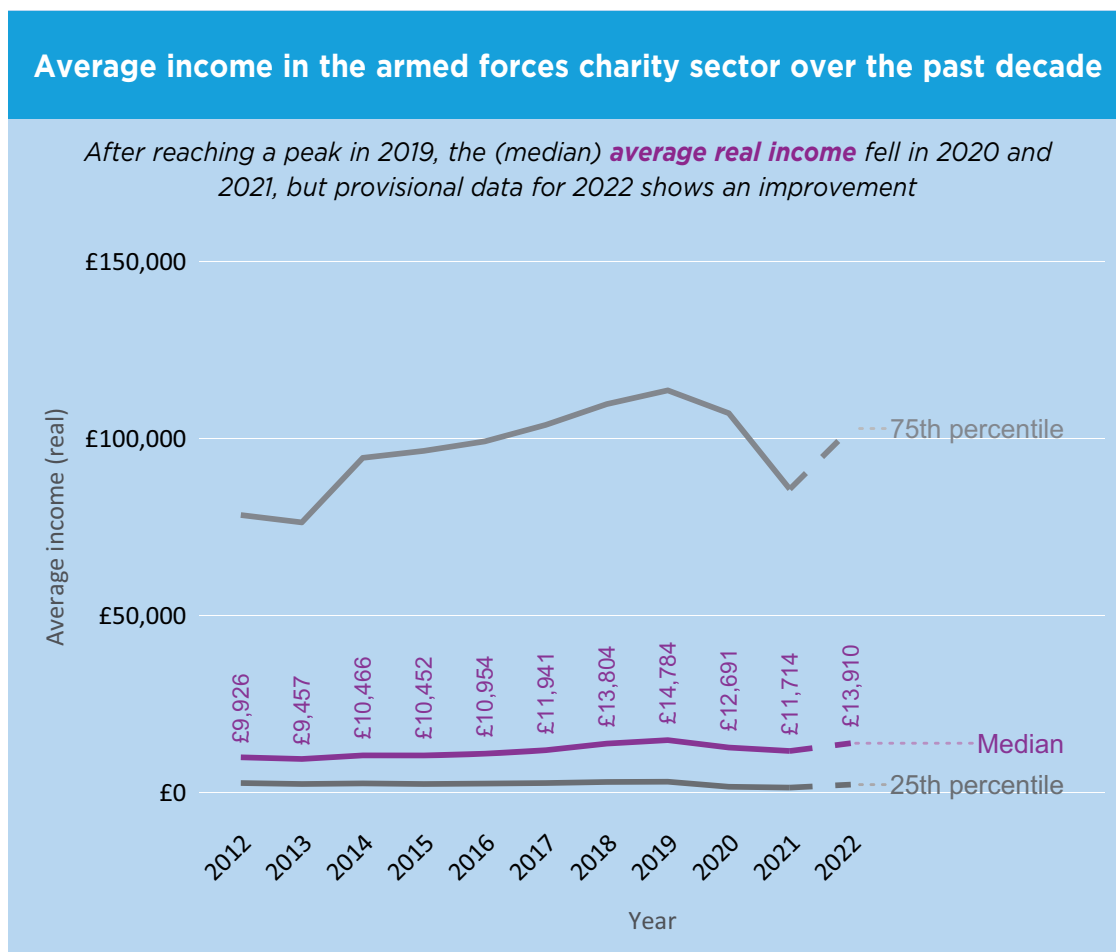
DSC's researchers also investigated the (median) average income and expenditure within the armed forces charity sector for the past decade (2012-22). As shown in figure 4.15, the average income steadily increased between 2012 (at which point it was around £9,900) and 2019 (at which point it was around £14,800). Then, in 2020, the average income fell to approximately £12,700 – and it continued to fall into 2021, when it was around £11,700. The provisional data for 2022 shows a reversal of this trend – it appears that the average armed forces charity had an income of approximately £13,900 in 2022.

It is important to highlight that the variation (i.e. the difference between the 25th and 75th percentiles) in armed forces charities' incomes also changed over this period. This is because the value of income at the 75th percentile increased quite substantially (and then decreased)

while the value of income at the 25th percentile remained relatively constant. Specifically, the top quarter of armed forces charities had an income of at least around £78,400 in 2012, and this rose to reach around £113,600 in 2019 before falling to around £107,200 in 2020 and around £85,700 in 2021. The data for the limited number of armed forces charities that had accounts for 2022 shows that, as with the average, the value of income at the 75th percentile appears to have bounced back (to around £102,900).

DSC’s researchers found that the overall trend for expenditure was very similar. The results are therefore not shown graphically (but are available upon request).

Figure 4.15



Note: This analysis includes all armed forces charities, both active and closed (as defined in the ‘Methodology’ on page xxvi). Due to recent improvements in data collection and availability, the data for 2012-17 is slightly less complete than the data for 2018-21 among charities removed prior to 2018. However, robustness checks carried out by DSC’s researchers suggest this does not alter the overall conclusions. Real income is adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

Average percentage of income spent

The analysis above (see figure 4.15) shows that, overall, income and expenditure shifted downwards in 2020 (compared to 2019) and in 2021 (compared to 2020). However, there was a subtle difference in the magnitude of these shifts. The shift was more pronounced for income in 2020 and more pronounced for expenditure in 2021 (expenditure data is available on request). This suggests that armed forces charities' incomes were more immediately affected by the pandemic than their expenditure was.

The analysis above (see figure 4.14) shows that armed forces charities collectively spent more than they received in income in 2020 (and very marginally more in 2021). To complement this aggregate perspective and shed light on combined changes in income and expenditure within armed forces charities, DSC's researchers also calculated the percentage of annual income spent by each charity in each year (2012–22).⁴

As shown in figure 4.16, the median expenditure-to-income ratio was consistently very close to 100% almost every year over the past decade. Specifically, between 2012 and 2020, the average percentage of income spent ranged from 96.1% to 98.3%. This is slightly higher (by between 0 and 2 percentage points, depending on the year) than in the charity sector more broadly (Mohan et al., n.d., p. 14). In 2021, there was a notable drop in the average percentage of income that was spent: during this year, the average percentage of income spent fell to 92.6% (the corresponding figure within the charity sector more broadly was 90%, as reported by Mohan et al., n.d., p. 14). However, this rose notably again in 2022 to 97.8%.

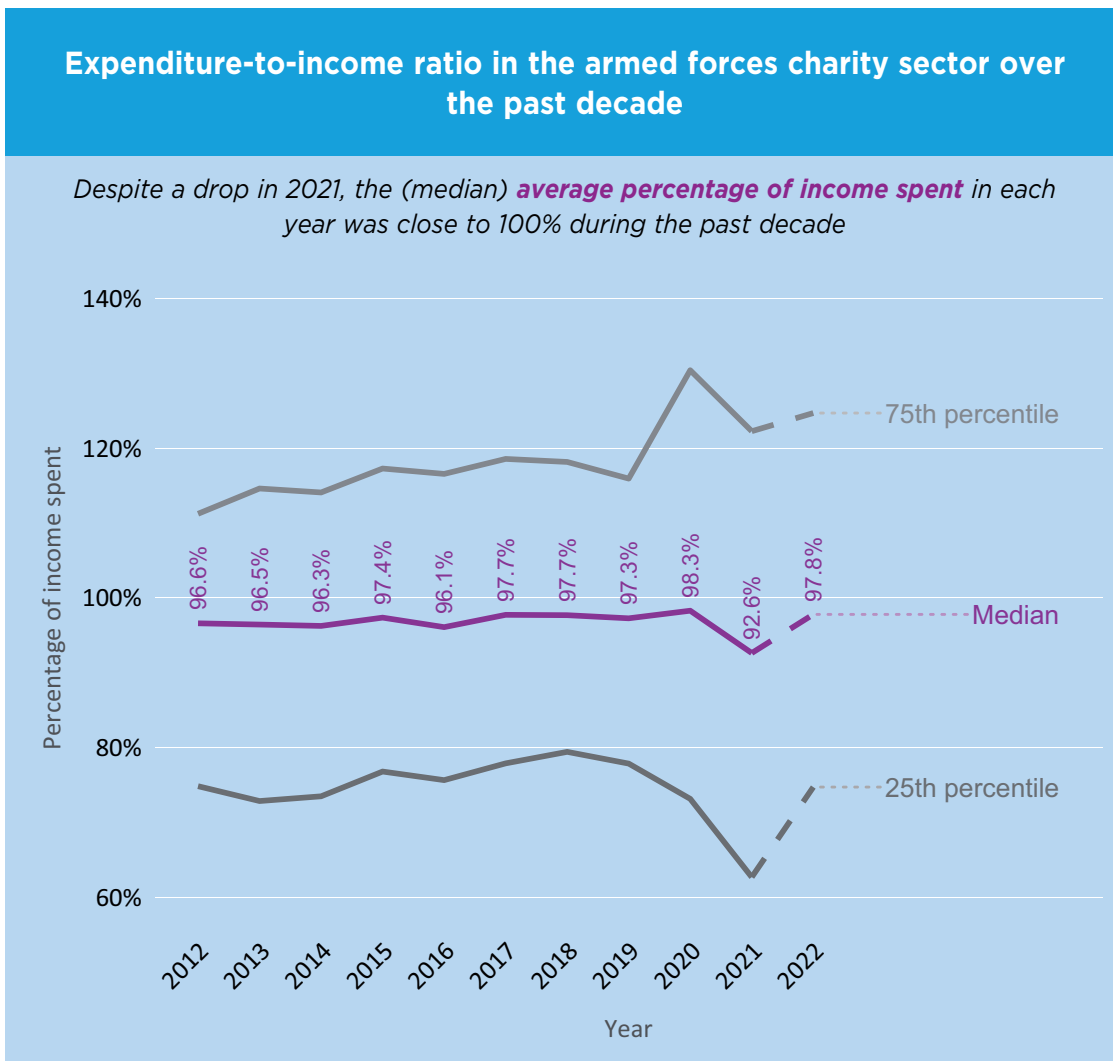
The trends over time at the lower and upper ends of the distribution show a subtly different picture. Despite some small fluctuations, the top quarter of armed forces charities spent an increasing proportion of their income between 2012 (at which point they spent at least 111.3% of their income) and 2019 (at which point they spent at least 116.0% of their income). Then, in 2020, there was a sharp increase: the top quarter of armed forces charities spent at least 130.4% of their income. Although this fell again in 2021, it remained at a historically high level (for the period analysed) at 122.3% (and remained relatively constant in the provisional data for 2022).

The bottom quarter of armed forces charities also spent a generally increasing percentage of their income between 2012 (at which point they spent at least 74.8% of their income) and 2019 (at which point they spent at least 77.9% of their income). However, this trend reversed around the time of the COVID-19 pandemic. In 2020, the bottom quarter of armed forces charities spent 73.2% of their income. In the following year (2021), the bottom quarter spent only 62.3% of their income.

The overall distribution shows a general upward trend in the percentage of income spent between 2012 and 2019, even though the (median) average remained relatively constant. However, in 2020, the differences in the experiences of armed forces charities became greater, as shown by the increased variation in expenditure-to-income ratios. That is, charities at the upper end of the distribution spent more of their income than had previously been the case, and charities at the lower end of the distribution spent less of their income than had previously been the case. Nevertheless, the entire distribution showed a downward shift in 2021, which might suggest that many armed forces charities' activities (i.e. the scope of charities' potential activities, reflected by unspent income) were limited by the restrictions associated with the COVID-19 pandemic (see Mohan et al., n.d., p. 14).

⁴ As explained in section 3.2.2, an expenditure-to-income ratio above 100% means expenditure exceeds income; an expenditure-to-income ratio below 100% means expenditure is less than income.

Figure 4.16



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). Due to recent improvements in data collection and availability, the data for 2012-17 is slightly less complete than the data for 2018-21 among charities removed prior to 2018. However, robustness checks carried out by DSC's researchers suggest this does not alter the overall conclusions.

4.3.3 Sources of income over time

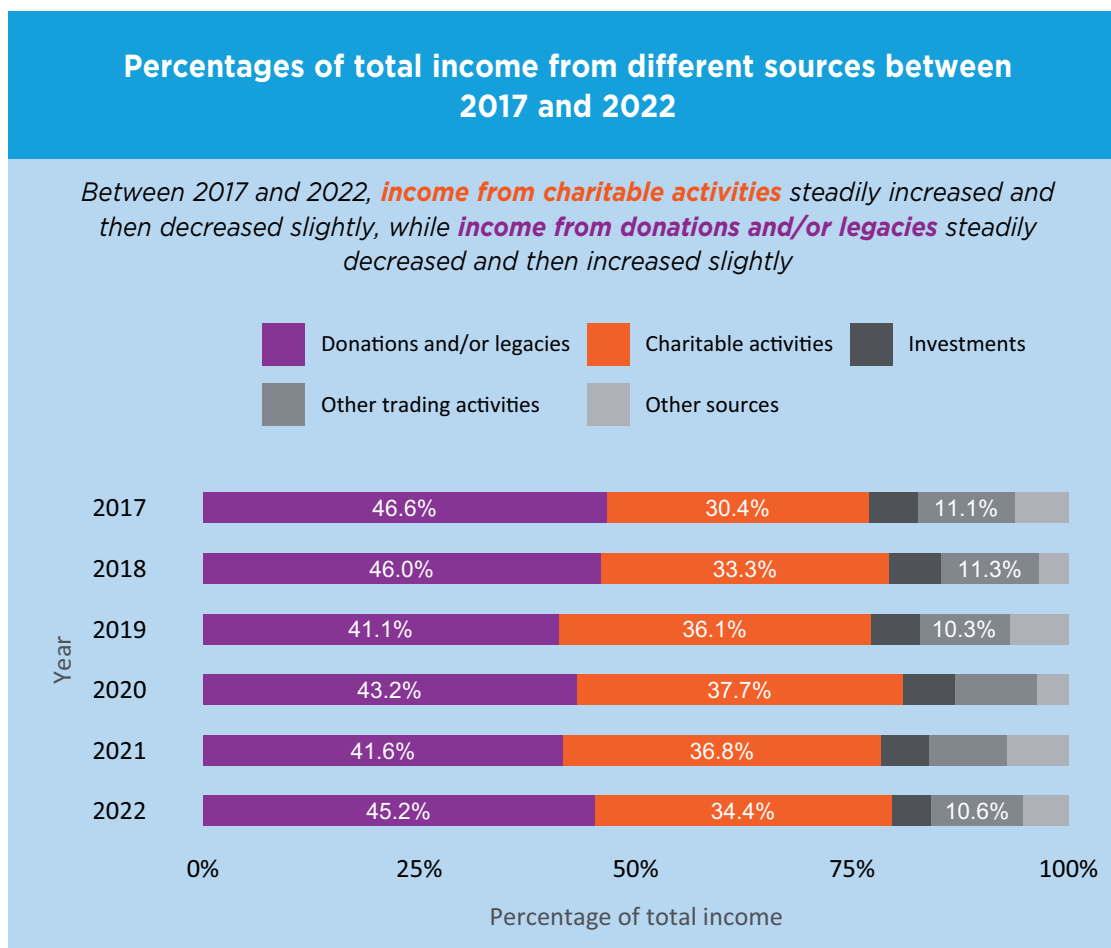
As described in section 3.2.3, armed forces charities can receive income from one or more sources. These can be distinguished, using data from the three charity regulators, into income from charitable activities, income from donations and/or legacies, income from investments (such as interest or dividends but not capital gains), income from trading, and other income (McDonnell et al., n.d., p. 3).⁵ It is important to note that, due to restrictions on the availability of enhanced financial data (as described in section 3.2.3), this analysis is limited to a small number of armed forces charities in each year and only for 2017 to 2022.

Figure 4.17 shows the percentage of income in each year that was accounted for by each of the five income sources. In line with the findings in section 3.2.3, the income source which consistently accounted for the greatest percentage of overall income was income from donations and/or legacies. Specifically, income from donations and/or legacies accounted for a minimum of 41.1% (in 2019) and a maximum of 46.6% (in 2017). The second most important source of income in each of the years shown in figure 4.17 was income from charitable activities, which accounted for between 30.4% (in 2017) and 37.7% (in 2020) of total income. Income from the other categories (investments, other sources, and other trading activities) fluctuated somewhat between the years shown, but these sources collectively accounted for up to around 23% of the sector's total income.

Figure 4.17 also shows a general trend towards the increasing importance of income from charitable activities for the years 2017–20, which largely corresponds to the decreasing prevalence of income from donations and/or legacies over the same period. However, this trend reverses somewhat after 2020, with the percentage of income from charitable activities falling slightly in 2021, to 36.8% (from 37.7% in 2020) and again in 2022 to 34.4% (although it should be noted that the data is less complete for 2022).

⁵ Within the data from CCEW, a more detailed distinction can be made between 'legacies', 'endowments', 'voluntary income', 'activities generating funds', 'charitable activities', 'investment income' and 'other income', but the categorisation described above allows comparison between charities with different regulators (McDonnell et al., n.d., p. 3).

Figure 4.17



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). Percentage labels below 9.5% are not shown for reasons of space. This data was available for 154 charities in 2017, 161 charities in 2018, 166 charities in 2019, 148 charities in 2020, 148 charities in 2021 and 109 charities in 2022.

4.3.4 Income dependence over time

As described in section 3.2.4, armed forces charities can generate or receive income through several different sources. To shed light on how dependent armed forces charities are on particular sources of income, DSC's researchers identified armed forces charities as having a major source of income where one source accounted for 50% or more of the charity's income in a given year; meanwhile, charities were identified as having a dominant source of income where one source accounted for 90% or more of their income in a given year. The remaining charities were classified as having no major or dominant source of income.⁶

⁶ For more details on this methodology, see McDonnell et al. (n.d.).

Figure 4.18 shows the percentages of armed forces charities that had a dominant, a major, or no dominant or major income stream for each year between 2017 and 2022. During this period, the armed forces charities that did not have a major or dominant income stream always constituted a small but significant minority, and remained broadly constant over time (generally taking a value of around 14% to 15%).

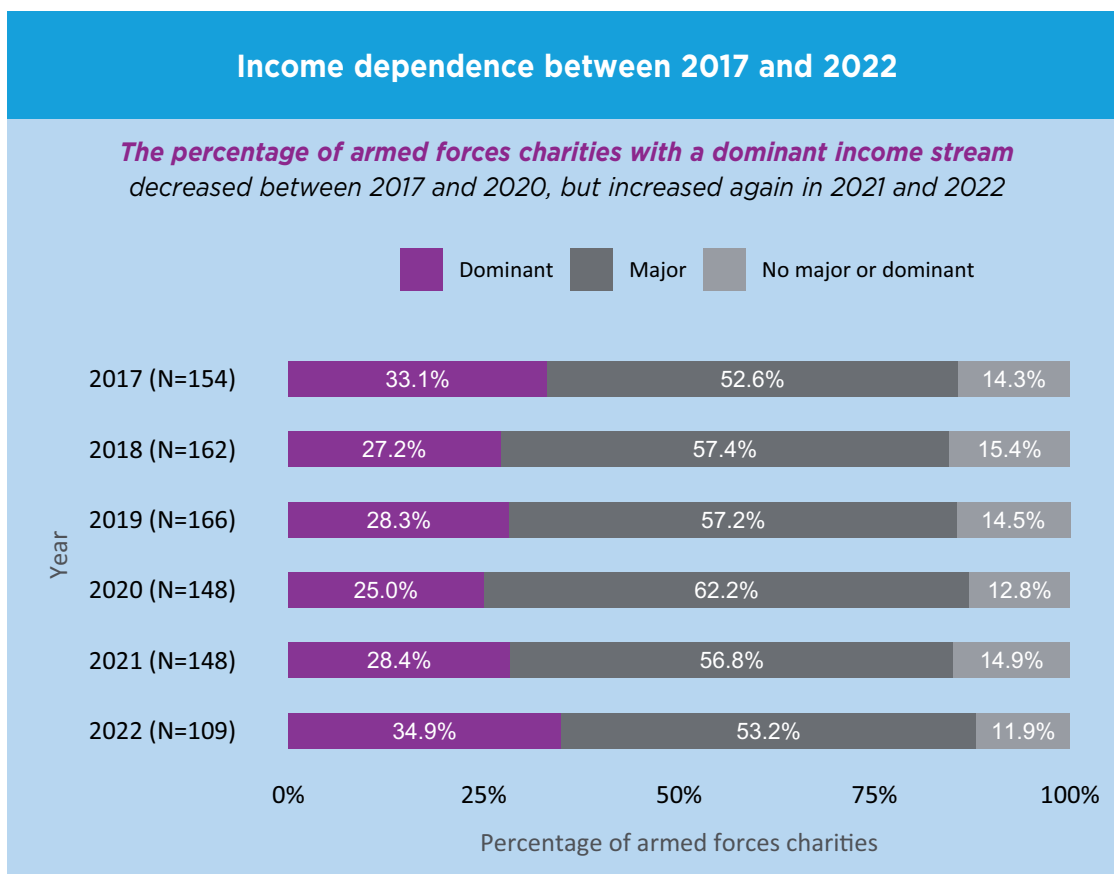
In contrast, the percentage of armed forces charities that had a dominant income stream started at around one-third (33.1%) in 2017. Overall, this decreased over the next three years: by 2020, the percentage of armed forces charities that had a dominant income stream had fallen to one-quarter (25.0%). The data for 2021 shows that this percentage had increased to 28.4% – and it increased notably again in 2022, to just over one-third (34.9%, although this data was incomplete at the time of data collection).

On the other hand, the percentage of armed forces charities that had a major income stream began at just over one-half (52.6%) in 2017. It rose to a peak of just over three-fifths (62.2%) in 2020 and subsequently fell to 56.8% in 2021 and 53.2% in 2022 (although this data was incomplete at the time of data collection).

Overall, the data on income dependence between 2017 and 2022 shows that, initially (during 2017–2020), there was a trend towards fewer armed forces charities having a dominant source of income and more armed forces charities having a major source of income. This trend then reversed in 2021–22, during which time an increasing percentage of armed forces charities had a dominant source of income.

It is important to keep in mind that the data on income dependence is limited to a small subset of financially large armed forces charities. However, these armed forces charities account for the overwhelming majority of the sector's total income (90.0%, £0.93 billion out of £1.03 billion in the most recent financial year, as detailed in section 3.2.3). Therefore, the trends seen among these charities are an important component of any changes that are taking place in the sector's overall finances. However, it should be highlighted that the trends seen among financially smaller charities may be different.

Figure 4.18



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi), that had enhanced financial data available. Percentage labels below 9.5% are not shown for reasons of space. The definitions of major and dominant income follow McDonnell et al. (n.d.). DSC's researchers also analysed income diversification over time and the conclusions were similar (available upon request). The percentages do not always sum to 100% due to rounding.

4.4 HOW HAVE THE SECTOR'S FINANCIAL RESERVES CHANGED OVER RECENT YEARS?

Total reserves and cash assets

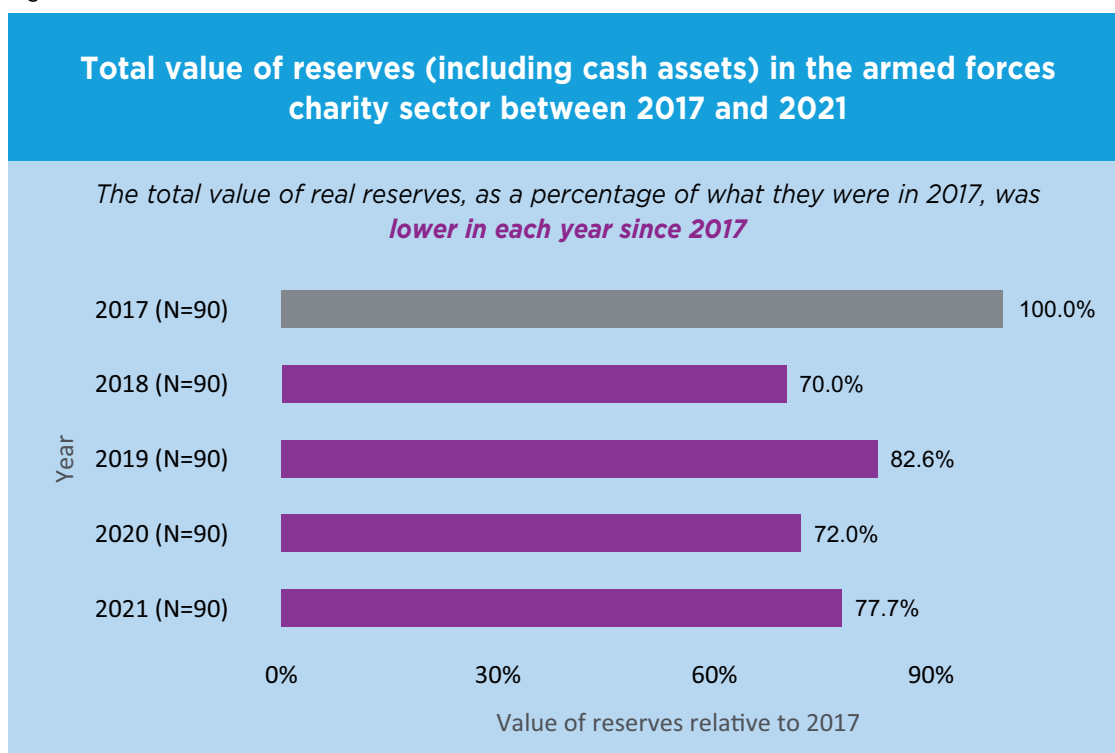
As described in section 3.2.6, reserves can be understood as part of a charity's financial 'gearing' (i.e. as a buffer against unexpected financial changes, or to enable a charity to save funds for planned projects). This is important for charities' financial resilience, for funders' and creditors' confidence, and for charities' regulatory compliance (NCVO, 2022).

DSC's researchers calculated the value of the armed forces charity sector's reserves and cash assets (as a subset of those reserves) for each year between 2017 and 2021 (2022 was excluded because only a subset of armed forces charities had submitted data for this year).

This analysis was restricted to charities that had the relevant enhanced data for each of these five years. This means that the data is not skewed by charities moving in and out of the data over time, which occurs when their incomes change enough to move them from above to below (or vice versa) the reporting threshold with their charity regulator. However, because of this restriction, the figures should not be interpreted as the total value of reserves and have instead been presented as an index relative to 2017.

As shown in figure 4.19, the total value of reserves in the armed forces charity sector fluctuated across the years analysed but was highest in 2017. Specifically, the value of the sector's reserves in 2018 was 70.0% of what it had been in 2017. The value rose in 2019 but was still only 82.6% of what it had been in 2017. The value dropped again in 2020, reaching 72.0% of what it had been in 2017. Once again, the value of reserves bounced back in 2021, with a total value that was 77.7% of the 2017 value.

Figure 4.19



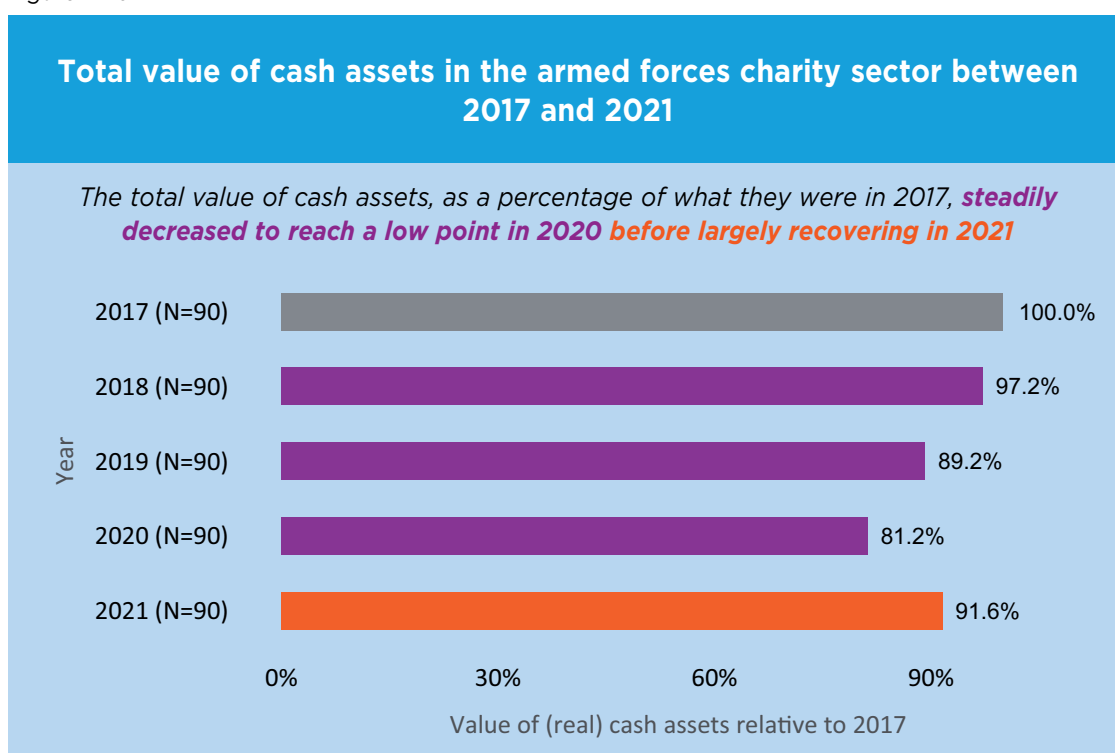
Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). Data is available for armed forces charities with enhanced financial information which were registered with the Charity Commission for England and Wales (including cross-border charities) and which did not move above or below the reporting threshold between 2017 and 2021. Real reserves are adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

DSC's researchers found a slightly different trend when looking at the sector's total cash assets specifically (which are the most liquid element of charities' reserves, as discussed in section 3.2.6). As shown in figure 4.20, the total value of the armed forces charity sector's

cash assets was similar in 2017 and 2018 (the value in 2018 was 97.2% of what it had been in 2017). However, the total value of cash assets fell in 2019, representing 89.2% of what it had been in 2017. Once again, the total value of cash assets dropped in 2020, to the lowest point within this five-year period of analysis (81.2% of what it had been in 2017). Following this drop in value, the sector's total cash assets were somewhat rebuilt in 2021 but represented only 91.6% of what their value had been in 2017.

It is important to note that, as described in more detail below, this overall trend was driven largely by the changes in cash assets among a handful of armed forces charities that accounted for a large proportion of the sector's total cash assets.

Figure 4.20



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). Data is available for armed forces charities with enhanced financial information which were registered with the Charity Commission for England and Wales (including cross-border charities) and which did not move above or below the reporting threshold between 2017 and 2021. Real cash assets are adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

Average reserves and cash assets

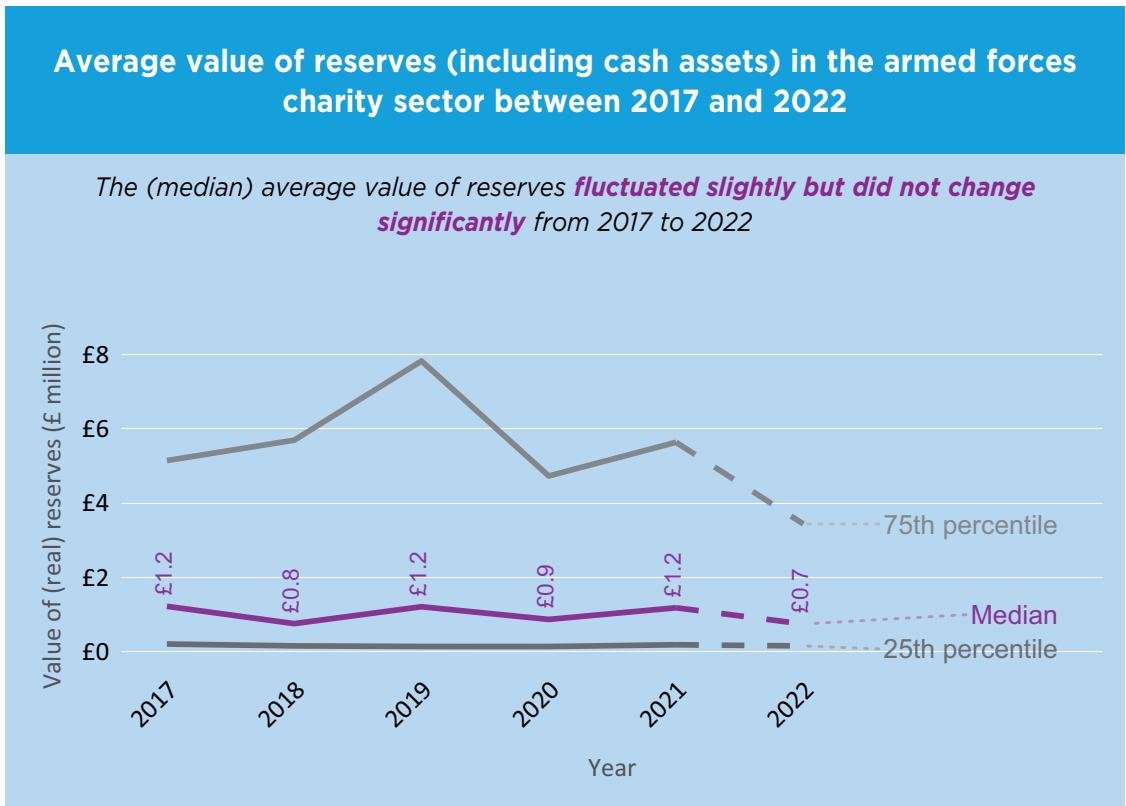
In addition to the total value of the sector's combined reserves, DSC's researchers investigated the extent to which the (median) average value of reserves and cash assets – and the surrounding variation – changed over the period of analysis (2017–22). The results of this analysis are presented in figures 4.21 and 4.22.

Figures 4.21 and 4.22 show two slightly different trends – specifically, for the average values of reserves and cash assets (a subset of reserves). For reserves (shown in figure 4.21), the (median) average value fluctuated slightly but did not change systematically over the period of analysis. This was also the case for the value of reserves at the 25th percentile (the value of reserves held by the quarter of armed forces charities with the lowest level of reserves in each year), which started at around £202,900 in 2017 and ended at around £151,300 in 2022. On the other hand, the value of reserves at the 75th percentile increased between 2017 and 2019 (from £5.1 million to £7.8 million) before falling notably in 2020 (to £4.7 million) and reaching a low point in 2022 (at £3.4 million, based on provisional data).

Meanwhile, for cash assets (shown in figure 4.22), a gradual upward trend was seen across the distribution between 2017 and 2021, with a decrease in 2022 (based on provisional data). This was particularly pronounced at the 75th percentile, which is the value of cash assets held by the quarter of armed forces charities with the most cash assets in each year. While this increased from around £1.5 million in 2017 to around £2.0 million in 2021, the provisional data for 2022 shows a sharp drop to around £1.5 million again.

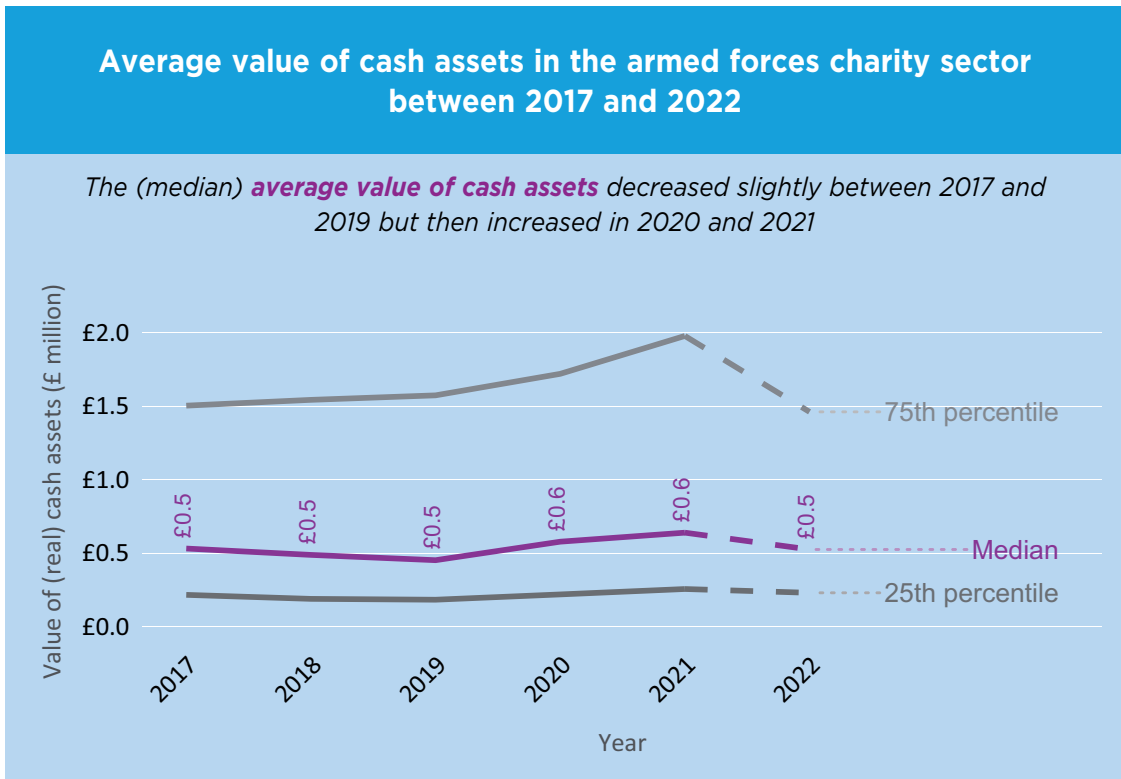
This general upward movement across the distribution suggests that the overall fall in the sector's total value of cash assets shown in figure 4.20 was concentrated among the charities that had some of the very highest cash assets to begin with. DSC's researchers undertook additional analyses to investigate this. The results showed that, after removing the charity that accounted for the largest proportion of the sector's cash assets (28.6% in 2017), the fall in the level of cash assets was notably attenuated. This was because the charity with the largest proportion of the sector's cash assets had a sharp and influential fall over time: by 2020, the value of this charity's cash assets was only 66.4% of the total value in 2017, although it rose somewhat in 2021 (to 82.6%). Moreover, after removing the five charities with the highest percentage of the sector's total cash assets in any year, the aggregate trend for 2017 to 2021 more closely resembled the average trend for 2017 to 2021.

Figure 4.21



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). Data is available for armed forces charities with enhanced financial information which were registered with the Charity Commission for England and Wales (including cross-border charities). Real reserves are adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

Figure 4.22



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). Data is available for armed forces charities with enhanced financial information which were registered with the Charity Commission for England and Wales (including cross-border charities). Real cash assets are adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

DSC's Cobseo Members' Surveys were able to shed some light on how armed forces charities used their reserves during 2020, following the onset of the COVID-19 pandemic (January 2020). A selection of illustrative responses has been reproduced in box 4.3.

Box 4.3

Insights from the Cobseo Members' Survey: How armed forces charities used their reserves after the onset of the COVID-19 pandemic

We are sustaining the core of the charity using reserves but can only manage to cover costs for a short period.

Small charity, May 2020

Our reserves have been built up over the last three years to enable us to quadruple welfare payouts. However, the income loss from 2020 threatens to undermine our long-term stability. Local charity payments in 2020 have been stopped with welfare given priority.

Small charity, May 2020

We have used approximately £1.3 million of reserves to deal with short- to medium-term cash-flow problems. We anticipate doing this again within the next six months.

Large charity, May 2020

We have increased our support to our clients and seen our legacy and donations fall. We have utilised some of our reserves to maintain our levels of support.

Medium charity, October 2020

Our intent is to make use of the reserve to sustain operations, rather than embark on a savings exercise.

Medium charity, October 2020

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

Box 4.4 provides further insights from the charity Erskine on the impacts of the COVID-19 pandemic on its operations, which led to the increased use of reserves.

Box 4.4

Insights on operations and the use of reserves during the COVID-19 pandemic:

Erskine

Erskine was established in 1916 and provides support to the ex-Service community (veterans and their families) in Scotland (Erskine, 2023a). The charity supports its beneficiaries by providing nursing, dementia and end-of-life care through its residential care homes; by offering veterans the chance to engage socially with other veterans, learn skills, and access support services through its activity centres and veterans' village; and by providing supported or assisted living accommodation through its residences (Erskine, 2023b, p. 11).

DSC's researchers spoke with the Chief Executive Officer at Erskine to understand better the ways in which the COVID-19 pandemic impacted the charity.

What were some of the key effects of the COVID-19 pandemic on your beneficiaries?

'The median age of our residents is 87 and 70% of them are living with a dementia diagnosis or a cognitive impairment. The average length of stay with us is around 18 months as they are elderly, frail and often living with a high degree of complex comorbidity and life-limiting illnesses. The key effect of these characteristics was that they were extremely vulnerable to the COVID-19 virus.

'However, we also found that – because of the restrictions associated with the COVID-19 pandemic – our residents living with dementia were very vulnerable due to a lack of social stimulus and the absence of their loved ones' visits (except in instances of extreme anxiety or end-of-life care scenarios). This placed on our staff an additional responsibility to be like the extended family of residents, at a time they themselves were concerned about the impact of the virus on them and their families.'

How did your service provision change during and after the COVID-19 pandemic?

'We implemented socially distanced dining and staggered the eating times to reduce the number of people in dining areas, while others chose to eat in their rooms. For people living with dementia, it is often important that they see other people eating as this encourages and reminds them to also eat.

'Our beneficiaries who live in the community and benefit from attending our Veterans Activity Centres – to tackle isolation and loneliness – were once again in

danger of becoming isolated. However, we switched to remote Zoom parties, courses and group wellness sessions to mitigate this. Staff also made sure to stay in contact with regular telephone calls and shopping assistance to those who were isolated or vulnerable to the COVID-19 virus.

'More broadly, we adopted a "money is no object" approach: we procured barrier screens, hand gel dispensers, thermal cameras [to detect high body temperatures due to the virus] and anti-viral fogging units in all homes, as well as having to use many thousands of masks (between 8,000 and 10,000 each week). Meanwhile, there were no external visitors or health professionals, and no visiting entertainers, activities groups or therapists.

'To reduce the possibility of transmission of the COVID-19 virus, staff were assigned to individual houses within the homes. They could not be moved between houses, as was previously the case. Meanwhile, staff absence reached 30% at some points. In addition, the extensive testing regime we had to implement was time-consuming and onerous. Twice-weekly staff testing, testing of relatives once changes in restrictions allowed them to re-enter the homes, and resident testing all became part of care home life for over two years. Because of social distancing, isolation and the implementation of these infection prevention and control measures – which we see as more appropriate for a hospital setting – our homes became less "homely".'

How did the demand for your services change during the course of the COVID-19 pandemic?

'Demand did drop off somewhat because initially, in the absence of testing, we did not bring in new residents from the community or from other care homes. Additionally, people were reluctant to move into an "isolated care" setting where loved ones could not visit. Moreover, during outbreaks of infection within various homes, we were unable to bring in new residents.'

How did your organisation cope with or respond to any changes in demand?

'We took the opportunity to improve staffing levels in the context of a lower level of residency than we have previously had. This was of course despite a lower level of income from fees paid on a per-resident basis, in the context of lower occupancy. As a result, our use of reserves increased.'

Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

4.5 HOW HAVE THE SECTOR'S VOLUNTEER AND EMPLOYEE NUMBERS CHANGED OVER RECENT YEARS?

4.5.1 Volunteers

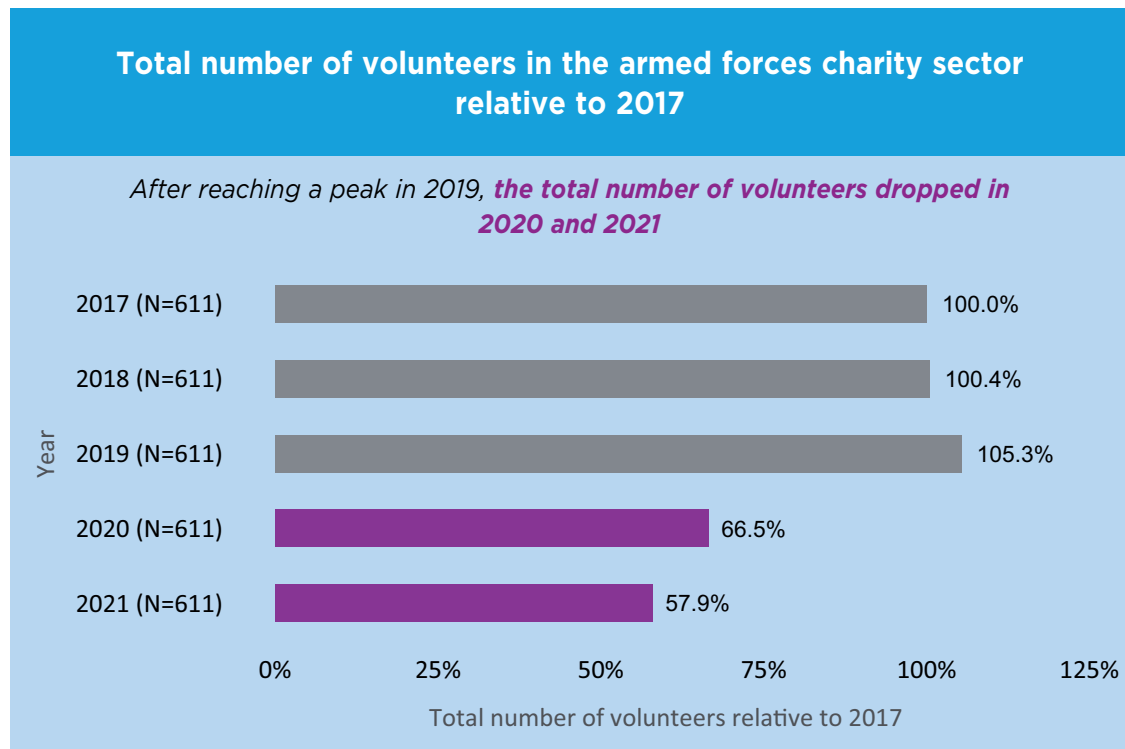
Chapter 3 noted that volunteers make a valuable contribution to the armed forces charity sector (see section 3.2.7 for further examples and detail). To shed light on whether the number of volunteers in the armed forces charity sector has changed between 2017 and 2021, DSC's researchers calculated the total number of volunteers reported by armed forces charities for each year during this period.

DSC's researchers restricted this analysis to charities that had the relevant data for each of these five years. This means that the data is not skewed by charities moving in and out of the data over time, which occurs when their incomes change enough to move them from above to below (or vice versa) the reporting threshold with their charity regulator (in this case the threshold is £10,000). However, because of this restriction, the figures should not be interpreted as the total number of volunteers and have instead been presented as an index relative to 2017 (the earliest point for which DSC's researchers had complete data).

The results of this analysis, shown in figure 4.23, indicate that after reaching a peak in 2019 (at which time armed forces charities reported that they had around 5.3% more volunteers in total than in 2017), the armed forces charity sector's total number of volunteers dropped in 2020 and 2021. Specifically, the total number of volunteers in 2020 was just 66.5% of the total number there had been in 2017 – and the total number of volunteers in 2021 was even lower, at 57.9% of what the total had been in 2017.

This overall trend aligns with what is known about the charity sector more broadly. In the *UK Civil Society Almanac 2023*, NCVO's analysis of the Community Life Survey shows that 'rates of formal volunteering in England dropped sharply' between the financial years 2019/20 and 2020/21 due to the effects of the COVID-19 pandemic (Tabassum and Fern, 2023a). This includes rates of volunteering for both at least once per month and at least yearly. Whereas 23% of people volunteered at least once per month in 2017, only 17% did in 2021 (a drop of 26.1%), and whereas 37% of people volunteered at least once per year in 2021, only 30% did in 2021 (a drop of 18.9%). Moreover, the authors report a further decline in 2021/22. The magnitudes of change seen among armed forces charities below are thus large – but not too far out of step with the changes seen in the broader voluntary sector.

Figure 4.23



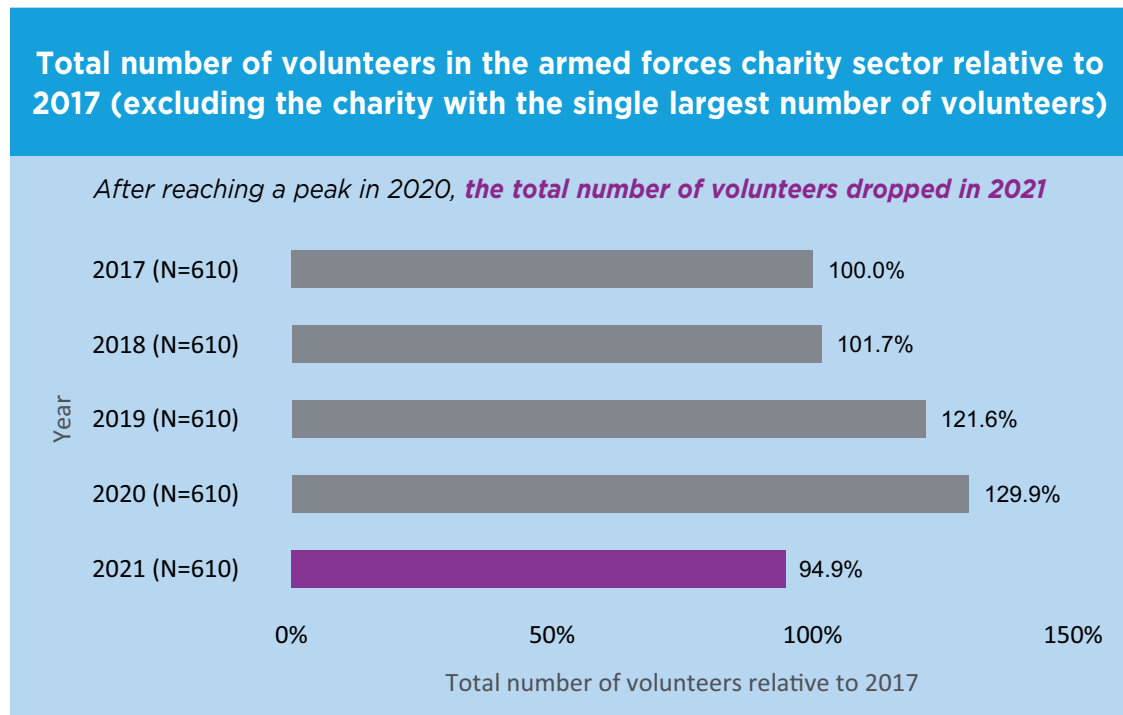
Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). To avoid the total values being inflated or deflated by charities moving above and below the reporting threshold over time, this analysis is restricted to the charities that had the relevant data for each year.

As discussed in section 3.2.7, the number of volunteers in the armed forces charity sector is far from uniformly distributed. In fact, in the most recent financial year for which data was available for each charity, one armed forces charity accounted for over half (61.8%) of the total number of volunteers.

DSC's researchers therefore repeated the analysis above while excluding this charity. As shown in figure 4.24, this analysis reveals that the number of volunteers did still, overall, drop over the course of the COVID-19 pandemic. However, the trend was somewhat different. Figure 4.24 shows that the total number of volunteers increased through to 2020 (when it was 29.9% higher than it had been in 2017). Instead of in 2020 (see figure 4.23), the sharp fall was seen in 2021, when the total number of volunteers fell to 94.9% of what it had been in 2017.⁷

⁷ DSC's researchers also investigated the (median) average number of volunteers and the surrounding variation (i.e. the 25th and 75th percentiles) over the same period. This analysis did not show any systematic trend and has therefore not been included for reasons of space (the data is available upon request).

Figure 4.24



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). To avoid the total values being inflated or deflated by charities moving above and below the reporting threshold over time, this analysis is restricted to the charities that had the relevant data for each year. It also excludes the armed forces charity with the single highest value of volunteers.

4.5.2 Employees

Total employees

DSC's researchers calculated the number of employees in the armed forces charity sector for each year between 2017 and 2021 (2022 was excluded because only a subset of armed forces charities had submitted data for this year).

As was the case for the analysis of volunteers above, this analysis was restricted to charities that had the relevant data for each of these five years. This means that the data is not skewed by charities moving above and below the reporting threshold (in this case the threshold is £500,000). However, because of this restriction, the figures should not be interpreted as the total number of employees and have instead been presented as an index relative to 2017.

As shown in figure 4.25, the total number of employees in the armed forces charity sector increased between 2017 and 2020. Specifically, when compared with 2017, there were 3.0% more employees in 2018, 5.8% more in 2019 and 6.1% more in 2020. However, in 2021, the total number of employees fell to just 96.4% of the total number of people who had been employed in the armed forces charity sector in 2017. The data therefore suggests that the

number of employees in the armed forces charity sector was lower in 2021 than at any other point since 2017.

It is important to emphasise that this analysis is based on a very limited number of armed forces charities. Nevertheless, the experience of these armed forces charities contrasts with what is known about the charity sector more broadly. In the *UK Civil Society Almanac 2023*, NCVO reports that the total number of workers in the voluntary sector was around 882,000 in 2017. This rose in subsequent years: by 2020, the total figure was 6.6% higher (compared to the similar 6.1% among armed forces charities, as shown in figure 4.25). The number of employees within the voluntary sector as a whole continued to rise in 2021 and 2022 – not falling until 2023, and still remaining 5.3% higher than in 2017 (Tabassum and Fern, 2023a). In contrast, the total number of employees among armed forces charities fell in 2021.

Figure 4.25



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). To avoid the total values being inflated or deflated by charities moving above and below the reporting threshold over time, this analysis is restricted to the charities that had the relevant data for each year.

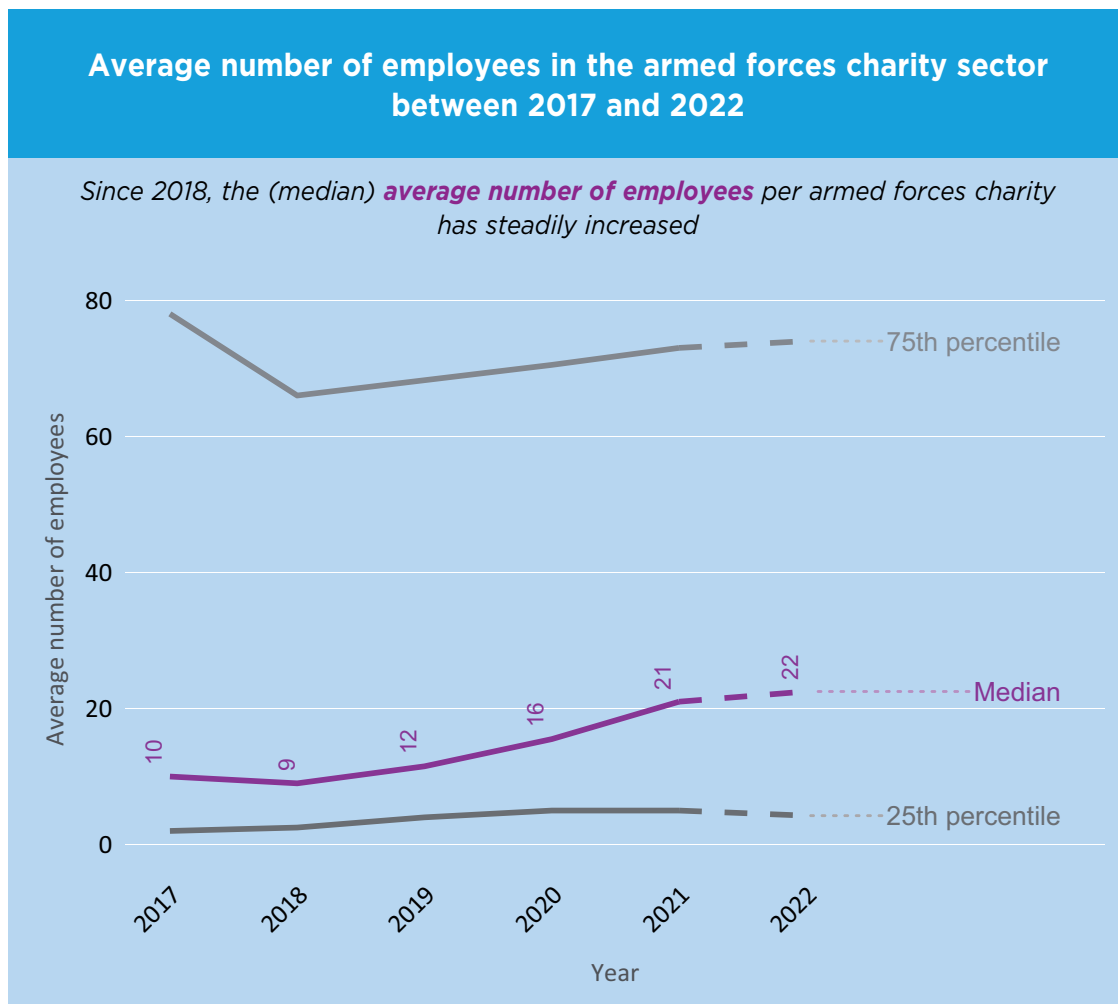
Average employees

As well as the total number of employees reported by armed forces charities, DSC's researchers investigated whether the (median) average number of employees within the armed forces charity sector had changed over time (between 2017 and 2022). As shown in figure 4.26, the average armed forces charity had a total of 10 employees in 2017. Despite a

small dip in the following year (2018), when the average number of employees was 9, the total number of employees increased each year thereafter. By 2021, the average armed forces charity had 21 employees – and this remained relatively stable (at 22) within the preliminary data that was available for 2022.

Therefore, despite a fall in the total number of employees within the sector, the average number of employees per charity (and the numbers at the 25th and 75th percentiles) has been steadily increasing. This suggests the sector’s loss of employees has occurred within a few charities that had relatively large numbers of employees. Indeed, analysis of the index of inequality over time (see pages 96 and 98) shows that the distribution of employees became consistently less unequal between 2018 (when the index had a value of 0.78) and 2021 (when the index had a value of 0.74).

Figure 4.26



Note: This analysis includes all armed forces charities, both active and closed (as defined in the ‘Methodology’ on page xxvi) and is limited to armed forces charities that were registered with the Charity Commission for England and Wales and had enhanced data available for 2017 (N=130), 2018 (N=134), 2019 (N=141), 2020 (N=128), 2021 (N=125) and 2022 (N=89).

4.6 CHAPTER SUMMARY

4.6.1 What did this chapter aim to find out?

This chapter focused on whether and how the armed forces charity sector has changed over the past decade. It explored changes in relation to the sector's size, composition and financial picture. Specifically, this chapter addressed the following research questions.

- How has the number of armed forces charities changed over the past decade?
- How have the sector's income and expenditure changed over the past decade?
- How have the sector's financial reserves changed over recent years?
- How have the sector's volunteer and employee numbers changed over recent years?

4.6.2 What were the key findings from this chapter?

DSC's researchers have selected some of the most noteworthy findings from this chapter in relation to each of the research questions outlined above.

How has the number of armed forces charities changed over the past decade?

- Over the past decade, the number of armed forces charities has fallen by approximately 9.6%, from 1,917 in 2012 to 1,733 in 2023.
- There appears to have been no 'cliff edge' in the closure of armed forces charities, with the annual rate of closure being 3.4% in 2020, 3.9% in 2021 and 3.2% in 2022 - all slightly lower than in the preceding three years.
- In the context of the decade overall, the percentage of RAF charities closing was unusually high during the 2020-22 period.

How has the sector's income and expenditure changed over the past decade?

- Despite a previous upwards trend, the armed forces charity sector's income fell from £1.06 billion in 2019 to £0.82 billion in 2020 (a fall of 22.6%) and remained similarly low in 2022 (£0.81 billion).
- A similar trend was shown for the armed forces charity sector's expenditure, but expenditure did not fall as quickly in 2020 (by only 8.0%), meaning that the sector's expenditure was 11.4% more than its income in 2020.
- The data for 2022 was incomplete at the time of data collection, but analysis of the (median) average over time suggests the drop in average income in 2020 and 2021 had been somewhat reversed. Similar was the case for expenditure.

How have the sector's financial reserves changed over recent years?

- Based on data from a limited number of larger charities, the total value of the sector's cash assets (the part of a charity's reserves that can be most readily spent) decreased consistently between 2017 and 2020 (at which point the value of cash assets was 81.2% of what it had been in 2017), before being largely rebuilt in 2021 (at which point the value of cash assets was 91.6% of what it had been in 2017).

How have the sector's volunteer and employee numbers changed over recent years?

- Between 2017 (the earliest date for which DSC's researchers had complete data) and 2019, the total number of volunteers in the armed forces charity sector increased by 5.3%. There was then a sharp fall in 2020, when the total number of volunteers was just 66.5% of what it had been in 2017, and again in 2021 (to 57.9%).
- While much of the fall in volunteer numbers was because of changes within a single charity with most of the sector's volunteers, a sharp fall in volunteers was also seen in the sector more widely - but this occurred one year later, between 2020 and 2021.
- Based on data from a limited number of larger charities, the total number of people employed in armed forces charities increased between 2017 and 2020 (at which point the number of employees was 6.1% higher than in 2017) but then fell in 2021 (at which point the number of volunteers was 3.6% lower than in 2017).

CHAPTER FIVE

Armed forces charities' financial journeys

5.1 INTRODUCTION

5.1.1 About the structure of this chapter

The latter sections of the previous chapter (sections 4.3 and 4.5) looked at the overall aggregate and average trends in some key financial characteristics, such as income, expenditure, reserves and the workforce. This chapter, in contrast, investigates the changes that have taken place within charities over the past decade and since 2019. This extends previous analyses of the charity sector more broadly (Clifford et al., n.d.) but with a specific focus on armed forces charities. This chapter addresses the following research questions, looking specifically at the fluctuations from year to year:

- To what extent have armed forces charities' incomes and expenditures changed year to year over the past decade?
- To what extent have armed forces charities' financial reserves changed year to year since 2019?
- To what extent have armed forces charities' volunteer and employee numbers changed year to year since 2019?

For each of these questions, the analysis investigates the direction of change, the magnitude of the changes and the overall distribution of the changes.

5.1.2 About the data and presentation in this chapter

This chapter primarily uses data from DSC's database of armed forces charities, which draws information from the three charity regulators in the UK (see 'Methodology' on page xxvi) and can be found in the blue boxes. It also draws on data from DSC's surveys of Cobseo members (which can be found in the green boxes).

Throughout this chapter, DSC's researchers use percentage changes in income, expenditure and the expenditure-to-income ratio. Sometimes, the percentage changes are calculated from one year to the next (i.e. year-on-year changes). This helps to shed light on shorter-term changes – the direction in which charities' incomes were moving in each year – and is particularly useful for the more turbulent period since 2019. At other times, the percentage

changes are calculated relative to 2019.¹ This provides insights on how changes accumulate or compound over time, which are important because changes in income (for example) can move up and then down, cancelling each other out to some extent, or they can move in the same direction consistently, compounding each other to some extent.

It should also be noted that this chapter analyses changes in real income and expenditure. As explained in section 3.1, this takes account of how inflation erodes the value of income and expenditure over time (results for nominal income and expenditure are available upon request).

Because there was a very large range of percentage changes (both from year to year and relative to 2019), this chapter sometimes groups the percentage changes into three types to show their direction: charities that showed a decrease, charities for which the data stayed about the same (an increase or decrease of less than 2.5%), and charities that showed an increase. At other times, this chapter presents data on the magnitude of the changes, which is shown by the (median) average change and the surrounding variation (the 25th and 75th percentiles).

5.2 TO WHAT EXTENT HAVE ARMED FORCES CHARITIES' INCOMES AND EXPENDITURES CHANGED YEAR TO YEAR OVER THE PAST DECADE?

5.2.1 The direction of year-to-year changes in income and expenditure

Figure 5.1 shows the percentages of armed forces charities that had a year-to-year decrease, no change or an increase in income. The figure shows clearly that the year-to-year changes in income for the years 2013–19 were different for those for the years 2019–22. As noted in the introduction to this chapter, DSC's researchers also analysed expenditure. As the conclusions were very similar, the details are limited to income here (the results for expenditure are available upon request).

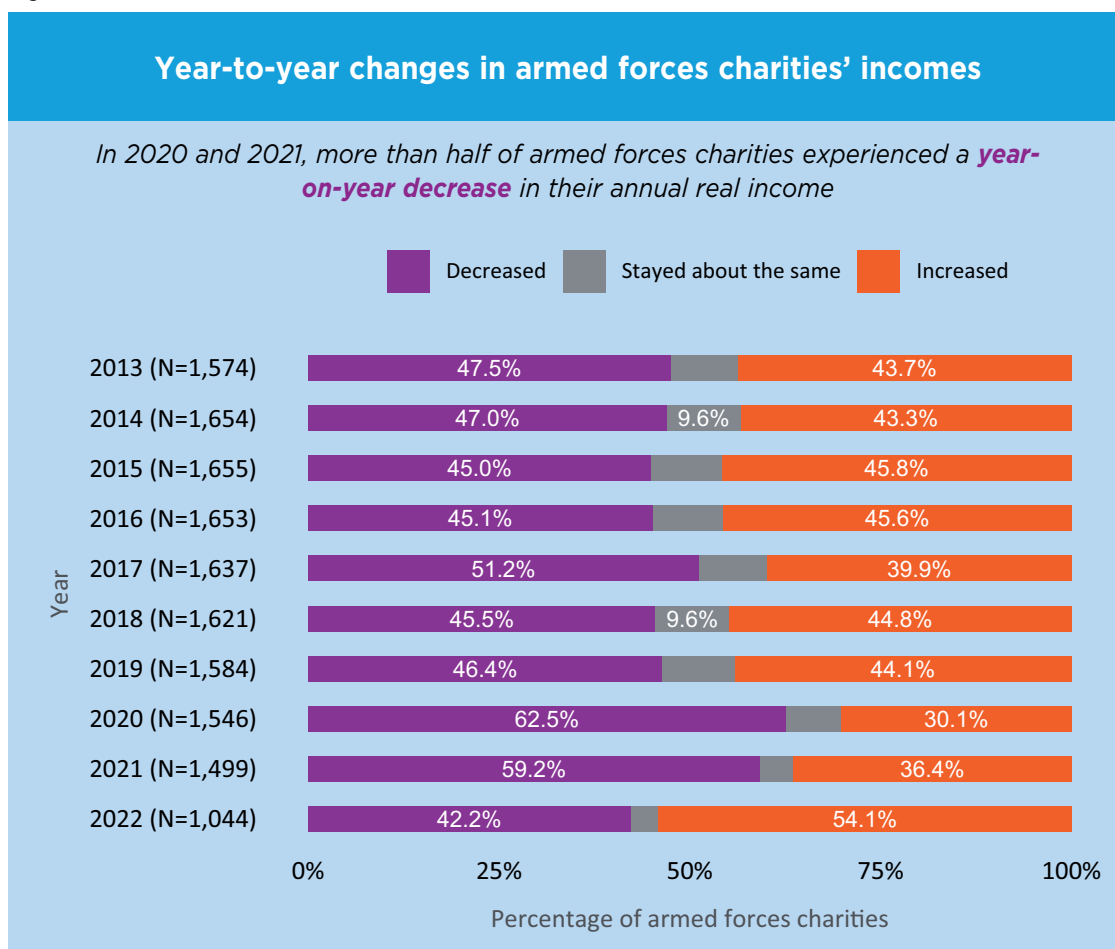
Between 2013 and 2019, the percentage of charities that experienced a year-on-year decrease in income fluctuated slightly but within a relatively narrow range, from a minimum of 45.0% (in 2015) to a maximum of 51.2% (in 2017). In contrast, in 2020, the group of charities that had less income than the year before was notably larger: 62.5% of armed forces charities had less income in 2020 than they had had in 2019. Similarly, in 2021, 59.2% of armed forces charities had less income than they had had in 2020.

The data for 2022 is provisional: only 63.4% (N=1,044) of the armed forces charities that had any financial data available (N=1,646) had accounts available for both 2021 and 2022 to enable the calculation of changes between those years. However, this provisional data shows that the percentage of charities that experienced a year-on-year decrease in income was lower than in previous years: while just over two-fifths (42.2%) of armed forces charities had lower incomes in 2022 than in 2021, this was lower than in any other year. Furthermore, more than half (54.1%) of armed forces charities had higher incomes in 2022 than in 2021.

¹ This analysis draws on data from 2019 onwards because this was the year immediately before the COVID-19 pandemic and also the year in which data was collected for DSC's previous *Sector Insight* report.

This was higher than during any of the other years analysed (the next highest was 45.8%, in 2015) and suggests that many armed forces charities were, to some extent, recovering financially from the negative effects on their income seen in the prior two years.

Figure 5.1



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). 'Stayed about the same' is defined as a year-on-year change in income of less than 2.5% in absolute value. Percentage labels below 9.5% are not shown for reasons of space. Real income is adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023). The percentages do not always sum to 100% due to rounding.

A closer look at the cumulative changes since 2019

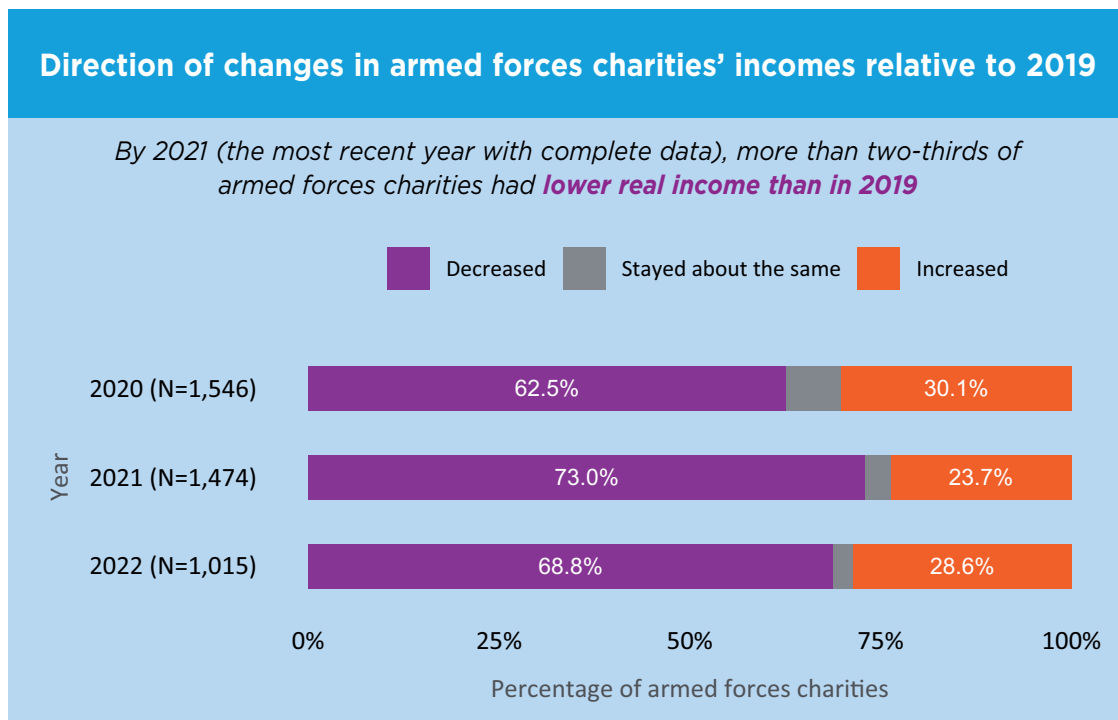
Focusing in on how the more recent picture has accumulated over time, DSC's researchers also calculated the percentage change in income for each year relative to 2019 (as opposed to each previous year). Figure 5.2 shows the percentage of armed forces charities that fell into each of the three direction categories in each year (2020–22). As noted in the introduction to this chapter, DSC's researchers also analysed expenditure. As the conclusions

were very similar, the exposition is limited to income here (the results for expenditure are available upon request).

As shown in figure 5.2, in 2020, 62.5% of armed forces charities had less income than they had had in 2019. This rose in 2021, at which point almost three-quarters (73.0%) of armed forces charities had less income than they had had in 2019. In 2022 – for which there were fewer observations as not all charities had published accounts available – still more than two-thirds (68.8%) of armed forces charities had less income than they had had in 2019. This is despite more than half of those with data seeing a year-on-year increase in 2022 (as shown by the final bar in figure 5.1).

Notwithstanding the prevalence of these negative changes in income, by 2022 the data does show that more than one-quarter (28.6%) of armed forces charities had more income than they had had in 2019. This indicates that in 2022 a small but substantial proportion of the armed forces charity sector was in a better position with respect to income than in 2019. The extent to which different parts of the armed forces charity sector experienced different changes in income is explored further in the following section (5.2.2).

Figure 5.2



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). 'Stayed about the same' is defined as a year-on-year change in income of less than 2.5% in absolute value. Percentage labels below 9.5% are not shown for reasons of space. Real income is adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

DSC's biannual Cobseo Members' Surveys can shed some light on why 2020 was the year in which a fall in income was most prevalent for armed forces charities. The May 2020 and October 2020 surveys showed that the stream of income that showed the most widespread decrease was fundraising events income (Cole, 2020a, 2020b). In these two surveys, more than 80% of the respondents reported a decrease in their fundraising events income, which was higher than at any point observed since (Howarth and Cole, 2022, p. 43). To illustrate this and other reasons for changes in income, a selection of quotes has been reproduced in box 5.1.

Box 5.1

Insights from the Cobseo Members' Survey: Reasons for changes in income during 2020

People are donating to other charities, specifically linked to the NHS etc.

Small charity, May 2020

Any fundraising activity that involves meeting people (such as events or challenges) has been seriously affected. Public donations appear to be down, due to economic uncertainty, but it is probably too early to be definite on this.

Medium charity, May 2020

Grant funders have diverted their support to areas in greater need. We have been unable to hold fundraising events due to social distancing. We have not received any public donations as the care home is closed to the public for the period of the virus.

Medium charity, May 2020

Public donations are largely provided through collection boxes located in pubs and clubs. With the closure of these [pubs and clubs] we have been unable to collect any money. Our fundraising events are linked with [in-person events] that take place throughout the summer and autumn. With the likely cancellation of these events, we will not have the opportunity to undertake fundraising.

Medium charity, May 2020

Much of our income comes from an investment portfolio made possible by legacy income. Returns on this portfolio are reducing, as is the capital value of the portfolio.

Small charity, May 2020

There is an issue with funders 'pausing' grant-making decisions and programmes while they consider their response to [the COVID-19 pandemic]. Those of us delivering on the ground need that financial support now so that we can meet the very real needs beneficiaries are experiencing now ... [and] to meet the unavoidable costs being incurred now to support the increased demand. Even funding being made available for COVID-19-related activity is not all being made available in a timely fashion. Those working on the front line do not have the luxury of 'pausing' - we need to act now to meet the immediate needs of those most at risk.

Small charity, May 2020

Fundraising has almost completely ceased - grant-giving charities are giving out less and donations are markedly down. Corporates and individuals are tightening [their] belts for the long haul and yet the demand for support to beneficiaries increases as a consequence of the increased isolation and loneliness.

Medium charity, October 2020

Our public fundraising and donations have dropped at least 50%. We have been fortunate in the short term to offset what we need to continue our critical support services from emergency grants. The longer it takes for regular fundraising events to come back online, the more risk there is to our cash flow.

Small charity, October 2020

[We have experienced a] complete loss of fundraising opportunities as [our funding] was focused around one or two major events.

Medium charity, October 2020

The majority of our income (over 50%) comes from fundraising events and community fundraising but as a result of COVID-19 almost all of these were cancelled or postponed until 2021 resulting in a reliance on grant funding to make up the shortfall.

Small charity, October 2020

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

Similarly, 2020 was also the year in which an increase in expenditure was most prevalent for armed forces charities. It should be noted that at the time of DSC's May and October 2020 surveys of Cobseo members, more respondents were seeing decreased monthly expenditure than increased monthly expenditure, which was related to expenditure on service delivery (Cole, 2020a, 2020b). The explanations provided by the respondents help to give context for the reasons for the changing expenditure, and a selection of quotes has been reproduced in box 5.2.

Box 5.2

Insights from the Cobseo Members' Survey: Reasons for changes in expenditure during 2020

We are not currently able to deliver services, our overheads are unchanged, we have furloughed staff to reduce costs, our volunteers cannot participate, [and] governance costs are reduced slightly but checks are still required. The costs of fundraising events [have] fallen [and will remain at this lower level] until we can reinvigorate our programme.

Small charity, May 2020

Lockdown has meant [a] significant reduction in travel and subsistence costs; furloughing staff [has reduced] staff costs due to [the] 80% clawback [of wages through the Coronavirus Job Retention Scheme]; remote one-to-one support [has reduced] costs; and volunteers are not active in the normal way, so no resources [have been] required [for volunteers].

Medium charity, May 2020

We have provided additional counselling support and welfare and recreational items for our beneficiaries in response to their requirements. We have purchased additional IT equipment and software licences to facilitate homeworking for [our] staff who are able to work from home. We have [also] taken on additional temporary staff to be able to deliver enhanced premises cleaning and extended catering provision.

Medium charity, May 2020

Our expenditure has not increased because we have postponed key events and refocused on delivering cheaper remote support activities in order to manage our funds. Our engagement levels with beneficiaries have increased but we're using virtual events, which are cheaper than in-person activities.

Small charity, May 2020

We have not furloughed anyone – with such a small staff we needed to retain everyone so we can adjust our plans for beyond COVID-19 and manage the new projects we are delivering to meet the demands of our beneficiaries during the pandemic.

Medium charity, May 2020

Grants through Service-related charities to individuals with need remain steady. In-Service grants to units and individuals in support of welfare, sport, adventure training, etc. have decreased because social activity is restricted.

Medium charity, October 2020

Support levels have increased greatly but net expenditure hasn't changed due to offsetting: [we have] cancelled events, switched to digital, cut back on future projects, etc.

Small charity, October 2020

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

5.2.2 The magnitude of year-to-year changes in income and expenditure

Figure 5.3 shows the (median) average year-to-year change in real income between 2013 and 2022, extending previous analyses on the charity sector more broadly (Clifford et al., n.d., pp. 7-8) but with a specific focus on armed forces charities. The values at the 25th and 75th percentiles give an indication of the variation around the average – as well as insights into what was happening towards the lower and upper ends of the distribution in each year. As the conclusions for expenditure were very similar, the exposition is limited to income here (the results for expenditure are available upon request).

Figure 5.3 shows that, for most of the past decade, the (median) average annual year-to-year growth in income was just under zero, ranging from 0.0% in 2015 to –2.6% in 2017. There was slightly more fluctuation at the 25th and 75th percentiles. Between 2013 and 2019, the top quarter of armed forces charities in each year (those with the largest increases) saw annual income growth of at least 19.3%. Meanwhile, the bottom quarter in each year saw negative annual income growth of at least –21.3%. Similar findings emerged for expenditure during this period.

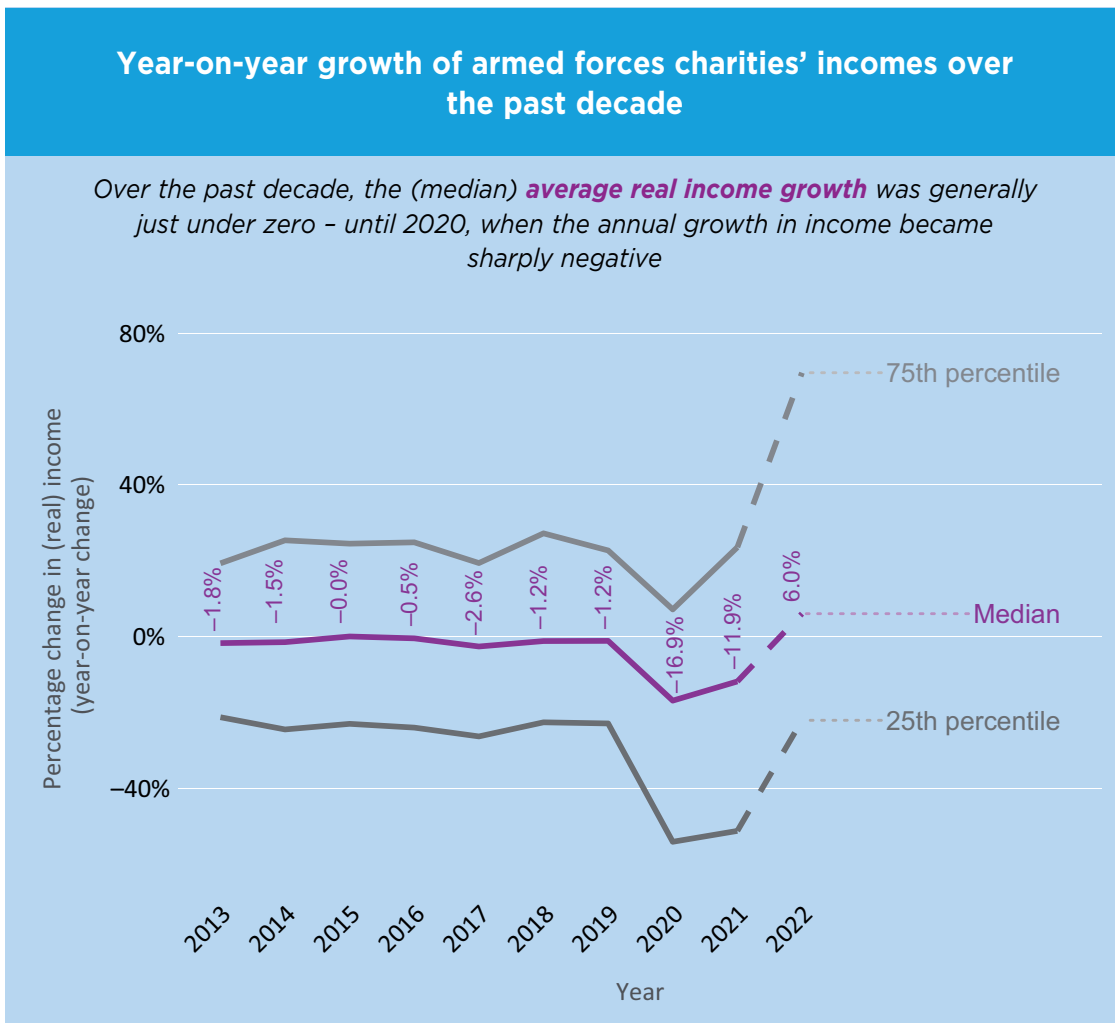
Whereas the average annual income growth had previously been relatively constant over time, in 2020, the average change in armed forces charities' incomes was –16.9% (compared to –15% in the charity sector more broadly; Clifford et al., n.d., p. 7). There were also downward shifts at the other points in the distribution. The bottom quarter of armed forces charities saw a decrease in their income of at least 54.1% (compared to 40% in the charity sector more broadly; Clifford et al., n.d., p. 7). Meanwhile, the top quarter of armed forces charities saw an increase in their income of at least 6.0%.

The average annual change in income among armed forces charities continued to be negative in 2021. Even though the magnitude was attenuated in comparison with 2020, the average decrease in income was still 11.9%. Similar findings emerge for expenditure during this period, though the average change in expenditure remained similarly low in 2021 compared to 2020.

The data was limited for 2022, as many armed forces charities had not yet submitted accounts at the time of writing. However, the data does suggest a more positive picture for this year: the average annual growth of income had turned positive. As shown in figure 5.3, the average change in income was 6.0% in 2022. And, while the bottom quarter of armed forces charities saw a decrease of at least 22.1%, the top quarter saw an increase of at least 69.6%. The findings for 2022 were similar for expenditure, but with a more dramatic positive turn in expenditure (an average of 20.7% growth).

These results support and extend previous investigations within the charity sector more broadly. Previous research has found that the changes in charities' incomes for the 2020 financial year were 'highly distinctive' when compared with the previous 20 years (Clifford et al., n.d., p. 7). This previous work reported that, in 2020, the average change in charities' real incomes was –15%, and the authors note that this change is greater in magnitude than any year during and since the Great Recession (of 2008–09). The findings from DSC's analysis above show that, among armed forces charities, there was a broadly similar average change in 2020 – but also, using more recent data, that this largely continued into 2021.

Figure 5.3



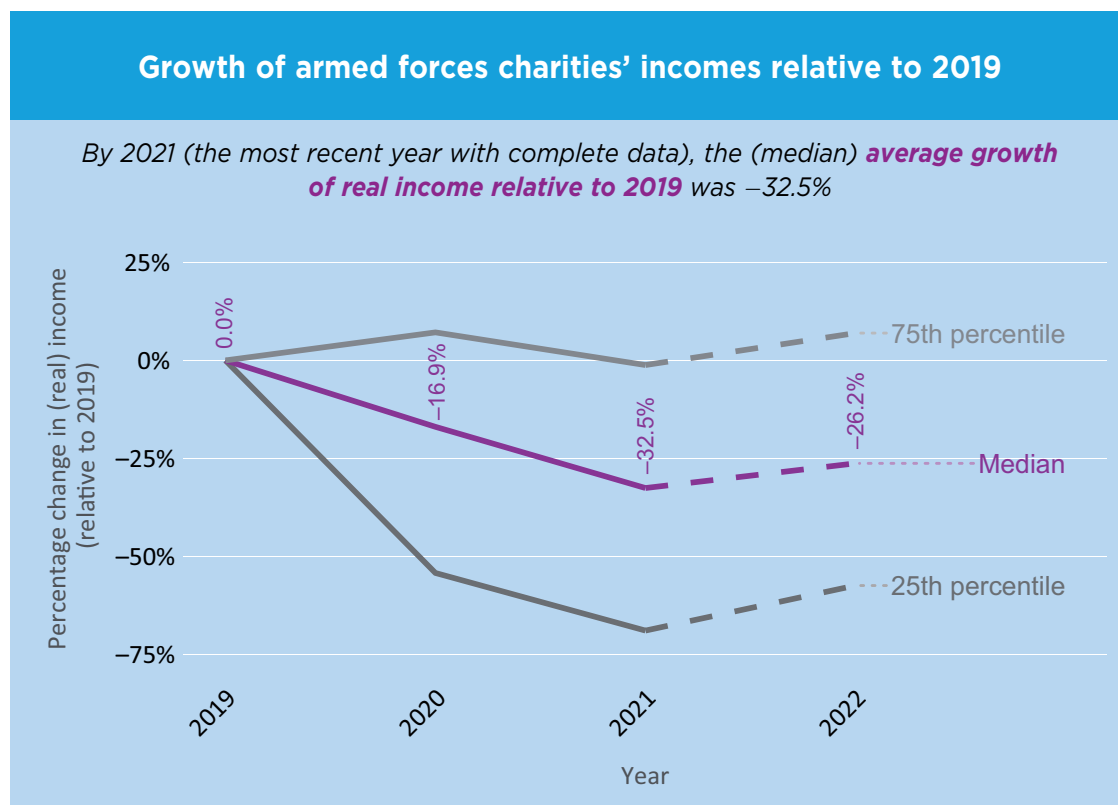
Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi), that had financial data available. Real income is adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

A closer look at the cumulative changes since 2019

As shown in figure 5.4, the (median) average change in real income in 2020 was -16.9% (which corresponds directly to the average for 2020 in figure 5.3). When the cumulative changes in income for the following year were accounted for, the average change in income between 2019 and 2021 was -32.5% . The bottom quarter of armed forces charities (those with the more dramatic decreases) had at least 68.8% lower income in 2021 than in 2019. Meanwhile, the top quarter had at least 1.2% lower income (i.e. marginally negative or positive income growth). The picture was similar for expenditure.

The previous section showed that most (68.8%) armed forces charities with data available had less income in 2022 than they did in 2019. As shown in figure 5.4, in terms of magnitude, the average change in income between 2019 and 2022 was -26.2% . The bottom quarter of armed forces charities (those with the more dramatic decreases) saw a decrease in their income of at least 57.4% . Meanwhile, the top quarter of armed forces charities (those with the more dramatic increases) saw an increase in their income of at least 7.0% . Again, the overall pattern was quite similar for expenditure.

Figure 5.4



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi), that had financial data available. Real income is adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

Additional insights: changes by Service affiliation

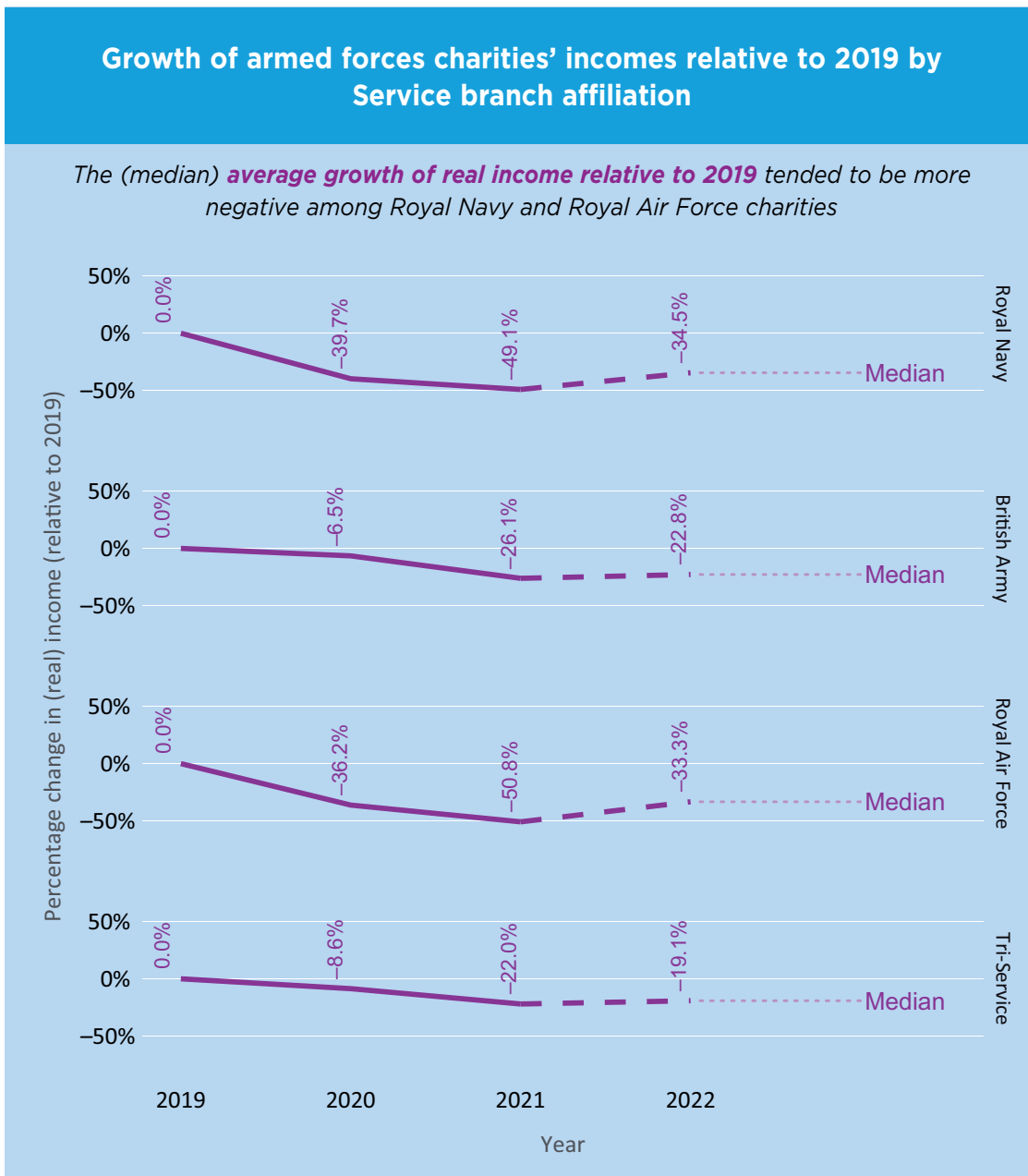
To gain insights about whether some parts of the armed forces charity sector experienced different degrees of change in income over the course of the COVID-19 pandemic and beyond, DSC's researchers also calculated the average growth in real income (relative to 2019) by Service branch affiliation. Figure 5.5 shows the average changes in real income relative to 2019 for Royal Navy, British Army, Royal Air Force (RAF) and tri-Service charities – and reveals some notable differences, on average, between these groups of armed forces charities.

Turning first to 2020, the average change in income was notably more negative among Royal Navy and RAF charities. Specifically, Royal Navy charities saw an average income growth of –39.7% and RAF charities saw an average income growth of –36.2%. These are several times larger than the average income growth seen among British Army (–6.5%) and tri-Service charities (–8.6%).

Taking the cumulative annual changes into account, the average growth of income among British Army and tri-Service charities became more negative in 2021, at –26.1% and –22.0%, respectively. However, the cumulative changes remained notably larger among Royal Navy (–49.1%) and RAF (–50.8%) charities.

The data for 2022 is provisional: only 61.6% (N=1,015) of the armed forces charities that had any financial data available (N=1,646) had accounts available for both 2019 and 2022 to enable the calculation of changes between those years. However, this provisional data shows that, by 2022, the average Royal Navy and RAF charity had around one-third less income than it had in 2019. Though still showing a notable negative change, British Army and tri-Service charities continued to fare slightly better, with an average of around one-fifth less income than in 2019.

Figure 5.5



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi), based on data for 238 Royal Navy-affiliated charities, 537 British Army-affiliated charities, 394 Royal Air Force-affiliated charities and 493 tri-Service charities. Real income is adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

Additional insights: changes by charity type

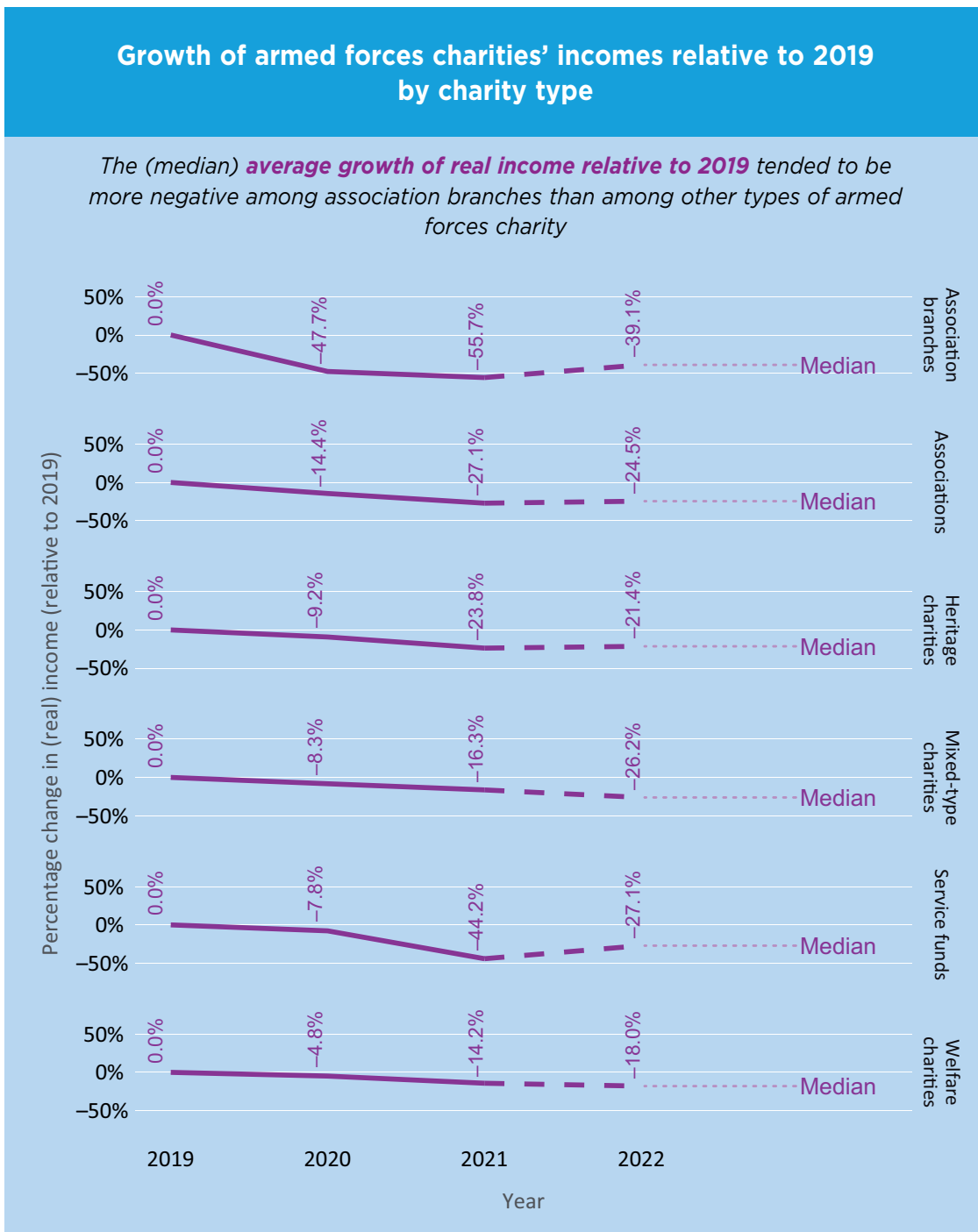
DSC's researchers also calculated the (median) average growth in real income (relative to 2019) by charity type. Figure 5.6 shows the average change in real income relative to 2019 for each type of armed forces charity. This again reveals some notable differences, on average, across the sector.

Turning first to 2020, this analysis reveals that the negative growth in income was driven largely by the experiences of association branches. At -47.7% , association branches had, on average, a much more negative annual growth in their income than the other types of armed forces charity (the next largest change was -14.4% , among associations).

In 2021, after taking the cumulative annual changes into account, the average growth of income grew more negative within each of the charity types. Association branches continued to have, on average, the most negative income growth: the average association branch had 55.7% less income in 2021 than in 2019. However, Service funds were not far behind: the average Service fund had 44.2% less income in 2021 than in 2019. The average changes in income were substantially important but less pronounced among associations (-27.1%), heritage charities (-23.8%), mixed-type charities (-16.3%) and welfare charities (-14.2%).

As was the case for the analysis of changes in income by Service branch affiliation in the subsection above, the data for 2022 is provisional. However, this provisional data shows that, by 2022, the differences between the charity types had become less pronounced. The average change in income continued to be more negative among association branches; the average association branch had 39.1% less income in 2022 than in 2019. Meanwhile, the average welfare charity had 18.0% less income in 2022 than in 2019. The armed forces charities within the remaining charity types had between 21.4% and 27.1% less income in 2022 than in 2019, on average.

Figure 5.6



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi), based on data for 527 association branches, 82 associations, 301 heritage charities, 70 mixed-type charities, 257 Service funds and 421 welfare charities. Real income is adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

Additional insights: changes by charity size

DSC's researchers also explored whether the trends for the cumulative changes in income were different for charities that had differing initial levels of income prior to the onset of the COVID-19 pandemic. Figure 5.7 shows the (median) average change in real income for charities that were micro, small, medium, large or major in 2019 – and provides insights about the magnitude and timing of the changes in income between charities of different initial sizes.²

Looking first at 2020, figure 5.7 shows that the (median) average growth of income was generally more negative among charities that were initially smaller. Micro charities had, on average, 31.6% lower income than in 2019. Meanwhile, small charities had, on average, 15.6% lower income than in 2019. While the average growth of income was notably less negative among medium (–5.9%) charities, large charities nevertheless saw growth of –11.8% and major armed forces charities saw average growth of –13.5%.

In 2021, after taking the cumulative annual changes into account, the overall picture became slightly more mixed. Again, charities that had been micro in 2019 had a more negative annual growth of income (at –45.0%). However, by 2021, charities that had been medium in 2019 now had, on average, 29.9% lower income than in 2019. Small charities now had, on average, 26.8% lower income in 2021 than in 2019. The corresponding changes in income growth were –18.8% among large charities and –11.1% among major charities (the latter were the only subgroup to show an annual improvement, on average, between 2020 and 2021).

As was the case for the analysis of changes in income by Service branch affiliation in the subsection above, the data for 2022 is provisional. However, this provisional data shows that, by 2022, charities that had been smaller in 2019 fared worse than charities that had been larger in 2019. Among the charities that had been micro in 2019, the average charity had –29.6% income growth in 2022 than in 2019, and there was a similar picture among charities that had been small in 2019 (–27.4%). The corresponding changes were –24.1% among medium charities, –18.0% among large charities and –14.3% among major charities.

Overall, these findings echo what DSC's researchers found in chapter 4 (see section 4.2.4) when analysing the rates of closure among armed forces charities of different sizes. Although the data for 2022 was incomplete, the same inverse principle emerged from the data in both circumstances, with smaller charities experiencing, on average, both greater relative falls in income and greater rates of closure.

These findings also reflect what is known about the charity sector more broadly. Previous research on the charity sector in general has found that 'smaller charities, particularly those with an annual income less than £100k, have been the most significantly impacted [by the onset of the COVID-19 pandemic] since they have seen the largest relative declines in income' during 2020 (Clifford et al., n.d., p. 7).

² These financial sizes are based on the NCVO's classification (Tabassum and Fern, 2023a). As outlined in the 'Terminology' on page xxv, these are summarised in this report into the categories of micro (annual incomes under £10,000), small (annual incomes between £10,000 and £100,000), medium (annual incomes between £100,000 and £1 million), large (annual incomes between £1 million and £10 million) and major (annual incomes over £10 million).

Figure 5.7



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi), based on data for 24 charities that were major in 2019, 82 charities that were large in 2019, 345 charities that were medium in 2019, 478 charities that were small in 2019 and 733 charities that were micro in 2019. Real income is adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

5.2.3 Percentage of income spent over time

So far, this section has looked at income and expenditure in isolation. However, it is important to keep in mind that the armed forces charities that saw an increase in their expenditure did not necessarily experience an increase in their income (and vice versa). Moreover, even where changes in income and expenditure were in the same direction, they may have been of different magnitudes. The extent to which income and expenditure moved in the same or in different directions can be captured, in broad terms, by changes in the expenditure-to-income ratio. This ratio, introduced in section 3.2.2, represents the percentage of income that is spent in any given year.³

Figure 5.8 shows how the (median) average percentage of income spent changed in 2020, 2021 and 2022, relative to 2019. The values at the 25th and 75th percentiles give an indication of the variation around the average – as well as insights into what was happening towards the lower and upper ends of the distribution in each year.

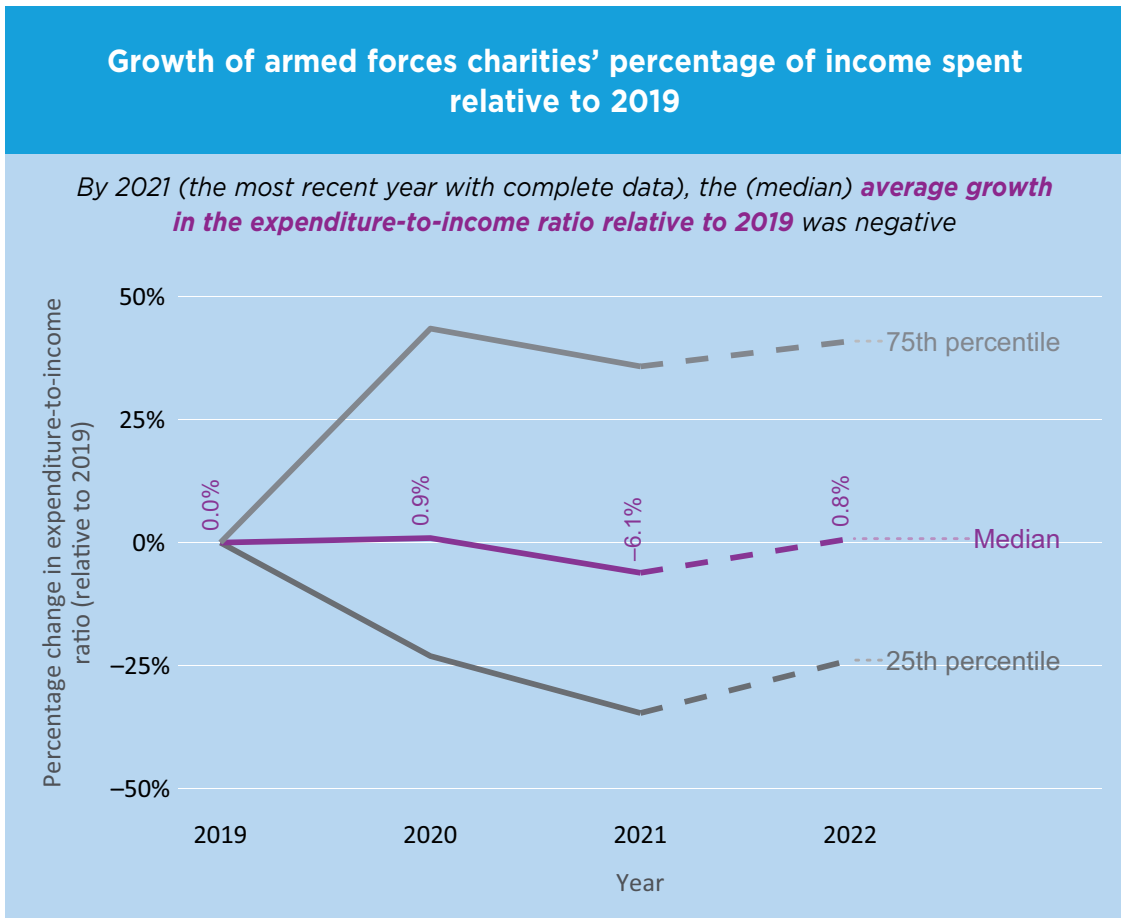
As shown in figure 5.8, the average change in the percentage of income spent in 2020 was 0.9%. In other words, the average armed forces charity spent slightly more of its income in 2020 than it did in 2019. The bottom quarter of armed forces charities (those with the more dramatic decreases) saw their percentage of income spent fall by at least 23.1%. Meanwhile, the top quarter (those with the more dramatic increases) saw their percentage of income spent increase by at least 43.5%.

When the cumulative changes in income and expenditure for the following year were accounted for, the average change in the percentage of income spent between 2019 and 2021 was –6.1%, meaning the average armed forces charity spent less of its income in 2021 than in 2019 (prior to the onset of the COVID-19 pandemic). Meanwhile, the bottom quarter of armed forces charities (those with the more dramatic decreases) saw their percentage of income spent fall by at least 34.7%, and the top quarter (those with the more dramatic increases) saw their percentage of income spent increase by at least 35.8%. This illustrates the diverse experiences of armed forces charities at this time, with the top and bottom quarters experiencing very different changes in their percentages of income spent.

The data for 2022 is provisional: only 60.2% (N=991) of the armed forces charities that had any financial data available (N=1,646) had non-zero income and expenditure available for both 2019 and 2022 to enable the calculation of changes between those years. However, for those with data available, the average change in the percentage of income spent was large enough in 2022 to overturn the previous negative growth. On average, armed forces charities spent 0.8% more of their income in 2022 than in 2019 – and this positive shift was also seen for the bottom and top quarters of charities in that year.

³ It should be noted that the distinction between nominal and real income and expenditure is not made here because the calculations that adjust for inflation apply equally to both income and expenditure. This means that the ratios of expenditure to income are identical when calculated using real or nominal income and expenditure.

Figure 5.8



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi), in 2019 (N=1,575), 2020 (N=1,506), 2020 (N=1,430) and 2022 (N=991).

DSC's Cobseo Members' Surveys were able to shed some light on why armed forces charities may be spending more or less of their income following the onset of the COVID-19 pandemic (i.e. during 2020-22). A selection of illustrative responses has been reproduced in boxes 5.3 and 5.4.

Box 5.3

Insights from the Cobseo Members' Survey: Reasons for spending more than income following the onset of the COVID-19 pandemic

[We have experienced a] 40% revenue reduction, [while] client demand [remains] stable. Hence, the call on cash is greater than foreseen income. As 80% of cash expenditure is on [our] charitable purpose, we will need to reduce the service level in three to six months.

Small charity, May 2020

If our main fundraising events have to be cancelled, annual income will fall from around £23,000 to around £4,000. With £16,000 annual expenditure, [our] reserves will have to bear the shortfall.

Small charity, May 2020

Our charity relies on grants from other charities (which will in time be reduced) and income from an investment portfolio. Both the income and the capital value of the portfolio have reduced – the result is that our reserves are dwindling at a steady and unsustainable rate such that services will need to be reduced within two years.

Small charity, May 2020

Due to the loss of public fundraising opportunities, we have seen a 20%-plus decrease in income coinciding with an increase in demand for support services and referrals of over 70% over the past six to nine months. We have had no choice but to begin using our small reserves to meet our core operating costs, which are already stripped as low as we feel they can be. We have recently made a return to public fundraising but as restrictions continue and demand for such opportunities is so high, we are facing a shortfall in income for the remainder of the year at least.

Small charity, May 2021

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

Box 5.4

Insights from the Cobseo Members' Survey:

Reasons for spending less than income following the onset of the COVID-19 pandemic

[Our charity's] current and temporary position is cash rich – due to significant savings in costs with everyone working from home. So [there are] no cash-flow issues right now. But this will change soon with a known reduction of donor funding.
Medium charity, May 2020

We are in the enviable position of having too much cash and not being [able] to spend it supporting sport and social functions.
Medium charity, October 2020

Reduced requests for financial support [have resulted] in an excess of income.
Small charity, May 2021

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

Changes in income and expenditure, especially when these are of different magnitudes, may create challenges for armed forces charities in terms of cash flow. DSC's Cobseo Members' Survey asked the respondents about how they responded to any challenges in terms of cash flow. An illustrative selection of responses has been reproduced in box 5.5.

Box 5.5

Insights from the Cobseo Members' Survey:

How armed forces charities responded to challenges with cash flow

We have taken out a CBILS [Coronavirus Business Interruption Loan Scheme] loan to protect against any potential cash-flow issues; this is an 'insurance' policy.
Large charity, November 2021

Costs have reduced due to the redundancies made and the closure of some services to pivot to others in 2020.
Large charity, November 2021

[We are placing] continual tight control on costs [and have] limited ability to reward our amazing staff financially.

Medium charity, November 2021

The previous 18 months have been incredibly challenging, and our positive financial position has only come because of some very innovative work by the team and the support of key funders [and] grants.

Medium charity, November 2021

[We have seen a] decrease in charitable disbursement from £107,000 in 2019 to £54,000 in 2020. [We placed] five out of six staff on furlough. [Our] reserves [are] depleted. [We have made a] successful application for [a] Recovery Loan.

Small charity, November 2021

Increases in costs have resulted in increased budget pressure, resulting in more time spent on fundraising efforts balanced against delivery of [our] service.

Small charity, May 2022

We withdrew from some delivery and reduced some staffing by delaying replacement.

Medium charity, May 2022

We have increased the number of grant applications to offset the reduction in donations.

Small charity, May 2022

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

5.3 TO WHAT EXTENT HAVE ARMED FORCES CHARITIES' FINANCIAL RESERVES CHANGED YEAR TO YEAR SINCE 2019?

5.3.1 The direction of changes in reserves since 2019

As described in section 3.2.6, reserves can be understood as part of a charity's financial 'gearing' (i.e. as a buffer against unexpected financial changes, or to enable a charity to save funds for planned projects). This is important for charities' financial resilience, for funders' and creditors' confidence, and for regulatory compliance (NCVO, 2022). Following the approach outlined earlier in this chapter, DSC's researchers investigated how far each armed forces charity's reserves had changed – relative to 2019 – in 2020, 2021 and 2022.

It is important to note that this analysis was only possible for a subset of charities that had enhanced financial data available (as described in section 3.2.3). In this case, the included charities also had to have this enhanced data available for multiple years to enable the calculation of change within charities over time. For example, charities that were below the threshold in 2019 and then above the threshold in future years (or vice versa) could not be included.

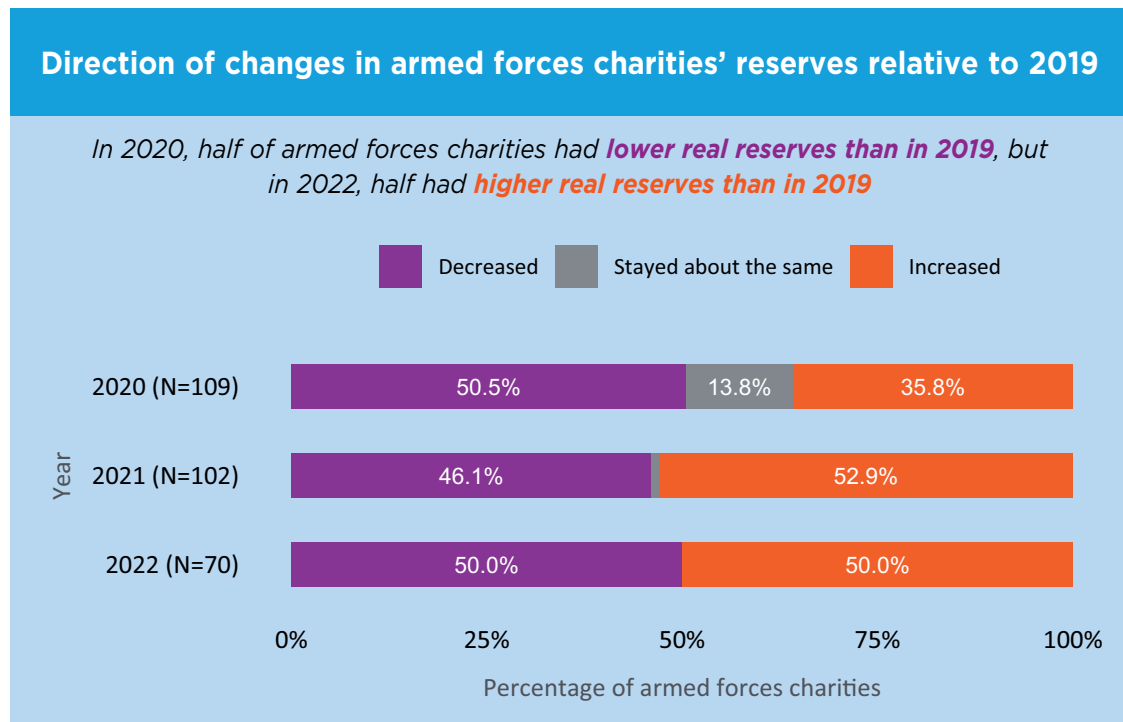
Because being above or below the income threshold corresponds directly to higher and lower income, moving from above to below the threshold may suggest a drop in reserves, while moving from below to above the threshold may suggest an increase in reserves – but, in each case, this cannot be observed in the data. If readers wish to make inferences about the changes in the sector more broadly, DSC's researchers therefore caution that the changes described below may understate the prevalence of decreases and overstate the prevalence of increases in reserves for 2020 and 2021.⁴

As can be seen in figure 5.9, around half (50.5%) of the armed forces charities with available data had a lower level of reserves in 2020 than they had had in 2019. However, by 2021, the majority (52.9%) of armed forces charities' reserves had moved in a positive direction relative to 2019. Nevertheless, still close to two-fifths (46.1%) of armed forces charities had fewer reserves in 2021 than they had had in 2019.

Because the data for 2022 is incomplete, it should be interpreted with caution. This limited data suggests a slight deterioration. By 2022, there was an event split: 50.0% of armed forces charities had a higher level of reserves than they had had in 2019, while 50.0% had a lower level. This suggests a substantial proportion of armed forces charities had managed to build back some of their financial gearing, providing a degree of insulation against negative financial events and providing resources to invest in new or improved programmes of support for their beneficiaries. On the other hand, the same proportion of armed forces charities had not managed to build back this financial gearing.

⁴ The reason for this potential bias is because, in 2020, more charities had moved from above the threshold in 2019 to below the threshold in 2020 (N=22) than the other way around (N=9). Meanwhile, in 2021, more charities had moved from above the threshold in 2019 to below the threshold in 2021 (N=28) than the other way around (N=9). In 2022, there were equal numbers of charities (N=12) that had moved from above the threshold in 2019 to below the threshold (and vice versa).

Figure 5.9



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). 'Stayed about the same' is defined as a year-on-year change in expenditure of less than 2.5% in absolute value. Percentage labels below 9.5% are not shown for reasons of space. Data available for armed forces charities with enhanced financial information which were also registered with the Charity Commission for England and Wales (including cross-border charities). Real reserves are adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023). The percentages do not always sum to 100% due to rounding. DSC's researchers repeated this analysis for cash assets, which showed a lower prevalence of decreases in each year (available upon request).

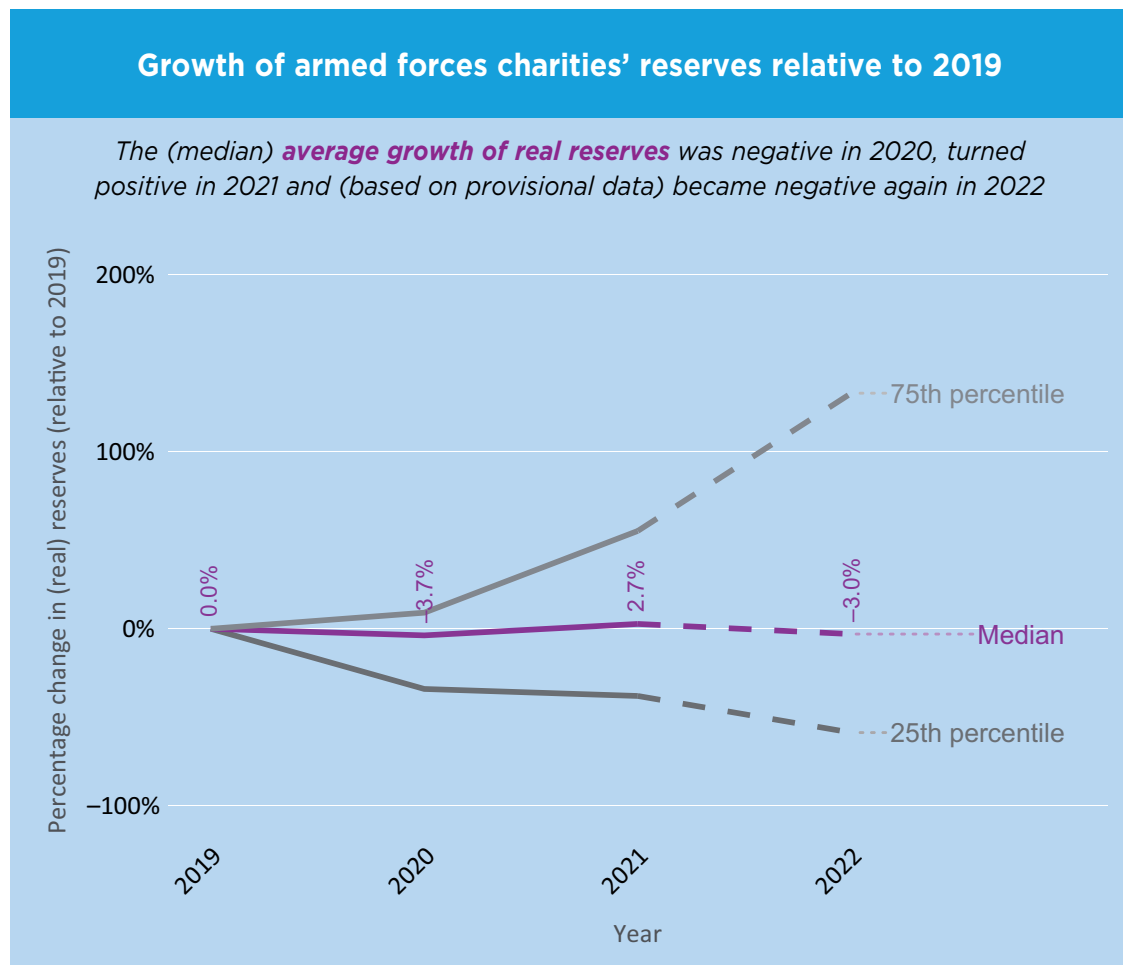
5.3.2 The magnitude of changes in reserves since 2019

Turning to the size of the changes in reserves seen since 2019, figure 5.10 shows that the (median) average change in reserves between 2019 and 2020 was -3.7% . The bottom quarter of armed forces charities (those with more dramatic decreases) had at least one-third (34.0%) fewer reserves in 2020 than in 2019. Meanwhile, the top quarter of armed forces charities (those with more dramatic increases) had at least 9.1% more reserves in 2020 than they did in 2019.

By 2021, the average change in reserves relative to 2019 was positive but still close to zero (at 2.7%). Nevertheless, in this year the bottom quarter of armed forces charities did not move in the same direction: the bottom quarter had at least 38.0% fewer financial reserves in 2021 than they had in 2019. Meanwhile, the top quarter had at least 55.3% more reserves than in 2019. Rather than moving back together, armed forces charities therefore became more pronounced in the differences in their reserves over time.

It is important to reiterate that the data for 2022 was incomplete at the time of writing as not all armed forces charities had submitted their accounts for this financial period. This data suggests that the average change in reserves relative to 2019 fell below zero again: on average, financial reserves were 3.0% lower in 2022 than they had been in 2019. Moreover, the differences became more pronounced: the bottom quarter had at least 58.7% fewer financial reserves in 2022 than they had had in 2019, and the top quarter had at least 133.1% more.

Figure 5.10



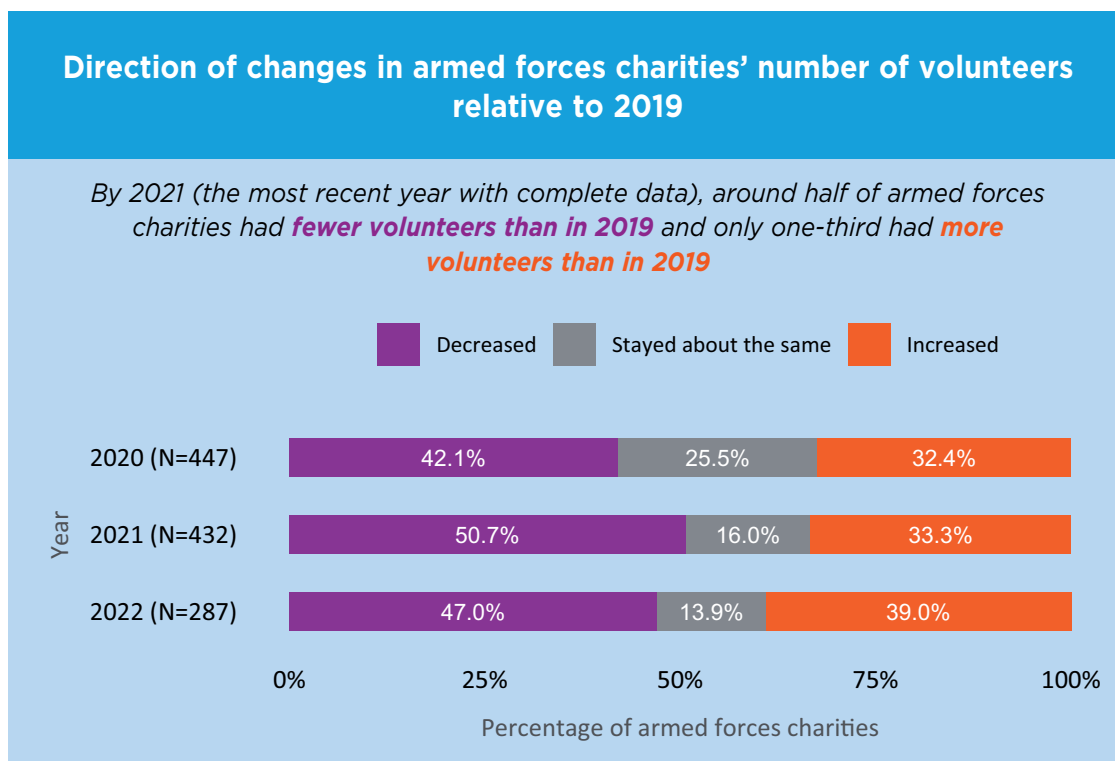
Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi), that had enhanced financial information and were registered with the Charity Commission for England and Wales (including cross-border charities). The numbers of charities included in the analysis each year are shown in parentheses in figure 5.9. Real reserves are adjusted for consumer price inflation in 2015 prices, using figures from the Office for National Statistics (ONS, 2023e, table 20a, as of 21 June 2023).

5.4 TO WHAT EXTENT HAVE ARMED FORCES CHARITIES' VOLUNTEER AND EMPLOYEE NUMBERS CHANGED YEAR TO YEAR SINCE 2019?

5.4.1 Volunteers

As shown in figure 5.11, more than two-fifths (42.1%) of armed forces charities had fewer volunteers in 2020 than in 2019. This was made up of 30.5% of charities that had more than a quarter fewer volunteers and 11.6% that had less than a quarter fewer volunteers. Nevertheless, around one-third (32.4%) of armed forces charities had more volunteers in 2020 than they had had in 2019. This comprised 28.2% that had more than a quarter more volunteers and 4.2% that had less than a quarter more volunteers. The remaining 25.5% of charities had a similar number of volunteers in 2020 compared to 2019.

Figure 5.11



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). 'Stayed about the same' is defined as a year-on-year change in expenditure of less than 2.5% in absolute value. Data available for armed forces charities with enhanced financial information which were also registered with the Charity Commission for England and Wales (including cross-border charities). The percentages do not always sum to 100% due to rounding.

In 2021, around half (50.7%) of armed forces charities had fewer volunteers than they had had in 2019. In terms of the magnitude of these changes, 41.4% had more than a

quarter fewer volunteers and 9.3% had less than a quarter fewer volunteers. The proportion of armed forces charities with more volunteers in 2021 than in 2019 was one-third (33.3%).

The data for 2022 was incomplete at the time of writing and should therefore be considered indicative only. With this in mind, the picture appears just slightly improved compared to the previous year. In 2022, still close to half (47.0%) of armed forces charities had fewer volunteers in 2022 than they had had in 2019, while around two-fifths (39.0%) had more volunteers.

Respondents to DSC's Cobseo Members' Survey provided insights into some of the challenges armed forces charities faced in relation to volunteers during 2020 to 2022. Reflecting the differences outlined in this section, some respondents stated that the onset of the COVID-19 pandemic had had a detrimental effect on the available volume of volunteers, while others reported that the COVID-19 pandemic had expanded their organisation's existing pool of prospective volunteers as many individuals had been furloughed and were therefore newly available to volunteer. A selection of responses has been reproduced in box 5.6.

Box 5.6

**Insights from the Cobseo Members' Survey:
How the number of volunteers changed after the onset of the
COVID-19 pandemic**

[A] positive point [has been having] extra volunteers to support [our] loneliness project.
_____ **Small charity, May 2020**

We are increasing services and recruiting more volunteers.
_____ **Small charity, May 2020**

The biggest threat to our organisation during the COVID-19 pandemic is illness of volunteers.
_____ **Small charity, May 2020**

Varying numbers of our volunteers who deliver services in the community are self-isolating or on three-month isolation due to long-term health problem.
_____ **Small charity, May 2020**

[Our biggest concern for the next six months is] retaining volunteers where the pressures of meeting regulatory targets (including GDPR [the General Data Protection Regulation], Cyber Essentials [a government scheme to help protect organisations from cyberattacks], safeguarding and even the drive on [equality, diversity and inclusion]) mean everything is less 'fun', more bureaucratic and more demanding.

Large charity, November 2021

[Our biggest concern for the next six months is] the succession of key personnel due to retirement ... We need to employ [new staff] as volunteers are not forthcoming.

Small charity, November 2022

[Our biggest concern for the next six months is a] lack of volunteers to be trustees and particularly chair of the organisation.

Small charity, November 2022

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

5.4.2 Employees

DSC's researchers also investigated how far each armed forces charity's number of employees had changed – relative to 2019 – in 2020, 2021 and 2022. It is important to note that this analysis was only possible for a subset of charities that had enhanced financial data available (as described in section 3.2.3). In this case, the included charities also had to have this enhanced data available for multiple years to enable the calculation of change within charities over time. For example, charities that were below the threshold in 2019 and then above the threshold in future years (or vice versa) could not be included.

Because being above or below the income threshold corresponds directly to higher and lower income, moving from above to below the threshold is logically associated with being able to employ fewer people, while moving from below to above the threshold is logically associated with being able to employ more people. If readers wish to make inferences about the changes in the sector more broadly, DSC's researchers therefore caution that the changes described below may understate the prevalence of decreases and overstate the prevalence of increases in the numbers of employees for 2020 and 2021.⁵

Figure 5.12 shows the direction of changes in armed forces charities' number of employees compared to 2019. In 2020, DSC's researchers found that it was most common (40.6%) for

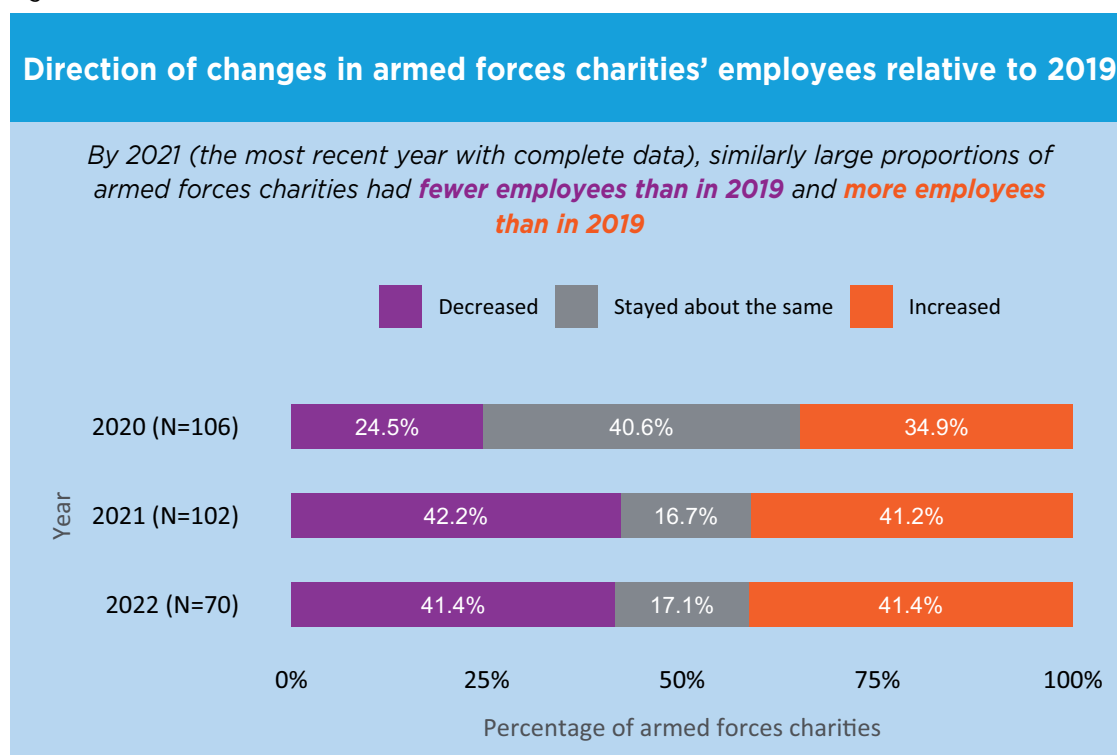
⁵ The reason for this potential bias is because in 2020, more charities had moved from above the threshold in 2019 to below the threshold in 2020 (N=22) than the other way around (N=9). Meanwhile, in 2021, more charities had moved from above the threshold in 2019 to below the threshold in 2021 (N=28) than the other way around (N=9). In 2022, there were equal numbers of charities (N=12) that had moved from above the threshold in 2019 to below the threshold (and vice versa).

the number of employees in armed forces charities to have stayed about the same (i.e. a change of between -2.5% and 2.5%). However, over one-third (34.9%) of armed forces charities had more employees in 2020 than in 2019. This comprised slightly more charities with an increase of less than a quarter (19.8% of charities) than charities with an increase of more than a quarter (15.1% of charities). Meanwhile, 24.5% had fewer employees in 2020 than in 2019, which almost completely comprised charities that saw a decrease of less than a quarter of their employees (23.6%).

By 2021, substantive changes (of more than 2.5%) to the number of employees within armed forces charities had become more apparent. By this time, only 16.7% of armed forces charities had a similar number of employees compared to the number they had had in 2019. Instead, more than two-fifths (42.2%) of armed forces charities had fewer employees in 2021 in 2019, with 28.5% showing a decrease of less than a quarter and 13.7% showing a decrease of greater than a quarter. On the other hand, a similar overall percentage (41.2%) had more employees than in 2019, with 21.6% showing an increase of less than a quarter and 19.6% showing an increase of greater than a quarter.

The limited and provisional data for 2022 (for which change data was only available for 70 armed forces charities) shows a similar picture to that seen for 2021.

Figure 5.12



Note: This analysis includes all armed forces charities, both active and closed (as defined in the 'Methodology' on page xxvi). 'Stayed about the same' is defined as a year-on-year change in expenditure of less than 2.5% in absolute value. Data available for armed forces charities with enhanced financial information which were also registered with the Charity Commission for England and Wales (including cross-border charities). The percentages do not always sum to 100% due to rounding.

Responses to DSC's Cobseo Members' Survey provide some insights into why the sizes of armed forces charities' workforces changed from 2020 onwards. Some respondents discussed the impact of furloughing staff during COVID-19, while others highlighted recruitment challenges in the sector. A selection of quotes is included in box 5.7.

Box 5.7

Insights from the Cobseo Members' Survey:
How and why the number of employees changed after the onset of the COVID-19 pandemic

[There were] no adverse effects. Only 4 of 11 employees were put on furlough in 2020. In the last six months only one remained on furlough and they have now returned to full-time work.

Medium charity, November 2021

Furloughed staff were brought back full time at the end of the scheme [i.e. the Coronavirus Job Retention Scheme], as there [are] now sufficient tasks to complete.

Small charity, November 2021

[The government grants we received] ensured we did not have to make some staff redundant, and maintained services, so the grants retained services to beneficiaries which otherwise would have stopped.

Medium charity, October 2020

[We have been affected] massively as five out of six staff were put on furlough from April 2020 to September 2021. The charity is now paying full wages before [our] events business climbs to pre-pandemic level.

Small charity, November 2021

Furloughing employees has put significant strain on the organisation [because of] the need to balance increased output with limited or no income.

Large charity, May 2020

We have reduced our staff (including full time, part time and casuals) from 146 to 66.

Medium charity, October 2020

Staff illness [and] isolation affects capacity.

Large charity, October 2020

Costs have reduced due to redundancies made ([affecting] 91 employees).

Large charity, November 2021

The rising cost of living will lead to more staff asking for salary increases, [and] general support costs will increase.

Medium charity, May 2022

[There have been] runaway salary increases, especially in the public sector, meaning that our staff will move on, and it will become even harder to recruit folks.

Medium charity, November 2022

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

Several of the respondents to DSC's Cobseo Members' Survey also stated that concerns around staffing were among the greatest challenges facing their organisations in the following six months (from when the respondents completed the survey). A selection of quotes has been reproduced in box 5.8.

Box 5.8

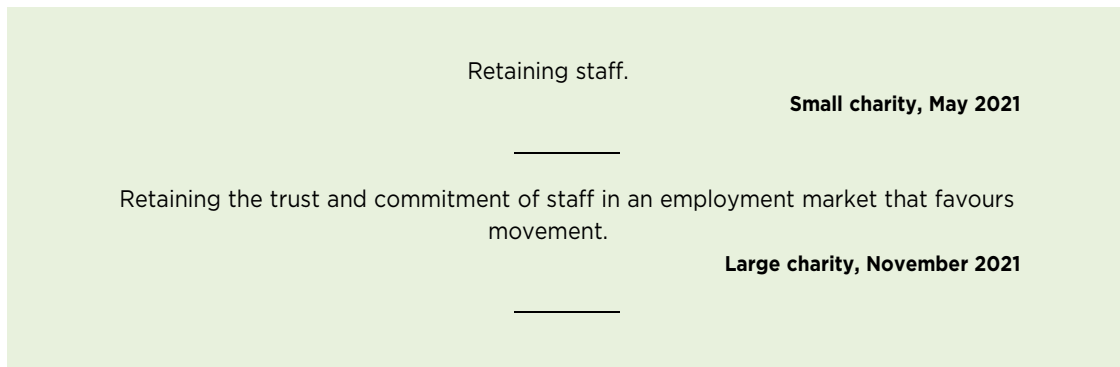
Insights from the Cobseo Members' Survey: Concerns around staffing over the next six months

Retention and recruitment of staff.

Medium charity, May 2022

Hiring, retaining and paying qualified staff.

Large charity, November 2022



Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

5.5 CHAPTER SUMMARY

5.5.1 What did this chapter aim to find out?

While the previous chapter looked at the aggregate and average trends in some key financial areas, this chapter provided insights about the relative changes within armed forces charities year on year. Specifically, this chapter aimed to address the following research questions:

- To what extent have armed forces charities' incomes and expenditures changed year to year over the past decade?
- To what extent have armed forces charities' financial reserves changed year to year since 2019?
- To what extent have armed forces charities' volunteer and employee numbers changed year to year since 2019?

5.5.2 What were the key findings from this chapter?

DSC's researchers have selected some of the most noteworthy findings from this chapter in relation to each of the research questions outlined above.

To what extent have armed forces charities' incomes and expenditures changed year to year over the past decade?

- For most of the past decade, close to half of armed forces charities in each year had either an increase or a decrease in their income compared to the previous year. But, in 2020 and 2021, year-to-year decreases in income became notably more common (for 62.5% and 59.2% of charities, respectively).

- In terms of magnitude, the average change in income was –16.9% in 2020. Meanwhile, the bottom quarter of armed forces charities saw a decrease of at least 54.1% and the top quarter saw an increase of at least 6.0%. These negative changes were somewhat attenuated in 2021 (although most charities had still seen decreases in their income).
- Taking the cumulative changes into account, 73.0% of armed forces charities had a lower income in 2021 than in 2019, and 68.8% had a lower income in 2022 than in 2019 (although the figures for 2022 are based on more limited data).
- In terms of magnitude, the average change in income was –32.5% between 2019 and 2021. Meanwhile, the bottom quarter of armed forces charities saw a decrease of at least 68.8% and the top quarter saw, at best, marginally negative growth of –1.2%.
- While showing some improvement, the limited data for 2022 suggests the average armed forces charity still had 26.2% less income in 2022 than in 2019. Meanwhile, the bottom quarter of armed forces charities saw a decrease of at least 57.4% and the top quarter saw an increase of at least 7.0%.
- Cumulative annual changes in income have not been uniform within different parts of the armed forces charity sector: by Service affiliation, Royal Navy and RAF charities showed the greater average falls in income; by charity type, association branches had the greatest average fall in income; and by charity size, smaller charities had greater average falls in income.

To what extent have armed forces charities' financial reserves changed year to year since 2019?

- By 2021, close to half (46.1%) of armed forces charities with the available data had fewer reserves than in 2019 whereas slightly more than half (52.9%) had more. The average change in the value of reserves between 2019 and 2021 was 2.7%. However, because of reporting requirements, DSC's researchers suspect this may understate the extent and magnitude of negative changes.
- By 2022, for which there was limited data, there was an even split between charities that had fewer and more reserves than in 2019 (50.0% each); the average change in the value of reserves between 2019 and 2022 was –3.0%.

To what extent have armed forces charities' volunteer and employee numbers changed year to year since 2019?

- By 2021, around half (50.7%) of armed forces charities had fewer volunteers than in 2019, while only one-third (33.3%) had more.
- By 2022, for which there was limited data, the overall picture had not substantially improved: 47.0% of armed forces charities had fewer volunteers, while 39.0% had more.

- By 2021, just over two-fifths (42.2%) of armed forces charities with data available had fewer employees than in 2019 - and a similar proportion had more employees (41.2%). This overall picture remained substantively unchanged in 2022. However, because of reporting requirements, DSC's researchers suspect this may understate the extent and magnitude of negative changes.

CHAPTER SIX

Grant-making, collaboration and evaluation

6.1 INTRODUCTION

6.1.1 About the structure of this chapter

This chapter aims to provide an overview of the grant-making processes within the armed forces charity sector. It also intends to give insights around the extent and role of collaboration and evaluation among armed forces charities. Specifically, this chapter will address the following research questions:

- What is the scope of grant-making by armed forces charities?
- Who are the recipients of grant-making by armed forces charities?
- How do armed forces charities make grants to individuals?
- What is the role of collaboration among armed forces charities?
- What is the role of evaluation among armed forces charities?

6.1.2 About the data and presentation in this chapter

This chapter primarily uses data from DSC's database of armed forces charities, which draws information from the three charity regulators in the UK (see 'Methodology' on page xxvi) and can be found in the blue boxes. It also draws on data from DSC's surveys of Cobseo members (which can be found in the green boxes). It also draws on interview insights from armed forces charities (which can be found in the purple boxes). Illustrative examples compiled by DSC's researchers have been placed in orange boxes. Finally, findings compiled from DSC's previous armed forces charities research can be found in grey boxes.

In the first part of this chapter, DSC's researchers refer to grant-making armed forces charities. For charities registered with the Charity Commission for England and Wales (CCEW), including cross-border charities, DSC's researchers identified grant-making armed forces charities using the charity classification table, which 'provides details on what the charity does, who they help and how this is achieved' (CCEW, 2023d). DSC's identified grant-making armed forces charities where these classifications included 'Makes Grants To Individuals' and 'Makes Grants To Organisations'. Two additional charities were identified through their annual returns data that had grant-making listed as their main activity but did not have classification table data on grants.

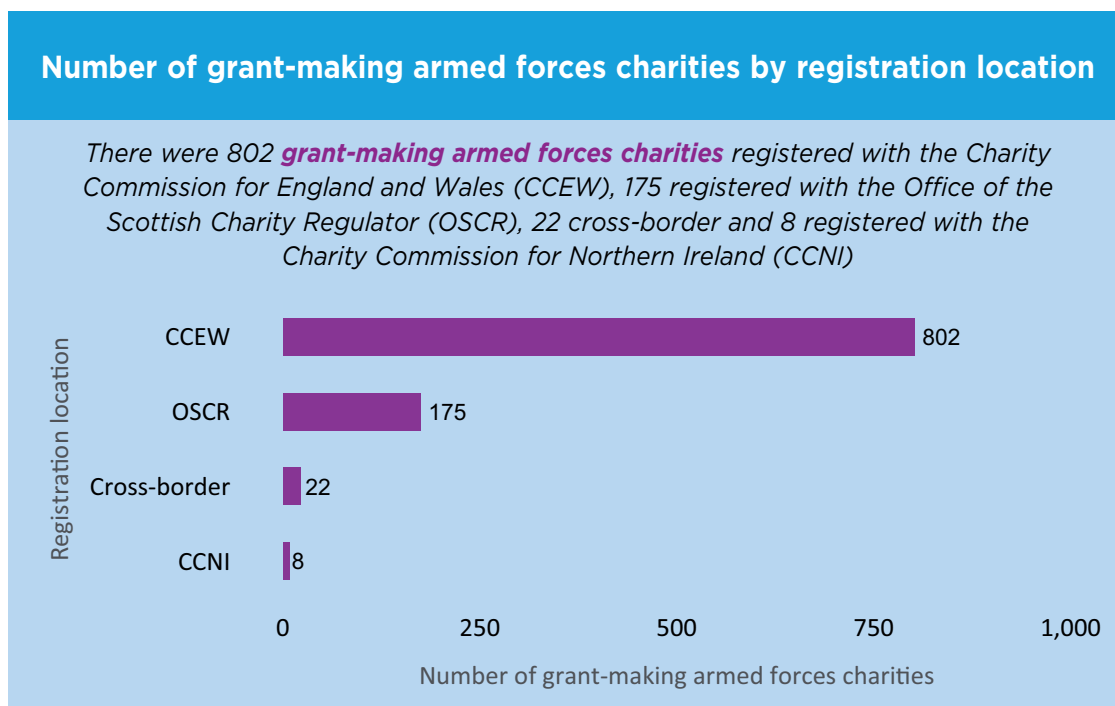
Meanwhile, for charities registered with the Office of the Scottish Charity Regulator (OSCR), DSC’s researchers identified grant-making armed forces charities through the activities charities listed. Charities were identified as grant-making armed forces charities where these activities included ‘It makes grants, donations, loans, gifts or pensions to individuals’ and ‘It makes grants, donations or gifts to organisations’. Finally, for charities registered with the Charity Commission for Northern Ireland (CCNI), DSC’s researchers identified grant-making armed forces charities through the activities charities listed. Charities were identified as grant-making armed forces charities where these activities included ‘Grant making’.

6.2 WHAT IS THE SCOPE OF GRANT-MAKING BY ARMED FORCES CHARITIES?

6.2.1 How many armed forces charities make grants?

In total, DSC identified 1,007 charities that stated they made grants, which equated to 58.1% of the total armed forces charity sector (N=1,733 at the time of writing; see chapter 2). As shown in figure 6.1, this comprised 802 (charities registered with CCEW, 175 registered with OSCR, 22 cross-border charities (registered with both CCEW and OSCR), and 8 registered with CCNI.

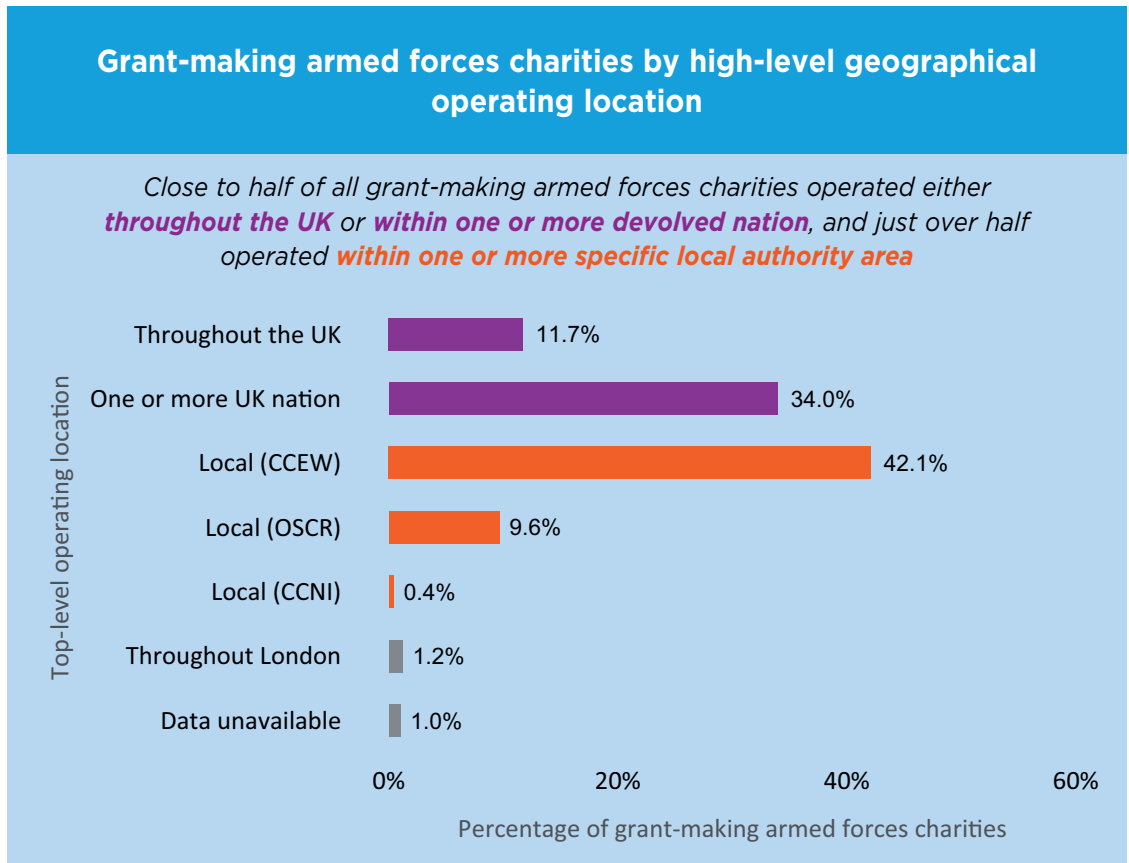
Figure 6.1



Note: This analysis is limited to grant-making armed forces charities, as defined in the introduction to this chapter on page 205, that were active, as defined in the ‘Methodology’ section, on page xxvi (N=1,007).

Figure 6.2 looks in more detail at the operating locations of the armed forces charities that reported they made grants. DSC’s researchers found that close to half (45.7%, N=460) stated that they operated either throughout the UK (N=118) or within one or more of the devolved nations of England, Wales, Scotland and Northern Ireland (N=342). Meanwhile, just over half (52.1%, N=530) operated within one or more local authority area, whether within England and/or Wales (42.1%), Scotland (9.6%) or Northern Ireland (0.4%).

Figure 6.2



Note: This analysis is limited to grant-making armed forces charities, as defined in the introduction to this chapter on page 205, that were active, as defined in the ‘Methodology’ section, on page xxvi (N=1,007).

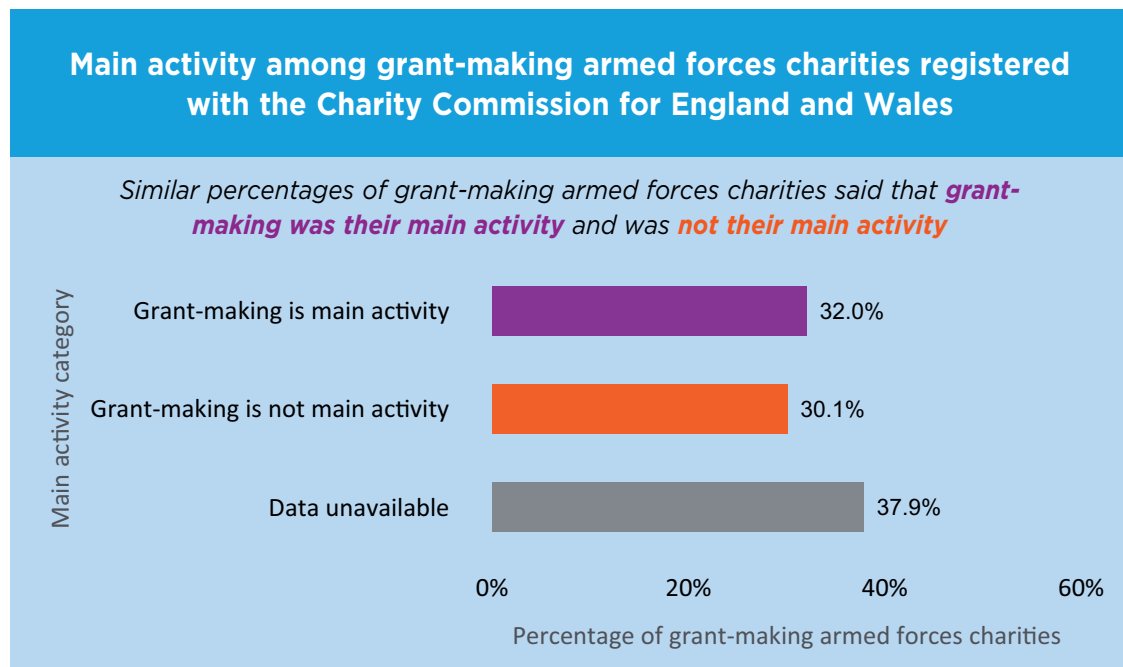
6.2.2 How commonly is grant-making the main activity among the armed forces charities that make grants?

One limitation of the analysis above is that in the armed forces charity sector – and the broader charity sector alike – DSC’s previous research has identified that there are many more charities that state they make grants than actually do so in practice (Traynor and Walker, 2015). As a result, not all of the charities that state they make grants will actually do so consistently in practice – or, in some cases, at all. To shed some light on this, DSC’s

researchers also investigated whether the charities identified above as making grants stated that grant-making was their 'main activity' in their latest annual return.

As shown in figure 6.3, almost one-third (32.0%, N=264) of charities identified as grant-making armed forces charities stated that grant-making was their main activity. However, only a very slightly lower proportion (30.1%, N=248) stated that grant-making was not their main activity. One important limitation of this analysis is that the relevant data was restricted to grant-making armed forces charities registered with CCEW, including cross-border charities (N=824; see figure 6.1). Moreover, among this group, data was not available for 37.9% (N=312) of the charities, which was in almost all cases because they fell below the annual income reporting threshold for an annual return (the threshold is £10,000).

Figure 6.3



Note: This analysis is limited to grant-making armed forces charities, as defined in the introduction to this chapter on page 205, that were active, as defined in the 'Methodology' section, on page xxvi, and that were registered with the Charity Commission for England and Wales, including cross-border charities (N=824). Data was unavailable for a large proportion of charities because information on whether grant-making is a charity's main activity is available only for charities required to submit an annual return (those that have an annual income over £10,000). Only two charities whose most recent annual income was £10,000 or over did not have this data available.

6.2.3 Does the extent of grant-making vary across the sector?

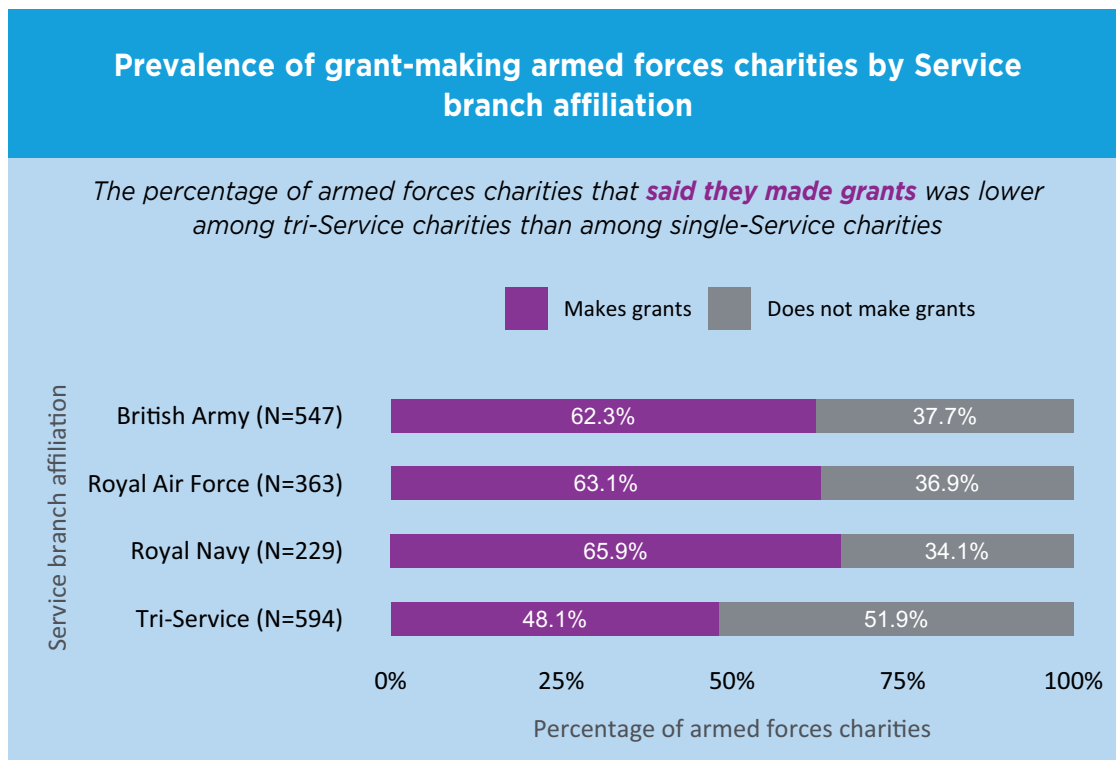
Service branch affiliation

DSC's researchers broke down the charities identified through their self-reported data as grant-making armed forces charities into their Service branch affiliations. There were 341

British Army-affiliated armed forces charities that stated they made grants, 151 Royal Navy-affiliated armed forces charities that stated they made grants, 229 Royal Air Force (RAF)-affiliated armed forces charities that stated they made grants and 286 tri-Service armed forces charities that stated they made grants.

DSC’s researchers investigated the percentage of armed forces charities that made grants within each of these categories. This helps to shed light on whether armed forces charities from some Service branch affiliations are more likely to make grants than others, by accounting for the relative sizes of these categories. As can be seen in figure 6.4, the analysis shows that a greater percentage of Royal Navy charities (65.9%) made grants than RAF charities (63.1%) and British Army charities (62.3%). Meanwhile, by a notable margin, tri-Service armed forces charities were the least likely to make grants (48.1%).

Figure 6.4



Note: This analysis is limited to armed forces charities that were active, as defined in the ‘Methodology’ section, on page xxvi (N=1,733). A more detailed version of this chart – which breaks down grant-making to individuals, organisations or both – can be found in the appendix (figure A6.1).

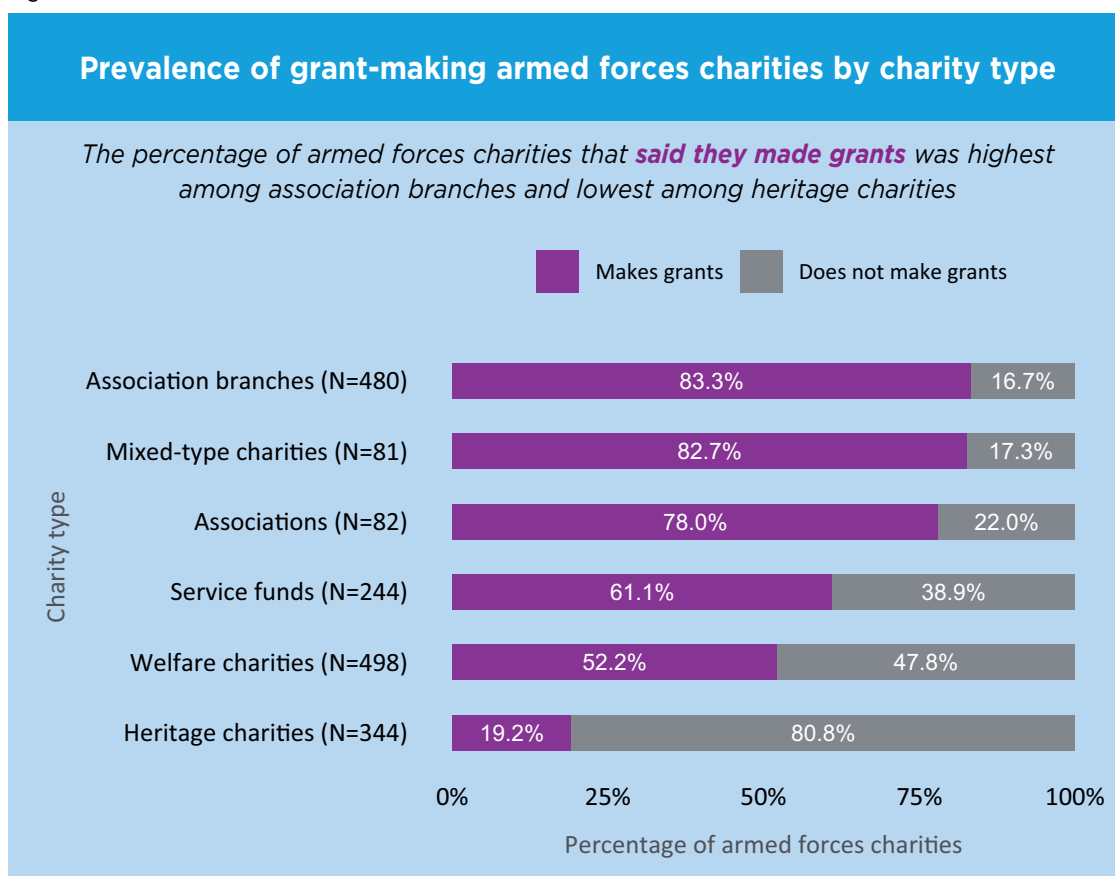
Charity type

DSC’s researchers broke down the charities identified through their self-reported data as grant-making armed forces charities into their respective charity types. The charity types were introduced in section 2.3.1 and enable a distinction to be made between armed forces charities based on their activities.

Analysis, presented in figure 6.5, shows the percentage of armed forces charities that made grants within each of the charity types above. This sheds light on whether some types of armed forces charity are more likely to make grants than others. The analysis shows that grant-making was most common among association branches, 83.3% (N=400) of which said they made grants, followed very closely by mixed-type charities, 82.7% (N=67) of which said they made grants. The prevalence of grant-making was also relatively high among associations (78.0%, N=64).

While grant-making was less common among the other charity types, still more than half of Service funds (61.1%, N=149) and welfare charities (52.2%, N=260) were identified as grant-makers. Grant-making was, by a notable margin, least common among heritage charities (19.2%, N=66). Finally, one (20.0%) of the five charities in the much smaller ‘other’ category made grants (not shown in figure 6.5 as the amount of data is small).

Figure 6.5



Note: This analysis is limited to armed forces charities that were active, as defined in the ‘Methodology’ section, on page xxvi (N=1,733). A more detailed version of this chart – which breaks down grant-making to individuals, organisations or both – can be found in the appendix (figure A6.2). The ‘other’ type of armed forces charity (N=4) has been excluded from this chart given the small number of armed forces charities in this category.

Charity size

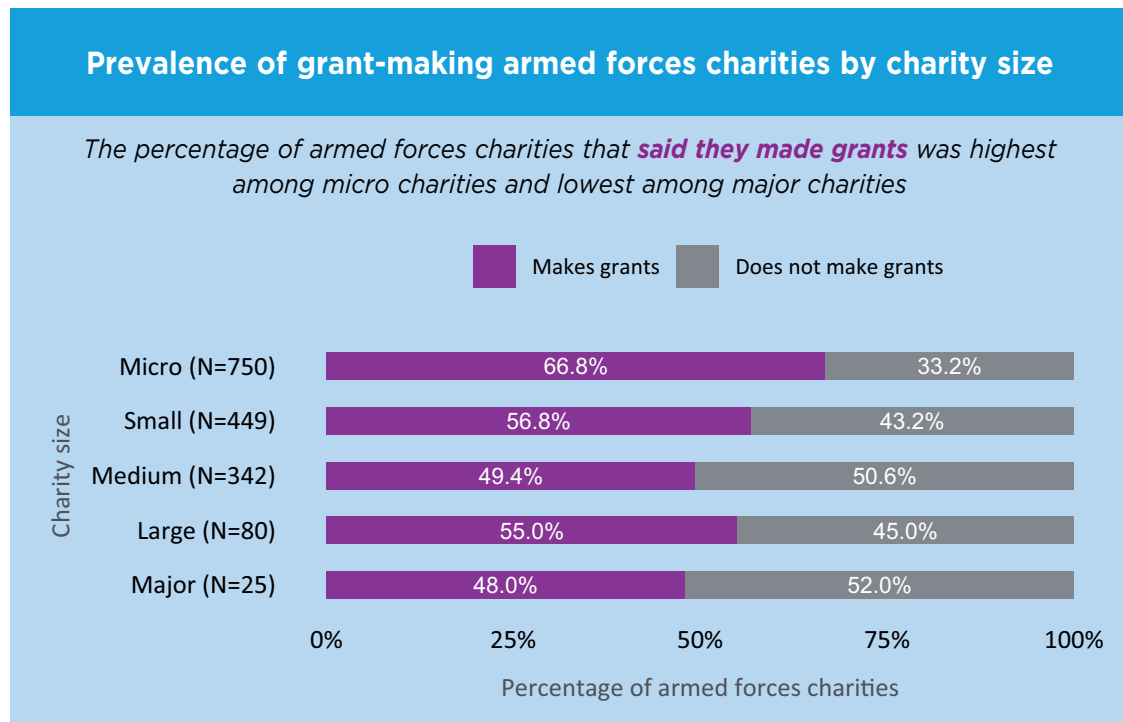
The final breakdown in this section relates to the financial size of armed forces charities. As introduced in the 'Terminology' section (see page xxv), these size categories, adapted from NCVO's *UK Civil Society Almanac 2023* (Tabassum and Fern, 2023a), distinguish charities by amount of annual income: micro (annual incomes under £10,000), small (annual incomes between £10,000 and £100,000), medium (annual incomes between £100,000 and £1 million), large (annual incomes between £1 million and £10 million) and major (annual incomes over £10 million). DSC's researchers broke down the grant-making armed forces charities into their income-based charity size classifications.

Further analysis, presented in figure 6.6, shows the percentage of armed forces charities that made grants within each of the size categories above. This sheds light on whether charities of different annual income-based sizes are more likely to make grants than others by accounting for the relative sizes of these different categories. A greater percentage of micro charities (66.8%, N=501) made grants than among any other charity size group. Micro charities were followed by small charities, 56.8% (N=255) of which reported that they made grants.

Meanwhile, medium charities were slightly less likely (49.4%, N=169) to say they made grants than large charities, 55.0% (N=44) of which reported they made grants. Finally, among major charities, DSC's researchers found that just under half (48.0%, N=12) said they made grants.

The finding that micro charities were more likely to be identified as grant-makers than any other size of armed forces charity is noteworthy. This is because, as noted above (in relation to figure 6.3), less is known about whether micro charities do make grants in practice than about whether their larger counterparts do (because of the requirements set out by CCEW).

Figure 6.6



Note: This analysis is limited to armed forces charities, as defined in the introduction to this chapter on page 205, that were active, as defined in the 'Methodology' section, on page xxvi, and also had financial data available (N=1,646). A more detailed version of this chart – which breaks down grant-making to individuals, organisations or both – can be found in the appendix (figure A6.3).

6.3 WHO ARE THE RECIPIENTS OF GRANT-MAKING BY ARMED FORCES CHARITIES?

6.3.1 Are grants made to individuals, organisations or both?

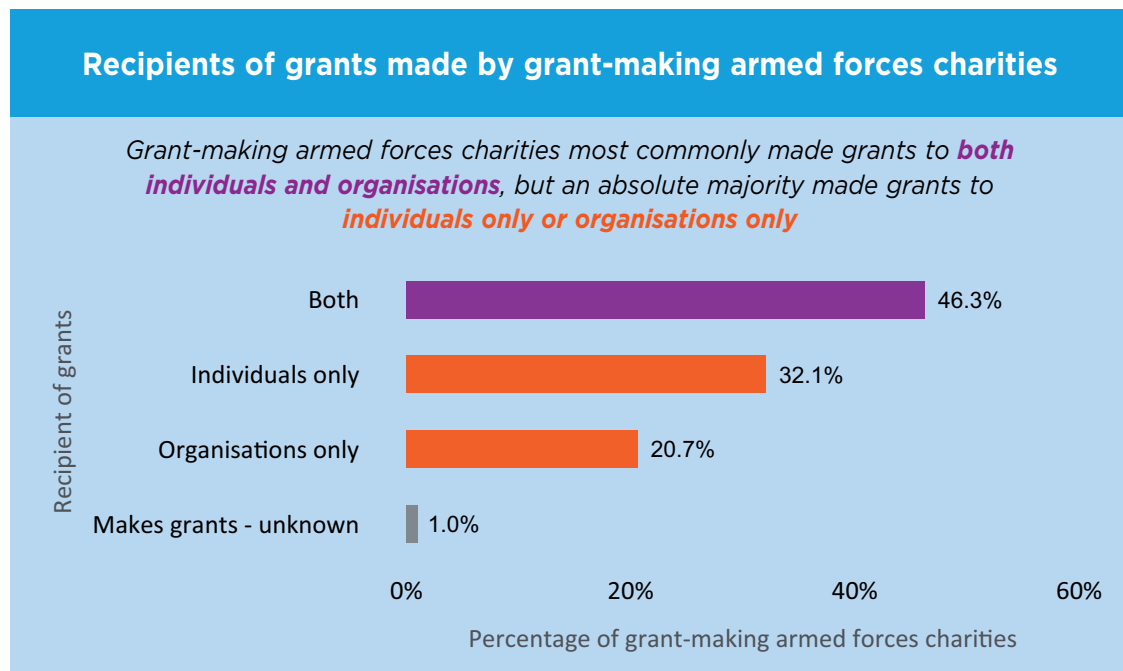
Figure 6.7 shows the recipients of grants reported by armed forces charities that were identified as making grants. Specifically, it shows the percentages of charities that reported they made grants to individuals, organisations, or both individuals and organisations.

As shown in figure 6.7, it was most common (46.3%) for armed forces charities to report that they made grants to both individuals and organisations. Nevertheless, an absolute majority made grants to only one of these two recipient types. Specifically, the charity regulator data showed that around one-third (32.1%) of the armed forces charities made grants to individuals only. Meanwhile, approximately one-fifth (20.7%) made grants to organisations only.

Overall, the data therefore indicates that more than three-quarters (78.4%, N=789) of the grant-making armed forces charities identified by DSC's researchers made grants to individuals (this includes those that made grants to individuals only and those that made

grants to individuals and organisations). Meanwhile, around two-thirds (67.0%, N=675) of the grant-making armed forces charities identified by DSC's researchers made grants to organisations (this includes those that made grants to organisations only and those that made grants to individuals and organisations).

Figure 6.7



Note: This analysis is limited to grant-making armed forces charities, as defined in the introduction to this chapter on page 205, that were active, as defined in the 'Methodology' section, on page xxvi (N=1,007). The recipients of grants were 'unknown' for a small minority of charities (N=10). This was mostly because they were registered with the Charity Commission for Northern Ireland (N=8) and therefore did not have the relevant data available, but two charities registered with the Charity Commission for England and Wales did not have the information available (see the introduction to this chapter on page 205). The percentages do not sum to 100% due to rounding.

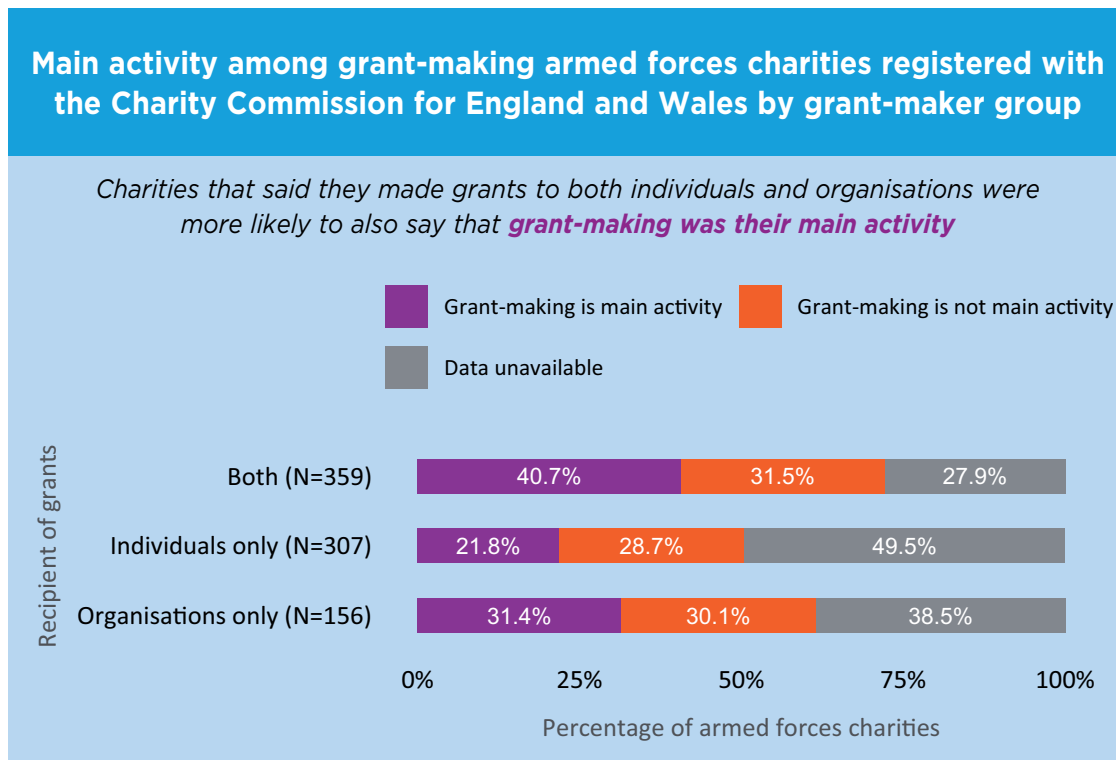
Within the categories above - which distinguished between armed forces charities that said they made grants to individuals, organisations, or both - figure 6.8 shows the percentage that stated grant-making was their main activity. As this figure shows, grant-making was more likely to be the main activity among grant-making armed forces charities that made grants to both individuals and organisations (40.7% of which said grant-making was their main activity).

Meanwhile, among the armed forces charities that said they made grants just to individuals, only around one-fifth (21.8%) said grant-making was their main activity. Among grant-making armed forces charities that made grants to organisations only, grant-making was more likely to be the main activity: around one-third (31.4%) said grant-making was their main activity.

It is important to note that the data on whether grant-making is an armed forces charity's main activity is self-reported as part of charities' annual returns. Because micro charities

(with annual incomes under £10,000) do not have to submit an annual return, this data is not available for all armed forces charities that said they made grants. It is also possible that armed forces charities' criteria will vary regarding whether they consider grant-making to be their main activity. Moreover, it should be noted that some smaller armed forces charities that make grants as their main activity may have a lower value of grants made overall than larger armed forces charities for which grant-making is not reported as the main activity.

Figure 6.8



Note: This analysis is limited to grant-making armed forces charities, as defined in the introduction to this chapter on page 205, that were active, as defined in the 'Methodology' section, on page xxvi, and that were registered with the Charity Commission for England and Wales, including cross-border charities (N=824). Data was unavailable for a large proportion of charities because information on whether grant-making is a charity's main activity is available only for charities required to submit an annual return (those that have an annual income over £10,000). Only two charities whose most recent annual income was £10,000 or over did not have this data available (not shown in this chart). The percentages do not sum to 100% due to rounding.

To provide insights on the nature of grant-making among charities that make grants to individuals, organisations or both, DSC's researchers collated examples of charities in these categories. Boxes 6.1 to 6.3 provide illustrative examples in relation to each group.

Box 6.1

Example of a charity that makes grants to both individuals and organisations:**ABF – The Soldiers’ Charity**

ABF – The Soldiers’ Charity was established in 1944 to support soldiers and their families in the aftermath of the Second World War (ABF, 2020). The charity has since become one of the largest armed forces welfare charities by income (Cole et al., 2020). According to the charity’s most recent financial accounts, it awarded £3.4 million in grants to 66 charities and £8.4 million to 65,000 individuals and their families in the 2021/22 financial year (ABF, 2023, p. 40).

The charity’s most recent accounts state that grants to individuals can cover anything from specialist equipment for children with disabilities to funeral costs (ABF, 2023, p. 12). Examples of recent grant-making to individuals include a £12,000 payment to support an army family to adapt their home to accommodate their child’s wheelchair, enable the purchase of other mobility equipment and install a ramp (ABF, 2023, p. 12).

Meanwhile, recent examples of the charity’s grants to organisations include a £150,000 award to support the Little Troopers charity’s flagship programme Little Troopers at School, which aims to educate school staff about the unique needs of Service children and provide classroom resources; a £250,000 award to Combat Stress to provide life-changing mental health support for army veterans with complex mental health issues; and a £45,000 award to the Army Families Federation to continue providing specialist advice and information for army families (ABF, 2023, pp. 13–14).

Note: This example was chosen by DSC’s researchers for illustrative purposes. Information was collated using the Charity Commission for England and Wales’s and charity’s websites.

Box 6.2

Example of a charity that makes grants to individuals only:

Royal Naval Benevolent Trust

The Royal Naval Benevolent Trust (RNBT) provides wide-ranging financial assistance and support to Royal Navy and Royal Marines personnel and their families in times of need (RNBT, 2023a). This includes both during and after service: during the 2021/22 financial year, around three-quarters (76.4%) of RNBT's grants were awarded to ex-Service personnel and their families, while 10.0% were awarded to serving personnel and their families and 13.5% to widows (RNBT, 2023b, p. 13).

RNBT makes grants that aim to help to meet beneficiaries' fundamental needs. RNBT's grants to individuals include funding for 'food, clothing, accommodation, fuel and utility bills, disability aids, training for second careers, house repairs and household goods, respite holidays and help with financial difficulties' (RNBT, 2023b, p. 12).

During the 2021/22 financial year, medical and mobility equipment was the largest category of support, accounting for £203,800 in grant expenditure. The average value of grants awarded was around £800 but this varied depending on the purpose of the grant and ranged from an average of £400 for food to an average of £2,000 for home adaptations (RNBT, 2023b, p. 12).

RNBT relies on the casework management network (also known as the 'almonisation' system; see section 6.4) to distribute grants to its beneficiaries - almost all (N=1,672) of its grant applications came via the casework network during financial year 2020/21 (RNBT, 2023b, p. 212). The RNBT highlights the importance of this in its most recent accounts: 'the needs of the Trust's beneficiaries have continued to be met through the almonisation process and the hard work of the grant administrators and case-working volunteers seeking out other sources of funding coupled with the rigorous pursuit of state benefits where applicable' (RNBT, 2023b, p. 212).

Note: This example was chosen by DSC's researchers for illustrative purposes. Information was collated using the Charity Commission for England and Wales's and charity's websites.

Box 6.3

Example of a charity that makes grants to organisations only:**Army Central Fund**

The Army Central Fund awards funding to projects and activities that contribute to the wellbeing of British Army serving personnel and their families (ACF, 2023a). To this end, the charity awarded £2.6 million in grants to organisations during the 2021/22 financial year.

The charity awards grants across four main areas: ‘Army unit welfare’, which involves providing support to serving personnel in units; ‘Army-wide organisations’, which involves providing grants to army-focused organisations; ‘Other charities’, which involves providing grants to ‘other charities to support the well-being of serving personnel and for families’; and ‘Army projects’, which involves making grants for one-off projects that support the army community (ACF, 2023b, pp. 10-11).

An example of a grant awarded to an army welfare unit during the 2021/22 financial year was £663,300 to an army command charity to provide welfare support and sports projects in army units and clubs. Meanwhile, an example of a ‘Army-wide grant’ was £503,315 to the Army Families Federation (AFF) to fund central running costs, enabling the AFF to continue to represent families at government and army command (ACF, 2023b, pp. 10-11).

In financial year 2021/22, grants made to ‘other organisations’ included a £150,000 (£50,000 a year for three years) grant to the Warrior Programme, which delivers mental resilience training for serving personnel, particularly those who have experienced trauma, including domestic violence or sexual violence. Finally, an example of an ‘Army project’ grant was £65,720 awarded to the Army Welfare Service’s Summer Camps to deliver recreational activities for the children of army personnel (ACF, 2023b, p. 11).

Note: This example was chosen by DSC’s researchers for illustrative purposes. Information was collated using the Charity Commission for England and Wales’s and charity’s websites.

Recent developments in grant-making to individuals

Demand for grants can change over time. Unfortunately, the three charity regulators do not include information in their downloadable data on the value of grants made to individuals. However, some grant-making armed forces charities that responded to one of DSC's Cobseo Members' Surveys stated that they had already seen (or were predicting to see) increased demand for grants from individuals due to the rising cost of living. A selection of responses has been included in box 6.4.

Box 6.4

Insights from the Cobseo Members' Survey: Demand for grants related to the cost of living

[We have seen an] increase in families seeking support [as they are] just not able to make ends meet. [This has resulted in a] sharp rise in grants awarded, including regular charitable payments paid monthly to families.

Medium charity, June 2023

[We are seeing increased] running costs [among] the charities and charitable organisations we support [and] reports of veterans needing more help from food banks and the like.

Medium charity, June 2023

It is a little early to tell, but I would imagine that some families will be finding it very hard to deal with the continued rise in the cost of living and we may well be called upon in the future.

Small charity, May 2022

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

Indeed, several armed forces charities have, since the emergence of the cost-of-living crisis (broadly considered to be around winter 2021), introduced cost-of-living grants programmes which provide financial help to members of the armed forces community who are struggling with rising household bills and the increasing cost of essential items and fuel. DSC's researchers spoke with the Royal British Legion to find out more about its cost-of-living grants programme (see box 6.5).

Box 6.5

Insights on support around the cost of living: Royal British Legion

The Royal British Legion was established in 1921 and is now the largest armed forces charity in the UK. It provides lifelong support to serving and ex-Service personnel and their families (RBL, 2023). One of the ways it supports the armed forces community is by awarding grants to individuals.

DSC's researchers spoke with the Head of Grants and Social Policy at the Royal British Legion to understand better how the charity has responded to the impact of the increasing cost of living on its beneficiaries.

Has the rising cost of living had an effect on your beneficiaries?

'Yes, we have seen a large increase in demand as people who could previously get by are now struggling.'

You recently launched a cost-of-living grants scheme. How did this aim to respond to the needs of the people you support?

'Royal British Legion launched an energy grants scheme, where beneficiaries could apply for a top-up of up to £200 a month for six months to assist with the cost of energy. We also launched an easy-to-access, self-referral cost-of-living grants application process to help increase our reach.'

What has demand been like for your cost-of-living grants scheme and related support?

'Demand has been exceptionally high. During the first three months of the programme, we received around 4,500 applications for cost-of-living grants. Demand stayed high over the winter of 2022-23.'

Are there any groups of beneficiaries that have accessed cost-of-living support more than others?

'The cost of living has affected a wide variety of our beneficiaries. We have seen greater need – compared to our normal programmes – from beneficiaries that are employed, including those actively serving.'

How many grants have you distributed so far specifically in response to the increasing cost of living? What is the estimated total value of these grants?

'Royal British Legion has delivered 5,000 cost-of-living grants to date, 3,000 of which were for energy costs. The estimated value of these grants is £4.5 million. This excludes our traditional casework route, which also has seen around a 30% increase in grants issued since the start of the cost-of-living increase [broadly considered to be around winter 2021]. The number of grants awarded for essential food has doubled from an already high previous year.'

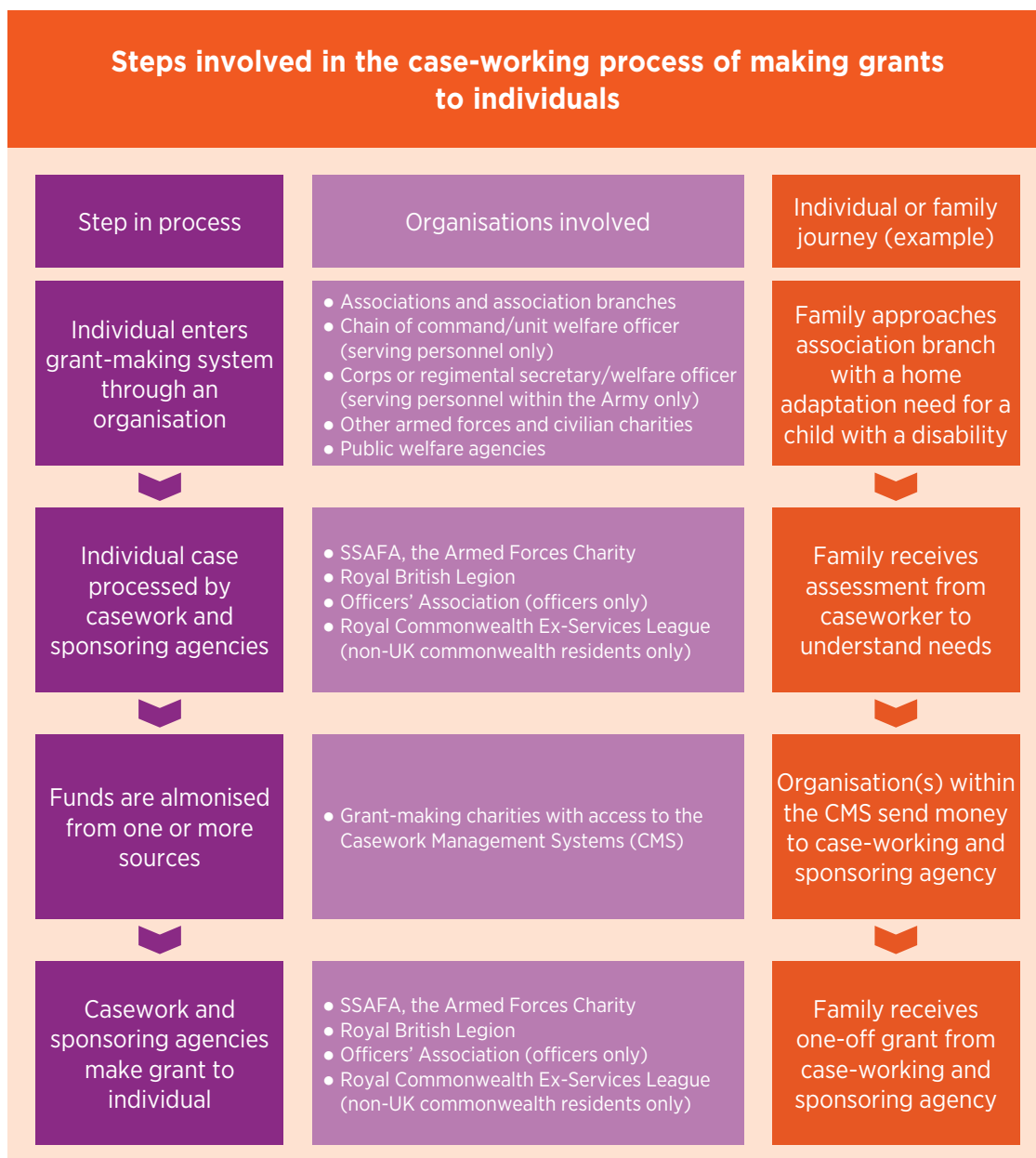
Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

6.4 HOW DO ARMED FORCES CHARITIES MAKE GRANTS TO INDIVIDUALS?

Section 6.3.1 revealed that 789 armed forces charities reported that they made grants to individuals (this number includes those that made grants to individuals only and those that made grants to individuals and organisations). However, as was highlighted in DSC's previous *Sector Insight* report, a highly co-ordinated network of organisations involved in making grants means that the formal assessment of need (known as casework) is undertaken by a relatively small number of charities. In addition, when an individual receives a grant, this money often comes from not one organisation but several, through a process known as almonisation (Cole et al., 2020, p. 154).

Although some grant-making charities do have their own internal approaches to the assessment of need and distribution of funds, casework and almonisation are therefore important processes in making grants that support individuals and families within the armed forces community. The flowchart in box 6.6 shows the key steps involved in the process of casework and almonisation. The flowchart also shows the organisations involved and gives an example of a family's journey through this system.

Box 6.6



Note: Adapted from Cole et al. (2020, p. 157).

In the first instance, an individual enters the grant-making system through an organisation. The organisation the individual approaches could be the sponsoring or case-working organisation itself (e.g. the Royal British Legion or SSAFA, the Armed Forces Charity). Alternatively, individuals may be referred to the case-working organisation by an external organisation.

Within the serving community, these organisations can include the corps or regimental secretaries or welfare officers (within the British Army specifically), or the chain of command or unit welfare officer (within the serving armed forces community more generally). For both

the serving and ex-Service community, other entry points can include associations or association branches and other armed forces charities and mainstream charities. Individuals may also be referred by public welfare agencies: for example, one organisation interviewed in DSC's previous research described how it was planning to engage with GPs to raise awareness that they and other funders in the charity sector can help to address some of the issues related to health (Howarth and Doherty, 2023, p. 66).

Once referred into the case-working system, an individual's case is processed by the case-working or sponsoring organisation. A key element in this process is the assessment of need. Caseworkers from two large charities – the Royal British Legion and SSAFA – are particularly important due to their large numbers of caseworkers, who assess the scale and nature of individuals' needs. This often involves direct contact (such as by phone, email and/or face to face) with the individual (Cole et al., 2020, p. 154).

It should be noted that this case-working and the assessment process can draw attention to needs beyond a single individual. Interviewees in DSC's previous research on funding for children and young people in armed forces families have highlighted how this process can capture the needs of a family, and better enable these needs to be met:

The [case management] system seems to work quite well from the family perspective, [as it gives] a holistic overview of their situation and [allows families to] reach out to lots of people for support through one mechanism.

We've done quite a lot of work with the case management system: often the children's needs aren't identified ... but we've managed to get it so that if there are children involved, we automatically get tagged in – we can then explore what might be impacting the children and what their needs are.

Interviewee in Howarth and Doherty (2023, p. 113)

Once an individual's needs have been fully assessed by the caseworker, the case-working organisation uses the Casework Management System (CMS) to almonise funds from potential funder(s): that is, to source funds from one or more charitable organisations that are part of the CMS. As illustrated in the quote below (reproduced from DSC's previous research), this process enables multiple organisations to contribute to different elements of an individual's – or, in this case, a family's – support needs:

We call it almonisation in the sector, which derives from the old giving of alms. Each family gets a package of support because we do the children's piece, and another charity will do the fridge-freezer, or this or that. There's a lot of good collaboration on the direct support to families [grants to individuals] – that works really well.

Interviewee in Howarth and Doherty (2023, p. 112)

However, as noted in DSC's previous *Sector Insight* report, additional research is needed to understand the effectiveness of the almonisation process, including how long it takes for applications to be processed and whether needs are being met effectively (Cole et al., 2020, p. 154).

Table 6.1 shows the total funds each case-working charity collected through the almonisation process (around £13.1 million) and the total value of funds distributed via grants to individuals (around £32.2 million), according to each case-working charity's most recent annual accounts. The case-working charities also directly contribute funds to top up the total funds distributed to the beneficiaries receiving grants through the almonisation process.

Table 6.1

Almonisation funds collected and distributed by case-working charities in their most recent financial year		
Case-working charity	Funds collected	Funds distributed
SSAFA, the Armed Forces Charity	£9,528,000	£19,438,000
Royal British Legion	£2,835,000	£10,850,000
Royal Commonwealth ex-Services League	£558,881	£1,302,059
Officers' Association	£164,000	£613,000
Total	£13,085,881	£32,203,059

Note: Figures are sourced from each charity's latest annual report, all of which were for the 2021/22 financial year.

The case study in box 6.7 presents insights from SSAFA, the Armed Forces Charity, which is the largest of the case-working charities shown in table 6.1. The case study includes insights around SSAFA's approach to case-working, the benefits of the approach, and impacts on case-working that arose due to the COVID-19 pandemic.

Box 6.7

Insights on almonisation and case-working: SSAFA, the Armed Forces Charity

SSAFA, the Armed Forces Charity, is the UK's oldest tri-Service military charity. It supports serving personnel, veterans and their families at times of need (SSAFA, 2023). As a case-working charity, SSAFA plays a key role in the almonisation process: SSAFA uses the Mosaic casework system, as do more than 120 partner organisations, to assist beneficiaries to seek financial and non-financial charitable support from other organisations. SSAFA has over 120 partner organisations within the Mosaic system, but it also works with numerous other organisations locally and nationally.

DSC spoke with SSAFA's Director of Volunteer Operations to understand better the benefits of almonisation and the role that SSAFA plays in the process.

What are the benefits of almonisation in the armed forces charity sector?

‘Almonisation enables beneficiaries to easily access financial support from a wide range of assistance providers through a single point of contact. Beneficiaries’ eligibility is checked by us as the case-working organisation, and their case for support is written and submitted by a trained caseworker. The caseworker also supports the beneficiary to collect the required information to inform the decision-making of the assistance provider (this can include gathering quotes from suppliers, proof of income or occupational therapist assessments).

‘The people SSAFA supports within the armed forces community may be considered vulnerable or lack the skills or knowledge of how to obtain the support that they need. The collaborative caseworker and almonisation process, which operates across the armed forces charity sector, makes the journey to getting help simpler.’

What does almonisation achieve that could not otherwise be achieved by organisations working alone?

‘Almonisation allows financial support to individuals to be shared across organisations, meaning that it is often easier to obtain funding for more expensive needs, such as home adaptations, housing support and care costs, without the burden falling solely on one charity. This means charities can support more people and have a greater impact.

‘Secondary to financial support, assistance providers and case-working organisations will also work together to support more holistic needs that come to light during the almonisation process. This collaborative approach reduces the need for the beneficiary to approach numerous different organisations to meet their needs and solve their issues.’

How many grants are distributed through SSAFA’s casework network in a typical year?

‘Between January 2019 and August 2023, SSAFA ... made more than 50,000 applications for support on behalf of beneficiaries. The number of applications dropped during and after the COVID-19 pandemic, but the number of applications has recently [as of August 2023] begun to rise again as the cost-of-living crisis impacts our community.’

What, if any, effect did the COVID-19 pandemic have on the casework system?

‘Fewer applications for assistance were coming through to case-working charities. Any casework that SSAFA did was, in the main, virtual. While [switching to virtual casework] enhanced our use of technology, our caseworkers were very keen to get back to meeting people face to face as they have found that it is the best way of building trust and rapport with those we support.’

Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

The case study in box 6.7 provides some insights around how case-working changed over the course of the COVID-19 pandemic, such as moving away from in-person (i.e. face-to-face) casework to more virtual modes of assessment and communication. Some of the challenges around case-working were highlighted by the respondents to DSC's biannual Cobseo Members' Survey, illustrative examples from which have been reproduced in box 6.8. For some grant-making charities, the COVID-19 pandemic brought about only minimal disruption. However, others highlighted that their charity had a high reliance on case-working charities and expressed concerns that the caseworkers they relied on could not operate as efficiently or had reduced capacity during this time. However, it should be noted that further research is needed in relation to individuals' and families' experiences with the casework system, particularly following the onset of the COVID-19 pandemic.

Box 6.8

Insights from the Cobseo Members' Survey: The grant-making process during the COVID-19 pandemic

Respondents highlighting minimal impact

As a grant-giving organisation, we have suffered no impact. [We are] quite capable of working from home or other sites.

Small charity, October 2020

—————

There is no significant change. We are a grant-making charity which delivers through unit staff and other Service-related charities, [such as] the Royal British Legion [and] SSAFA.

Medium charity, October 2020

—————

We are primarily a benevolent organisation giving grants to families and we have continued to deliver throughout COVID-19.

Medium charity, October 2020

—————

[Our] charity principally provides grants in aid through Service-related charities and their caseworkers, with occasional direct engagement for in-Service cases. Though there was a quiet period early in the COVID-19 restrictions, we saw a climb back to customary levels by the third quarter of the first year of COVID restrictions [i.e. 2020]. The general level of and background to cases presented remain familiar.

Small charity, May 2021

—————

Respondents highlighting greater impact

We are a grant-making charity, and so somewhat reactive to cases on CMS [the Casework Management System]. If CMS no longer reflects the real need due to caseworkers not operating, we need to be more proactive and actively seek out beneficiaries in need or distress. This would require substantial staff and systems investment.

Medium charity, October 2020

The challenges posed by COVID-19 are brought about more through the difficulty of individuals [accessing] us through our normal channels (i.e. SSAFA and TRBL [the Royal British Legion]). We have (using regimental links) developed a workaround to ensure those in need can receive regimental support without the normal rigour of SSAFA and TRBL casework.

Small charity, May 2020

There has been no impact on our ability [. . .] to deliver these services, but we are reliant on the caseworker system being provided for us by the Royal British Legion [and] SSAFA and there has been a substantial reduction in requests for assistance coming to us, which we are unable to explain.

Medium charity, May 2022

Where case-working organisations are involved, [the grant-making process] is increasingly difficult because of the restrictions in place and the predominant demographic and risk profile of the caseworkers themselves. Additionally, where welfare services rely on third-party support that, by necessity, centres on physical presence (i.e. visits), this is similarly very challenging.

Large charity, May 2020

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

6.5 WHAT IS THE ROLE OF COLLABORATION AMONG ARMED FORCES CHARITIES?

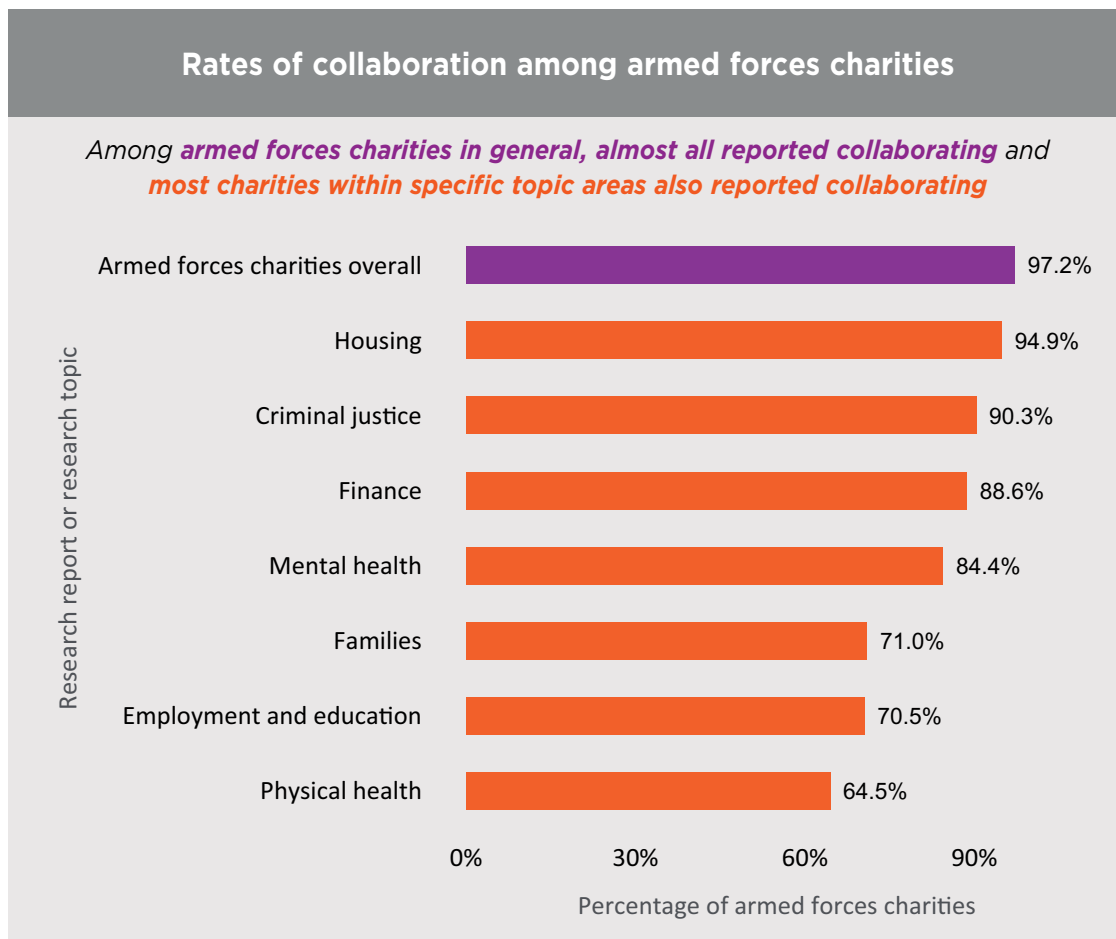
6.5.1 How prevalent is collaboration?

As noted in section 2.7, DSC has conducted several research projects on armed forces charities in the past. Each of these projects has investigated the extent of collaboration among armed forces charities. One investigated the extent of collaboration among armed

forces charities generally (DSC’s *Sector Insight* report, published in 2020) and the remaining investigations have been among armed forces charities that provide a particular topic of support (DSC’s *Focus On* reports, published between 2017 and 2021).

As shown in figure 6.9, DSC’s previous *Sector Insight* report found that almost all (97.2%) of armed forces charities reported one or more form of partnership or collaboration (Cole et al., 2020, p. 162). DSC’s *Focus On* reports (whose topics correspond with the orange bars in figure 6.9) also found high rates of collaboration. While collaboration was generally lower within these specific areas of provision, ranging from 64.5% for physical health support to 94.9% for housing support, the data provides clear evidence that collaboration is part of how most armed forces charities operate and deliver support to their beneficiaries.

Figure 6.9



Note: The data for armed forces charities overall is based on a survey of 106 armed forces charities conducted for *Sector Insight* 2020 (see Cole et al., 2020, p. 163). The data from DSC’s *Focus On* reports is based on a mix of survey data and supplementary data collection by DSC’s researchers – for more detail, see Cole et al. (2017), Doherty et al. (2017, 2018a, 2018b), Howarth et al. (2021a, 2021b) and Robson et al. (2019).

6.5.2 Which types of organisation are involved in collaboration?

DSC's previous *Sector Insight* report sheds light on the types of organisation involved in collaboration with armed forces charities. Figure 6.10 shows the percentages of respondents (N=106) to a survey carried out by DSC that collaborated with each of a range of different types of organisation (Cole et al., 2020).¹

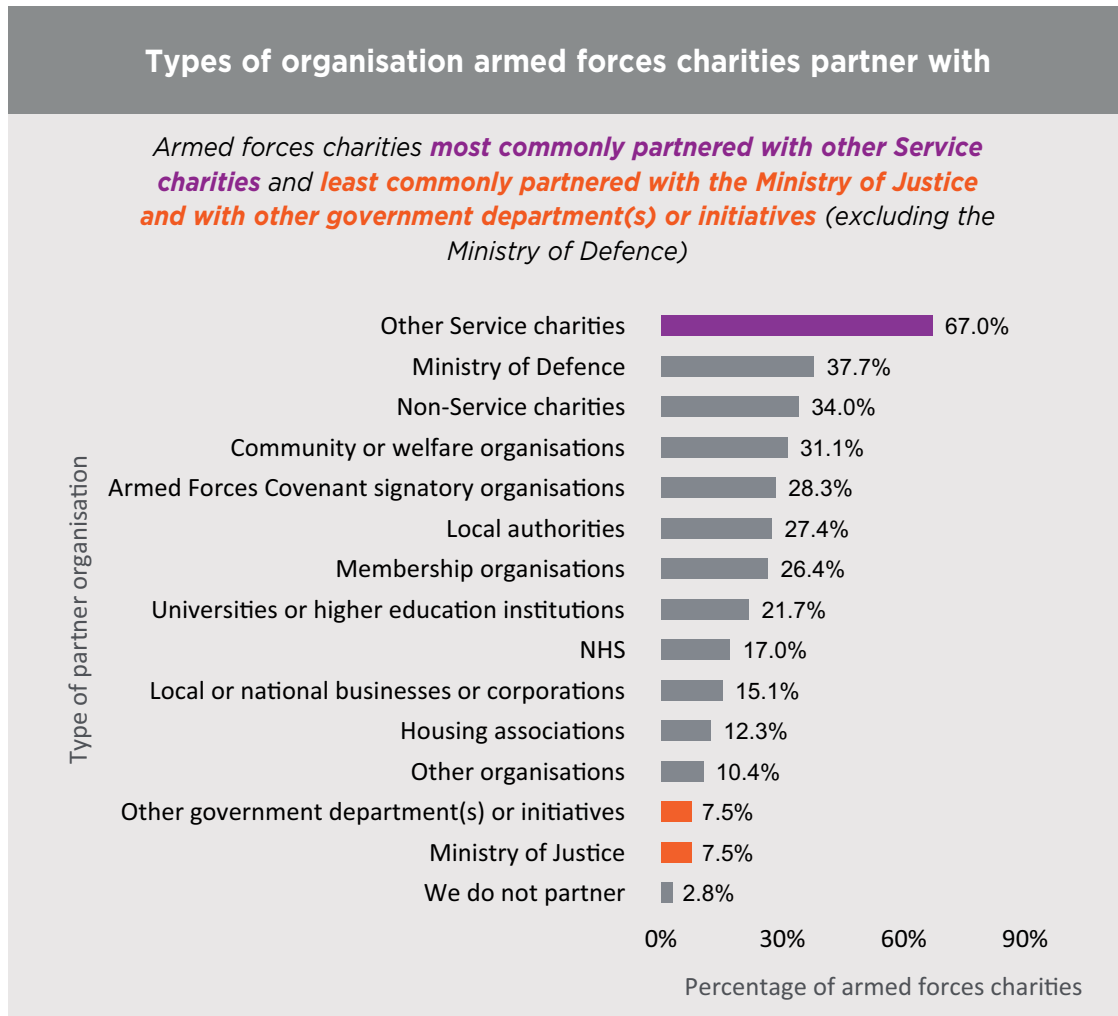
As shown in figure 6.10, DSC's *Sector Insight* report found that two-thirds (67.0%) of the armed forces charities that responded to DSC's survey partnered with other Service charities (i.e. other armed forces charities). The next most common partner was the Ministry of Defence (MOD), with which almost two-fifths (37.7%) of armed forces charities partnered, followed by non-Service (i.e. mainstream) charities, with which around a third (34.0%) partnered.

Still more than one-quarter of the respondents to DSC's survey reported that they partnered with community or welfare organisations (31.1%), Armed Forces Covenant signatory organisations (28.3%), local authorities (27.4%) or membership organisations (26.4%).

At the bottom of figure 6.10 in terms of prevalence are other government department(s) or initiatives, and the Ministry of Justice, which were the least common partners: just a small minority (7.5% each) of respondents engaged in partnerships with these organisations.

¹ DSC's *Focus On* reports also asked about the types of organisation that survey respondents partnered with. However, there were slight differences between each report with respect to the specific organisations included (as the relevant organisations varied from topic to topic). For reasons of space, these have not been included in this section, but the relevant details can be found in each publication (Cole et al., 2017; Doherty et al., 2017, 2018a, 2018b; Howarth et al. 2021a, 2021b; Robson et al., 2019).

Figure 6.10



Note: Based on a survey of 106 armed forces charities conducted for the previous edition of Sector Insight (see Cole et al., 2020, p. 163).

6.5.3 How do charities collaborate?

The almonisation process (explored in section 6.4) is a prominent example of armed forces charities engaging in collaboration in the context of grant-making. However, DSC’s previous research has illustrated that armed forces charities’ collaboration extends beyond grant-making. Indeed, as evidenced in figure 6.10, a significant proportion of armed forces charities partner with organisations outside the armed forces charity sector, such as the MOD, local authorities and mainstream charities.

Armed forces charities can establish formal and informal partnerships through a variety of mechanisms. Occasionally, armed forces charities that are working towards a shared objective or supporting the same beneficiary group come together to form working groups

known as alliances, coalitions, forums, networks or clusters. Box 6.9 provides an example of a working group, which often involves cross-sector collaboration, bringing together stakeholders from the charity sector, statutory organisations and academic institutions.

Box 6.9

An example of collaboration: Unforgotten Forces consortium

Unforgotten Forces is a government-funded consortium of charities and other organisations that work together to deliver high-quality and joined-up support that boosts the health and wellbeing of veterans in Scotland who are aged 60 or older. There are currently 17 member organisations, 12 of which have a specific focus on supporting veterans (Age UK, 2023).

The mix of partners gives Unforgotten Forces a unique depth of experience around improving the health, wellbeing and quality of life of the veterans it supports. The armed forces partners enhance their support by drawing on civilian charity specialisms: from arts engagement to later life advice to empowering older people to have a say in policies and decisions affecting them. Conversely, the civilian charities can identify older military veterans in the community and help them to access specialist support (Cole et al., 2020, p. 167).

The consortium's key strategic priority is fostering meaningful collaboration and enabling joined-up working by staff on the ground. The member organisations can refer beneficiaries to each other, and Unforgotten Forces recorded over 1,000 referrals among its partners in financial year 2022/23. This helps to ensure that older veterans receive tailored packages of support from across the partnership without having to retell their story to each service (Age UK, 2020, p. 2).

Between 2016 and 2020, Unforgotten Forces provided support to over 13,200 veterans (Age UK, 2020, p. 2). In early 2023 the Scottish government agreed a further three years of funding for the consortium, securing its future from April 2023 to March 2026 (Age UK, 2023).

Note: This example was chosen by DSC's researchers for illustrative purposes. Information was collated using the Charity Commission for England and Wales's and charity's websites, and detail obtained directly from the charity.

Cobseo (the Confederation of Service Charities) is a membership organisation that promotes the welfare of the armed forces community by providing a direct interface (on behalf of its membership) with other organisations. These organisations encompass the government (including local government and the devolved nations), statutory bodies, other third-sector organisations, businesses that support the armed forces community and the Royal Household (Cole et al., 2020).

As of September 2023, Cobseo had 325 full and associate members listed in its online membership directory, which includes armed forces charities, mainstream charities, and other organisations that provide welfare and other support to the armed forces community (Cobseo, 2023c). To enhance collaborative working and enable Cobseo member organisations that shared similar objectives to work together and solve problems across specific topics of support, the Cobseo clusters were formed in 2009 (Cobseo, 2023d). The case study in box 6.10 highlights the collaborative work of the Cobseo Female Veterans Cluster.

Box 6.10

Insights on collaboration: The Cobseo Female Veterans Cluster

Cobseo's clusters were formed in 2009 as part of Cobseo's collective desire to enhance collaborative working across different topics. The formation of the clusters also aimed to ensure that issues could be raised, solutions could be identified, and subsequent actions could be taken (or recommended to others outside Cobseo) in order to implement such solutions.

DSC spoke with the head of the Cobseo Female Veterans Cluster to understand better the work that the cluster carries out.

Can you tell us a little bit about the Female Veterans Cluster and the work that it does?

'The Cobseo Female Veterans Cluster was formed in 2018 when it became clear that there was a large community of female veterans who felt alienated from and unable to access veterans' support services provided by the charitable and statutory sectors. The cluster now consists of a small executive team, a steering group (comprising subject matter experts) and a stakeholder group of approximately 40 charities that have an interest in providing services for female veterans.

'Female veterans have long felt alienated and unrecognised for their service, whether during the Second World War or more recently. The terms and conditions that female serving personnel previously served under meant that they faced being discharged if they became pregnant or married, whereas now, women are able to join any arm or Service irrespective of their familial situation. This opening up of the Services to women has not always been supported by a change in culture. The culture within the armed forces has historically been toxic, and many women have served in an environment of normalised sexualised behaviours. This has resulted in women leaving the Services needing specialist support for a variety of issues including sexual trauma, debt, housing, employment, and specific and general health services.

'The cluster was fortunate to participate in the Anglia Ruskin [University] research project entitled "We Also Served" in 2019. Funded by NHS England, it

was the first research into female veterans, and it was able to establish their bespoke needs. This research was quickly followed up by the “Protecting Those Who Protect Us” research project, headed up by Sarah Atherton MP in 2021, which further highlighted a toxic culture and [how problematic] sexual behaviours [had been normalised] within the armed forces. The cluster has built its action plan on these pieces of research and [in 2023 was] awarded £300,000 for a three-year project to transform the charitable landscape for female veterans. One of the major outputs of this project will be a female veterans’ toolkit. This will be aimed at communicating best practice to the charitable sector.’

What are the strategic objectives of the Female Veterans Cluster?

‘The cluster’s objectives are to identify, progress and raise awareness of issues that are specific to female veterans and to improve the current levels of support for female veterans. The cluster also aims to ensure that veteran support services are appropriately tailored to meet the specific needs of female veterans and that the services themselves are inclusive in approach and are considered accessible by female veterans.’

Has being a member of the Cobseo Female Veterans Cluster enabled organisations to achieve anything that they otherwise wouldn’t have been able to?

‘The cluster has been able to shine a focused light on women – prior to the [formation of the] cluster, efforts to do so were disjointed or were not done at all. We have been able to get charities to think about the design and delivery of their services and ask themselves, “Are these services right for women as well as men?” In addition to the design and delivery of services, the way that charities present themselves and communicate with women veterans has been examined and called into question.’

Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

6.6 WHAT IS THE ROLE OF EVALUATION AMONG ARMED FORCES CHARITIES?

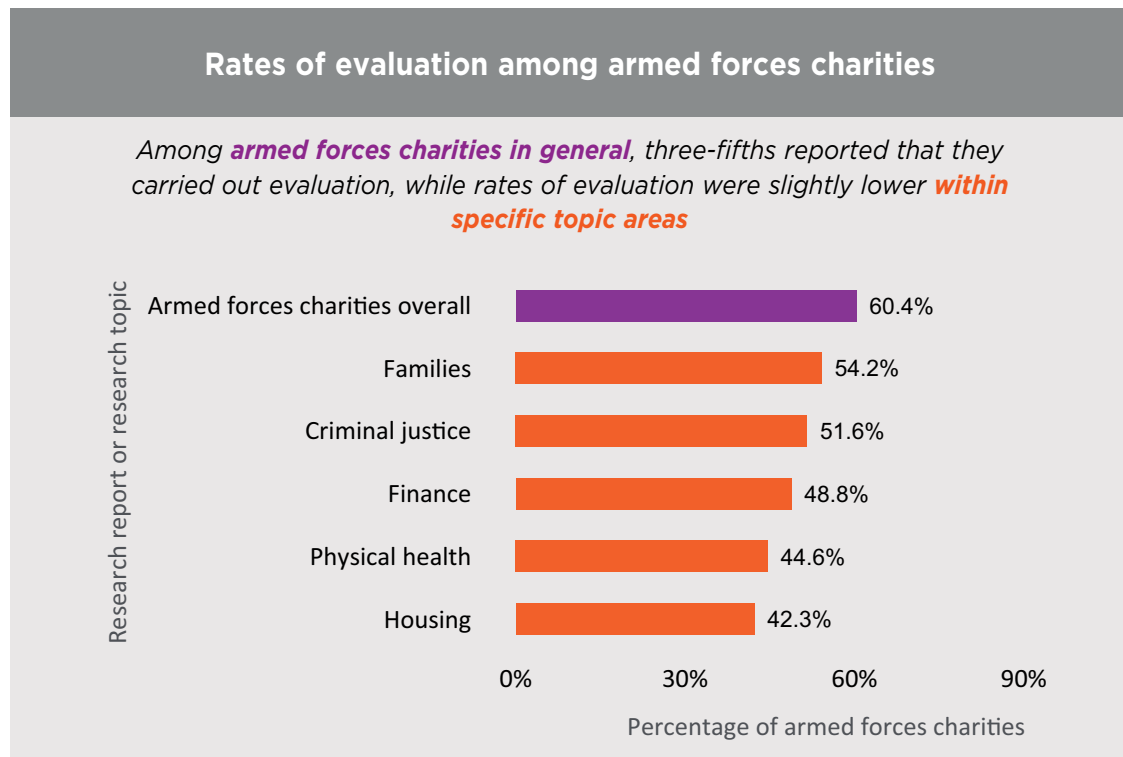
DSC uses the term ‘evaluation’ to describe the processes by which organisations measure and demonstrate the success of their funded projects. This can be carried out through formal methods, such as by collecting data on the relevant outcomes before and after a project to assess changes among the people who have participated in a programme. It can also include more informal methods, such as gathering feedback or testimonials from grantees (Howarth and Doherty, 2023).

As noted in section 2.7, DSC has conducted several research projects on armed forces charities in the past. Each of these projects has investigated the extent of evaluation carried

out by armed forces charities. One investigated the extent of evaluation carried out by armed forces charities generally (the previous edition of this *Sector Insight* report, published in 2020), and the remaining investigations have been among armed forces charities that provide a particular topic of support (DSC's *Focus On* reports, published between 2017 and 2021).

As shown in figure 6.11, DSC's 2020 *Sector Insight* report found that around three-fifths (60.4%) of armed forces charities carried out evaluation (Cole et al., 2020, p. 162). DSC's *Focus On* reports found more moderate rates of evaluation among charities focusing on specific topics of support, ranging from 42.3% for housing support to 54.2% for support for armed forces families. The data suggests that while a large proportion of armed forces charities carry out evaluation, there is significant scope to improve the extent of evaluation across the sector.

Figure 6.11



Note: The data for armed forces charities overall is based on a survey of 106 armed forces charities conducted for the previous edition of *Sector Insight* (see Cole et al., 2020, p. 163). The data from DSC's *Focus On* reports is based on a mix of survey data and supplementary data collection by DSC's researchers - for more detail, see Doherty et al. (2018a, 2018b), Howarth et al. (2021a, 2021b) and Robson et al. (2019). This data is unavailable for DSC's mental health (Cole et al., 2017) and education and employment (Doherty et al., 2017) reports.

To provide a more in-depth exploration of evaluation within the armed forces charity sector, DSC's researchers conducted an interview with a representative of the Armed Forces Covenant Fund Trust (AFCFT). The case study in box 6.11 provides insights from the AFCFT relating to the charity's approach to evaluation and the importance of undertaking evaluation.

Box 6.11

Insights on evaluation: Armed Forces Covenant Fund Trust

The Armed Forces Covenant Fund Trust (AFCFT) is a registered charity and non-departmental public body. It manages the Armed Forces Covenant Fund, worth £10 million each year, and other funds and grant programmes on behalf of departments such as the Office for Veterans' Affairs and the Ministry of Defence. Targeted grants and funding programmes support armed forces communities across the UK (AFCFT, 2023).

DSC's researchers spoke with the Head of Impact at the AFCFT to understand better how the organisation carries out evaluation across its substantial portfolio of funding programmes and projects.

To what extent do you evaluate your impact?

'All grant-holders are required to regularly report on their progress, successes and any challenges they have encountered with their funded projects as part of their grant-management process. Grant-holders also provide monitoring and evaluation data to inform wider programme evaluations, which take place routinely.'

'Some grant-holders conduct their own independent evaluations, which can feed into programme evaluations. Informal and proportionate monitoring and evaluation of funded projects takes place on a regular basis. The AFCFT provides resources and tools to grant-holders, including surveys and the Impact Hub (which securely records beneficiary data), to support evaluation at a project and programme level.'

What approaches or methods do you use when evaluating your impact?

'We use qualitative and quantitative methods and techniques including surveys, semi-structured interviews, progress reports, thematic analysis, content analyses and case studies.'

How do you report on your impact?

'We report impact through a range of different mediums, including annual reports, programme evaluation reports, board meetings, webinars, conferences, events, films, case studies, articles, news items, [our] website and social media. The Knowledge Network (an open-access data repository created by the AFCFT) also features impact- and outcome-based content about the programmes and projects that the AFCFT funds.'

More broadly, do you think it is important for organisations that give and/or receive funding to measure and report on their impact?

'Evaluation at all levels and stages is important for both accountability and learning. It is important to explain and provide evidence of where public money has been spent (in the case of the AFCFT) and what it has achieved. To improve future programmes, it is also important to learn which interventions work and why. Finally, it's important for funded organisations to demonstrate they can achieve results and provide value for money.'

Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

6.7 CHAPTER SUMMARY

6.7.1 What did this chapter aim to find out?

This chapter aimed to provide an overview of the grant-making processes within the armed forces charity sector. It also intended to give insights around the role of collaboration and evaluation among armed forces charities. Specifically, this chapter addressed the following research questions:

- What is the scope of grant-making by armed forces charities?
- Who are the recipients of grant-making by armed forces charities?
- How do armed forces charities make grants to individuals?
- What is the role of collaboration among armed forces charities?
- What is the role of evaluation among armed forces charities?

6.7.2 What were the key findings from this chapter?

What is the scope of grant-making by armed forces charities?

- DSC's researchers identified 1,007 grant-making armed forces charities, of which 802 were registered with CCEW, 175 were registered with OSCR, 8 were registered with CCNI and 22 were cross-border charities (registered with both CCEW and OSCR).
- When the data was split out by Service branch affiliation, fewer tri-Service armed forces charities made grants (48.1%) than Royal Navy (65.9%), RAF (63.1%) or British Army (62.3%) charities.
- When the data was split out by charity type, grant-making was most commonly reported among association branches (83.3%) and least commonly reported among heritage charities (19.2%).

- When the data was split out by charity size, grant-making was most commonly reported among micro charities (66.8%), which is important because the least is known about these charities' grant-making activities due to regulatory reporting requirements.

Who are the recipients of grant-making by armed forces charities?

- While it was most common (46.3%) for grant-making armed forces charities to report that they made grants to both individuals and organisations, the majority made grants to either individuals (32.1%) or organisations (20.7%) only.

How do armed forces charities make grants to individuals?

- Armed forces charities that make grants to individuals often do so through a centralised system for assessing needs (known as casework) and sourcing funds from multiple organisations (known as almonisation).
- Almonisation is led by a case-working organisation – the largest of which are the Royal British Legion and SSAFA, the Armed Forces Charity – which assesses the needs of each individual or family and combines funds from multiple organisations in the centralised CMS to make a grant. Altogether, case-working charities collected around £13.1 million through the almonisation process and distributed around £32.2 million via grants to individuals for the 2021/22 financial year.

What is the role of collaboration among armed forces charities?

- A survey of organisations in DSC's previous *Sector Insight* report (Cole et al., 2020) found that almost all (97.2%) armed forces charities reported one or more form of partnership or collaboration and that it was most common for armed forces charities to collaborate with other armed forces charities (67.0%).
- An in-depth example of collaboration was the Cobseo Female Veterans Cluster, which comprises both armed forces and mainstream charities and intends, through collaboration, to 'identify, progress and raise awareness of issues that are specific to female veterans and to improve the current levels of support for female veterans'.

What is the role of evaluation among armed forces charities?

- A survey of organisations in DSC's previous *Sector Insight* report (Cole et al., 2020) found that around three-fifths (60.4%) of armed forces charities carried out evaluation.
- An in-depth example of a charity that carries out evaluation was the AFCFT. This charity makes grants to organisations and provides tools and resources for its grant recipients to use to support evaluation. The AFCFT representative interviewed by DSC explained that the charity sees this approach as providing accountability in relation to spending and learning about what works and why.

CHAPTER SEVEN

Key insights from the research

7.1 INTRODUCTION

This chapter aims to bring together the key findings from throughout this report and to outline some perspectives on the challenges the armed forces charity sector may face in the near future. It aims to address the following questions:

- What are the key findings and conclusions from this research?
- What are the future challenges for the armed forces charity sector?

7.2 WHAT ARE THE KEY FINDINGS AND CONCLUSIONS FROM THIS RESEARCH?

7.2.1 The landscape of the armed forces charity sector

DSC's researchers identified around 1,700 armed forces charities, which made up less than 1% of all registered charities in the UK.

As of July 2023, there were 1,733 active armed forces charities operating in the UK. These are charities that meet DSC's definition of an armed forces charity: 'charities that are established specifically to support past and present members of the armed forces and their families' (Cole and Traynor, 2016, p. 24). Altogether, armed forces charities therefore represent a very small proportion (0.9%) of all registered charities in the UK.

Of these 1,733 armed forces charities, the vast majority (81.5%, N=1,412) were registered in England and Wales and a notable minority (13.8%, N=239) were registered in Scotland. Smaller numbers were registered in Northern Ireland (2.3%, N=40) or both England and Wales and Scotland (2.4%, N=42).

There are various types of armed forces charity, but welfare charities, which aim to provide relief in need to the armed forces community, were found to be most common.

Using information from the charity regulators, annual reports and accounts, and charities' websites, DSC's researchers classified armed forces charities into distinct types. Each type is defined by its objectives and activities.

Welfare charities – which provide relief in need, such as around healthcare and rehabilitation, housing, or education and employment – were the most common, accounting for more than one-quarter (28.7%) of armed forces charities. However, association branches followed closely behind, also accounting for more than one-quarter (27.7%) of armed forces charities; these charities aim to foster esprit de corps and comradeship among eligible serving and ex-Service personnel (e.g. those connected to a branch of the armed forces or even a particular regiment).

While slightly less common, heritage charities made up around one-fifth (19.8%) of armed forces charities. Heritage charities do not directly serve the armed forces community but instead aim to advance education and knowledge through the curation and conservation of artefacts, memorials, knowledge and the traditions of the armed forces. Meanwhile, Service funds made up 14.1% of armed forces charities; these are focused on promoting the efficiency of the armed forces through the provision of facilities, services and grants to improve the morale and the social and physical wellbeing of active serving personnel and their families.

The least common types of armed forces charity were associations (which aim to foster esprit de corps and comradeship through gatherings and other membership activities, including through the association branches described above) and mixed-type charities (which have a combination of different aims). Each of these two charity types made up 4.7% of the armed forces charity sector.

Most armed forces charities could support beneficiaries associated with one specific branch of the armed forces, but tri-Service support was the most common.

Around one-third (34.3%) of armed forces charities provided tri-Service support, meaning they could support members of the armed forces community associated with the Royal Navy, the British Army or the Royal Air Force (RAF). However, single-Service armed forces charities made up the clear majority of the sector overall. These charities could support beneficiaries from the British Army (31.6%), the Royal Navy (20.9%) or the RAF (13.2%). It is important to note that these charities may also be more specifically affiliated with a particular unit, type of work or location.

Charity type and Service branch affiliation overlap to create more distinct pockets of the armed forces charity sector defined by activity and beneficiary group, respectively.

The single largest overlap between charity type (which describes armed forces charities' aims and activities) and Service branch affiliation (which broadly describes charities' beneficiary group) was welfare charities that offer tri-Service support (19.7% of all armed forces charities). The next largest group was RAF association branches (11.8%). All other overlaps accounted for less than 10% of armed forces charities. Even at this broad level, the data suggests relatively few armed forces charities operate with both similar activities and similar groups of beneficiaries.

It was most common for armed forces charities to report operating within one or more local authority area, with this trend largely being driven by local association branches.

More than half (54.5%) of armed forces charities reported that they operated within one or more specific local authority area. DSC's researchers identified these charities as being locally focused. Locally focused charities were notably more likely to be association branches (88.3% of which were locally focused) than any other charity type (59.0% of heritage charities were locally focused, making them the next highest type).

The five highest numbers of locally focused charities were found in Hampshire (which had 56 locally focused armed forces charities), Kent (which had 52), Wiltshire (which had 39), Essex (which had 36) and Lincolnshire (which had 34). These areas broadly reflect where the 2021 Census – for the first time – revealed the highest proportions of ex-Service personnel (relative to the local population) to be living. For example, the county of Hampshire is home to three of the ten local authorities with the highest proportions of ex-Service personnel (Gosport, Fareham and Havant), as is the county of Lincolnshire (North Kesteven, South Kesteven and West Lindsey). Additionally, four of the five mentioned counties are in the South East and South West of England, where the majority of serving personnel are located.

Nevertheless, many armed forces charities operated either throughout the UK (10.4% of all armed forces charities) or at a national level within one or more of the UK nations of England, Wales, Scotland and Northern Ireland (33.2%). These charities were most likely to be mixed-type charities (63.0% of mixed-type charities operated within one or more UK nation and 14.8% operated throughout the UK) or welfare charities (46.8% of welfare charities operated within one or more UK nation and 21.1% operated throughout the UK). This was followed by associations (45.1% of associations operated within one or more UK nation and 17.1% operated throughout the UK).

7.2.2 Financial overview of the armed forces charity sector

According to the most recent annual data for each armed forces charity, the sector generated around £1 billion in income and expenditure.

DSC's researchers analysed the most recently available financial data submitted to the charity regulators by armed forces charities (available for 1,646 charities).¹ Altogether, the sector's combined income was approximately £1.03 billion, while the sector's combined expenditure was approximately £1 billion.

When the data was split out by Service branch affiliation, around two-thirds (67.5%) of the armed forces charity sector's total income was generated by tri-Service charities, amounting to £698.3 million. The remaining income was split between British Army charities (£140.4 million, 13.6% of the total), Royal Navy charities (£120.3 million, 11.6% of the total) and RAF charities (£75.9 million, 7.3% of the total).

When the data was split out by charity type, more than two-thirds (71.7%) of the armed forces charity sector's total income was generated by welfare charities, amounting to £741.9 million. Most of the remaining income was generated by heritage charities (£114.7 million, or 11.1% of the total) and Service funds (£84.1 million, or 8.1% of the total).

¹ DSC's researchers analysed data from armed forces charities' most recent financial years, most of which ended in 2022 (67.7%, N=1,114) or 2021 (27.9%, N=459).

Enhanced data on where income came from and what it was spent on was available for only a minority (N=159) of armed forces charities. But these financially larger charities accounted for the majority of the sector's total income (90.0%) and are therefore an important subgroup. The single largest source of income in the armed forces charity sector was donations and/or legacies (44.2% of total income), followed by income from charitable activities (33.6% of total income).

While the overwhelming majority (84.3%) of armed forces charities relied on just one source of income for at least half of their total income, this was lower than has been reported for the charity sector more broadly (95%; McDonnell, Mohan and Duggan, n.d., p. 4). This was most commonly income from donations and/or legacies: 47.7% of armed forces charities with a major or dominant income stream relied mostly on donations and/or legacies, followed by income from charitable activities (32.8% of major or dominant income streams).

A small number of financially large armed forces charities accounted for the vast majority of the sector's total income, while the typical armed forces charity's income was quite small.

When the data was split out by charity size, a small number (N=25) of financially major charities (which had annual incomes of over £10 million) generated £653.6 million. This equates to just under two-thirds (63.2%) of the sector's total income, despite these charities making up only 1.5% of armed forces charities. Mirroring this, micro charities (which had annual incomes under £10,000) accounted for 45.6% (N=750) of the total number of armed forces charities but made up only 0.2% (£2 million in total) of the sector's total income.

Meanwhile, the median average annual income (which can be broadly interpreted as the income of the typical armed forces charity) was around £15,100. This is very different to the mean average income, which was around £625,800 and can broadly be interpreted as the income of each armed forces charity if the sector's total income were divided completely evenly. This difference arises from the fact that there are many small armed forces charities and very few large armed forces charities. In fact, three-quarters of armed forces charities have annual incomes of £113,100 or less.

Armed forces charities' reserves could typically cover up to around eight months of expenditure.

Reserves are part of a charity's financial 'gearing' - specifically, they act as a buffer or degree of protection against unexpected financial changes, or they enable a charity to save funds which it can then apply to planned projects. This is important for charities' financial resilience, for potential funders' and creditors' confidence in their financial management, and of course for compliance with the expectations of the regulatory bodies (NCVO, 2022).

This report found that half of all armed forces charities could cover up to 8.2 months of expenditure with their reserves, while half could cover more than this. The corresponding figure for cash assets - the more liquid element of charities' reserves - was 4.8 months. However, it is important to note that there is no single level of reserves that is desirable for all charities (CCEW, 2023). Trustees are therefore responsible for developing a reserves policy, which might consider key factors such as the certainty of income streams and the flexibility of expenditure streams (Sayer Vincent, 2015, p. 14).

7.2.3 The changing armed forces charity sector

The number of armed forces charities has fallen over the past decade or so, with there being around 10% fewer armed forces charities in 2023 than in 2012.

Between 2012 and 2017, the number of armed forces charities opening was similar to the number of charities closing. As such, the total number of armed forces charities fluctuated somewhat but remained relatively constant (it was 1,917 in both 2012 and 2017). Since 2017, armed forces charity closures have outpaced openings, meaning that the total number of armed forces charities has fallen, reaching 1,733 as of July 2023. In contrast, the charity sector more broadly has seen an overall growth of 2.6% in the number of organisations from financial year 2011/12 to financial year 2020/21 (Tabassum and Fern, 2023a).

The number of armed forces charities did not fall uniformly, resulting in a shifting landscape of armed forces charities.

When the data is broken down by charity type, the most dramatic change over time emerged in relation to association branches. While there were 763 association branches in 2012, there were only 480 in 2023 (a decline of 37.1%). However, this has in part been due to the merging of some association branches with their respective overarching associations. At the same time, the numbers of welfare charities and heritage charities increased overall (by 12.4% each). Meanwhile, Service funds became slightly more numerous (an increase of 6.6%) and similarly small changes were seen in the numbers of associations (a decline of 5.7%) and mixed-type charities (a decline of 5.8%). Despite increasing in number the most overall, welfare charities showed the most volatility in terms of openings and closures.

When the data is broken down by Service branch affiliation, there was a reduction in the number of charities in each of the three single-Service affiliations. Compared to 2012, in 2023 there were fewer RAF charities (a decline of 21.9%), Royal Navy charities (a decline of 21.8%) and British Army charities (a decline of 7.8%). In contrast, the number of tri-Service charities actually increased overall (by 4.6%). Moreover, despite having the smallest change overall, tri-Service charities were the most volatile in terms of openings and closures.

While the number of armed forces charities fell over the course of the COVID-19 pandemic, there has been no cliff edge in closures.

Within the armed forces charity sector, between 2020 and 2023, the number of charity closures consistently outstripped the number of charity openings. This contrasts with the picture for the sector overall, where charity openings were consistently higher (Chan et al., 2022). However, the percentage of armed forces charities closing in each year did not rise during the COVID-19 pandemic; in fact, the annual rate of closure was lower during 2020–22 (between 3.2% and 3.9%) than during the three-year period immediately prior (2017–19, between 4.5% and 5.0%).

However, it is possible to see some changes in the parts of the armed forces charity sector experiencing closures when the periods before and after the onset of the COVID-19 pandemic are compared.

DSC's researchers found that 19.2% of the RAF charities that were active in 2019 had since closed. This was almost double the rate seen among Royal Navy, British Army and tri-Service charities. Analysis of the rates of closure within each Service branch affiliation over the past decade showed that the elevated likelihood of closure among RAF charities was a new development: the rate of closure among RAF charities has been on a general upward trajectory over time, moving in the opposite direction to the trends for British Army, Royal Navy and tri-Service charities since 2019.

Meanwhile, 16.8% of the association branches that were active in 2019 had since closed. This was in line with the trend for most of the decade prior to the publication of this report, as association branches were also generally the most likely to close prior to the onset of the COVID-19 pandemic. A relatively new development was the generally higher rate of closure seen after 2019 among Service funds, which had been on a general upward trajectory in closures since 2016.

There was a clear fall in the armed forces charity sector's real income and expenditure following the onset of the COVID-19 pandemic.

Despite an upwards trend in the total value of the armed forces charity sector's income and expenditure between 2012 and 2019, there was a sharp fall in 2020. The armed forces charity sector's real income (in 2015 prices, after adjusting for inflation) fell from £1.06 billion in 2019 to £0.82 billion in 2020 (a fall of 22.6%). Meanwhile, expenditure fell but not as quickly, decreasing from £1.00 billion in 2019 to £0.92 billion in 2020 (a fall of 8.0%). The fall in income among armed forces charities was notably larger than the 6% fall between 2019/20 and 2020/21 seen in the charity sector more broadly (Tabassum and Fern, 2023a).

Because income fell more quickly than expenditure, the armed forces charity sector's expenditure was 11.4% more than its income in 2020, higher than in any year analysed (since 2012). This excess of expenditure over income was reflected in a decline in the total value of armed forces charities' cash assets – the most liquid element of charities reserves. The value of cash assets relative to 2017 remained almost unchanged in 2018, but it dropped to 89.2% in 2019 and then again to 81.2% in 2020. This suggests the sector responded to the onset of the COVID-19 pandemic by using liquid reserves to either maintain or increase support despite an overall fall in income.

The armed forces charity sector had fewer volunteers and employees in 2021 than in previous years.

Relative to 2017 (the earliest date for which DSC's researchers had complete data), the number of volunteers increased in 2018 (by 0.4%) and 2019 (by 5.3%). In 2020, there was a sharp drop: the number of volunteers was only 66.5% of what it had been in 2017. The number fell slightly further again in 2021, when it was only 57.9% of what it had been in 2017. The biggest driver of this change was seen within just one armed forces charity, which accounted for most of the sector's volunteers. Outside this charity, the total number of volunteers actually continued to rise in 2020 (when there were 29.9% more volunteers than

in 2017) before dropping sharply in 2021 (when there were 5.1% fewer volunteers than in 2017). These findings broadly align with those for the charity sector more broadly, where the formal volunteering rate is reported to have ‘dropped sharply’ following the onset of the COVID-19 pandemic (Tabassum and Fern, 2023a).

In terms of employees, relative to 2017 (the earliest date for which DSC’s researchers had complete data), the total number of people employed in armed forces charities increased consistently between 2017 and 2020: there were 6.1% more employees in 2020 than in 2017. However, the number of employees fell by around 9.1% between 2020 and 2021. As a result, the workforce was smaller in 2021 than in each of the previous years, representing just 96.4% of the size it had been in 2017. These findings contrast with those for the broader charity sector, where the number of employees did not fall until 2023 and still remained above what it had been in 2017 (Tabassum and Fern, 2023a).

7.2.4 Armed forces charities’ financial journeys

A clear majority of armed forces charities experienced negative growth in real income at the onset of the COVID-19 pandemic, which was notably higher than in previous years.

Looking at the past decade overall, it has been typical for around equal proportions of armed forces charities to experience either year-to-year decreases in income or year-to-year increases (while other charities stayed about the same). Between 2012 and 2019, the annual percentage of armed forces charities that saw a decrease in their income varied between 45.0% at the lowest (in 2015) and 47.5% at the highest (in 2013). The picture was notably different following the onset of the COVID-19 pandemic: in 2020, close to two-thirds (62.5%) of armed forces charities had less income than they had had in 2019. Moreover, 59.2% of armed forces charities had less income in 2021 than they had had in 2020.

In terms of the magnitude of these changes, DSC’s researchers analysed the distribution of year-to-year changes over time, extending previous research on the charity sector more broadly (Clifford et al., n.d.). Prior to the onset of the COVID-19 pandemic, the (median) average annual change was close to zero, but this fell sharply (to –16.9%) in 2020. As in the charity sector more broadly, the average change in income in 2020 was therefore ‘highly distinctive’ (Clifford et al., n.d., p. 7). This negative shift was also observed further out in the distribution, with the top quarter of charities in this year seeing positive income growth of only at least 6.0% (lower than in any other year analysed) and the bottom quarter in this year seeing negative income growth of at least –54.1% (also lower than in any other year analysed).

While the provisional data for 2022 suggests a positive turn for armed forces charities’ incomes, this has not been sufficient to offset the cumulative impact of the prior two years.

At the time of collection, the data for 2022 was less complete than for previous years. This limited data suggests a positive turn: in 2022, 54.1% of armed forces charities had more income than they had had in 2021. The average change in income between 2021 and 2022 was positive growth of 6.0% – and the top quarter of charities in this year experienced

positive growth of at least 69.6%. However, the bottom quarter in this year still saw negative growth of at least –22.1%.

Despite this general shift in direction between 2021 and 2022, the cumulative change in income from 2019 to 2022 was, overall, generally negative. Just over two-thirds (68.8%) of the armed forces charities for which data was available had less income in 2022 than in 2019. On average, the growth of armed forces charities' incomes was –26.2% between 2019 and 2022. Moreover, while the top quarter of armed forces charities had overall positive growth of at least 7.0% between 2019 and 2022, the bottom quarter had overall growth of at least –57.4%. This illustrates how varied armed forces charities' experiences were over the first three years of the COVID-19 pandemic.

7.2.5 Grant-making, collaboration and evaluation

Around 1,000 armed forces charities state that they make grants, and some armed forces charities are more likely to make grants than others.

DSC's researchers used self-reported data on grant-making to identify a total of 1,007 grant-making armed forces charities. This equates to almost three-fifths (58.1%) of the total armed forces charity sector (N=1,733 at the time of writing).

DSC's analysis revealed that, when the data was split out by Service branch affiliation, fewer tri-Service armed forces charities (48.1%) made grants than Royal Navy (65.9%), RAF (63.1%) or British Army (62.3%) charities. Meanwhile, when the data was split out by charity type, grant-making was most commonly reported among association branches (83.3%) and least commonly reported among heritage charities (19.2%).

When the data was split out by charity size, a greater proportion of micro armed forces charities (66.8%) reported that they made grants than the larger financial size categories; the next highest proportion was among small armed forces charities (56.8%). This is an interesting finding because less is known about whether micro charities do make grants in practice than about whether their larger counterparts do (because of the requirements set out by the Charity Commission for England and Wales).

Collaboration is very common among armed forces charities, and this collaboration tends to be within the armed forces charity sector.

DSC's previous research has explored the extent of collaboration among armed forces charities overall (DSC's previous *Sector Insight* report) and among armed forces charities that provide specific areas of provision (DSC's *Focus On* reports). For the first time, this report brought together this body of research. This showed consistently high rates of collaboration, though this was somewhat higher among armed forces charities overall (97.2%) than within specific areas of provision (which ranged between 64.5% for physical health support to 94.9% for housing support).

Data for the sector overall also showed that two-thirds (67.0%) of the armed forces charities that responded to DSC's survey partnered with other armed forces charities (the next most-common partner was the Ministry of Defence, reported by 37.7% of armed forces charities). Meanwhile, only 34.0% of armed forces charities reported that they partnered with other

charities outside the armed forces charity sector. An example of a collaboration that includes both armed forces and mainstream charities is the Cobseo Female Veterans Cluster. DSC's researchers interviewed a representative of the Cobseo Female Veterans Cluster, who explained that this collaborative endeavour has brought together a range of organisations to 'identify, progress and raise awareness of issues that are specific to female veterans and to improve the current levels of support for female veterans' - for example, by creating a female veterans' toolkit to communicate best practice to charities.

While many armed forces charities evaluate their work, there is significant scope to make this more common across the armed forces charity sector.

DSC uses the term 'evaluation' to describe the processes by which organisations measure and demonstrate the success of their funded projects. As for the topic of collaboration outlined above, DSC's previous research has explored the extent of evaluation among armed forces charities overall (DSC's previous *Sector Insight* report) and among armed forces charities that provide specific areas of provision (DSC's *Focus On* reports). For the first time, this report brought together this body of research.

Among armed forces charities overall, around three-fifths (60.4%) of armed forces charities carried out evaluation; rates of evaluation among charities focusing on specific topics of support were more moderate (ranging from 42.3% for housing support to 54.2% for support for armed forces families). The data suggests there is significant scope to increase the extent of collaboration across the sector.

An in-depth example of a charity that carries out evaluation was the Armed Forces Covenant Fund Trust (AFCFT). This charity makes grants to organisations and provides tools and resources for its grant recipients to use to support evaluation. The AFCFT representative interviewed by DSC explained that the charity sees this approach as providing accountability in relation to spending and learning about what works and why.

7.3 WHAT ARE THE FUTURE CHALLENGES FOR THE ARMED FORCES CHARITY SECTOR?

As outlined in section 1.6, armed forces charities and their beneficiaries have faced unprecedented external pressures in recent years, including from the COVID-19 pandemic and the rising cost of living. Looking to the future, in July 2023, DSC's researchers asked representatives from several armed forces charities (those included in DSC's series of interviews; see 'Methodology' on page xxvi) about the coming year, though some responses refer to longer-term challenges. The interviewees were asked what they thought the greatest concerns for armed forces charities were. An illustrative selection of the concerns raised by the respondents has been reproduced in box 7.1.

Box 7.1

Insights from interviewees: Greatest concerns for the armed forces charity sector over the next year

Sustainability (in terms of fundraising) and reaching out to the minority communities are major concerns. These communities include women, LGBT+ [people], and race and faith groups. A bad experience during Service can result in a reluctance to engage with armed forces charities. Therefore, armed forces charities must focus on inclusivity as one of their main aims.

Representative of the Cobseo Female Veterans Cluster

The greatest concern is an increase in the demand for charitable support coinciding with a tighter fundraising environment, both of which are caused by financial pressures (i.e. on beneficiaries and on the organisations that support them).

Representative of Blesma

Adaptation of services to a changing beneficiary demographic is key. There will be some 40% fewer elderly veterans as a proportion of all veterans in the UK, which is due to the demise of ... Second World War and National Service veterans. Supporting younger veterans to live well and contribute to society will likely become the focus of the armed forces charity sector. There is a question about whether we need as many veteran-focused charities as we currently have. In addition, changing donor demographics and perspectives, economic challenges and third-sector competition cannot be overlooked either. There is a possibility that younger donors will not wish to think about war and will not appreciate the value of the armed forces when there is so much unmet need across civil society.

Representative of Erskine

The greatest concerns for the armed forces community and the organisations that support [members of the armed forces community] include the cost-of-living crisis, which has an effect on the quality of life of the beneficiaries and the ability to deliver services for them, and mental health and wellbeing.

Representative of the Armed Forces Covenant Fund Trust

There are a couple of key concerns. [The first concerns] fundraising and sustainability: as the number of people (within both the armed forces and civilian communities) who have an understanding of Service life decreases, people may be less willing to contribute to fund armed forces charities. While the NHS did an amazing job during the COVID-19 pandemic, the armed forces mounted the largest peacetime operation in 50 years in support – but I'm not sure this is recognised by the public. Second, in terms of policy influencing, it is key that the evidence of the real lived experience of armed forces families is recognised in policy development to ensure that the priority issues for this community are

addressed. While there are initiatives such as the MOD [Ministry of Defence] Families Strategy [i.e. the UK Armed Forces Families Strategy: 2022–32; see table 1.3], these can act as more of a collation of the work already existing, rather than a drive to identify new or emerging issues.

Representative of the Army Families Federation

Charities that rely on membership or subscriptions as heavily as we do face the challenge of retaining and attracting new members to ensure that they maintain their income stream. Since the COVID-19 pandemic, we are finding that many veterans are not as active in the community as they used to be or looking for face-to-face contact at branches and clubs. This is definitely a longer-term challenge – how people socialise has changed and we see less inclination to join up and attend meetings and events. Veterans are [now] able to seek contact and camaraderie through more online remote methods such as social media [and] Zoom.

Funding is also a major concern in the sector. With increased demands on all of our services and income being stretched, finding funding to keep our support service and membership services going is a challenge. More charities are requiring financial support, and everyone is fighting for the same money.

Representative of Legion Scotland

The greatest concern is around how we support our community through the ongoing cost-of-living crisis. Looking at our beneficiary demographic, our beneficiaries are getting younger and are coming to us with more complex ... needs. Being able to appropriately support them while we are dealing with resourcing and financial pressures is the greatest concern.

Representative of SSAFA, the Armed Forces Charity

Over the winter we are concerned about the energy costs again, and then the impact of interest rates once people's fixed terms end.

Representative of the Royal British Legion

One of the main concerns of the benevolent charities will, of course, be the ability to generate the funds to cope with the increased demands on their support, and the impact of inflation on beneficiaries.

Representative of the RAF Families Federation

Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

The respondents to DSC's Cobseo Members' Survey provided their opinions on what they thought the biggest challenges were for their charities over the next six months. Box 7.2 reproduces a selection of responses from the 2022 survey waves (although the responses are from 2022, the themes raised are likely to still apply).² These responses include references to increased beneficiary demand, attracting and retaining staff and volunteers, securing and sustaining funding, and pressures arising from the external economic environment.

² This question was not asked in DSC's most recent (June 2023) wave of the questionnaire.

Box 7.2

Insights from the Cobseo Members' Survey: Future challenges in the next six months

Beneficiary numbers continue to rise.

Medium charity, November 2022

Overwhelming number of complex cases presenting.

Medium charity, November 2022

Staffing, in order to meet service demands.

Medium charity, May 2022

Loss of experienced staff.

Small charity, November 2022

Hiring, retaining and paying qualified staff.

Large charity, November 2022

Volunteers [are] not forthcoming.

Small charity, November 2022

Generating sustainable income for existing programme costs and core costs.

Medium charity, May 2022

The ability to raise funds.

Small charity, November 2022

A long-term global financial crash.

Medium charity, May 2022

Unrestrained inflation causing [an] upsurge in beneficiary need while concurrently driving down income and raising overhead costs.

Medium charity, May 2022

Impact of the cost-of-living crisis on inflation and income.

Large charity, May 2022

Return of the COVID-19 pandemic.

Medium charity, May 2022

Clients' cost of living.

Small charity, November 2022

Note: Quotes are for illustrative purposes only and the views expressed by respondents are not endorsed by DSC. Financial size is as reported by the respondent at the time of survey completion and differs from elsewhere in this report: small (annual income under £750,000), medium (annual income between £750,000 and £10 million) and large (annual income over £10 million).

The interviewees involved in this research were also asked (in July 2023) what they thought the greatest opportunities for armed forces charities were. Box 7.3 reproduces an illustrative selection of the opportunities raised by the respondents.

Box 7.3

Insights from interviewees:

Greatest opportunities for the armed forces charity sector over the next year

The greatest opportunity is for the charitable sector to recognise the bespoke needs of these minority communities [women, LGBT+ people, and race and faith groups] and ensure that minority communities are included in the design and delivery of their support services.

Representative of the Cobseo Female Veterans Cluster

The armed forces charity sector has an opportunity to show that its support for our serving and ex-Service communities is a full-time and lifelong commitment. The sector is becoming more joined up, with better collaboration and a clear commitment (in particular from the Office for Veterans' Affairs) to improve support for the armed forces community.

Representative of Blesma

There is an opportunity for some meaningful collaboration. With an election due in the next year, charities could highlight the evidence and real need and priorities to those who might form the next government.

Representative of the Army Families Federation

Opportunities lie in collaboration – charities and organisations working together to ensure the best possible support for veterans and their families. The more that we can reduce the duplication of services and the dilution of the available funding by collaborating and co-ordinating our services and support, the better off our veterans in Scotland will be.

Representative of Legion Scotland

Our greatest opportunity [is that] we can collaborate and work together as a sector in ways that we haven't in the past.

Representative of SSAFA, the Armed Forces Charity

The greatest opportunity for benevolent charities is to link their policy work with manifesto developments for the next general election to influence for a more positive future support environment.

Representative of the RAF Families Federation

Note: Unless referenced otherwise, the information in this case study was informed by email interviews with representatives from the organisation.

7.4 THE LAST WORD

The past few years have been a turbulent period for many charities, the armed forces charity sector included. Armed forces charities have adapted to a rapidly changing environment, particularly during the COVID-19 pandemic and onwards into the cost-of-living crisis, responding to changing needs within the community they support as well as to the financial effects of these external challenges.

This research has shown that, overall, there have been significant financial impacts on charities over the past few years. In the context of the past decade, the onset of the COVID-19 pandemic was associated with unprecedentedly widespread negative impacts on income. Yet, most armed forces charities have been resilient to these, with the result being that there has been no cliff edge in charity closures; while the size of the sector has fallen, this has been a continuation of previous trends – and the rate of closures actually fell during 2020–22.

Nevertheless, there remain challenges and opportunities for armed forces charities. Reflecting the charity sector more broadly, armed forces charities face challenges including

around recruiting and retaining staff and volunteers, evolving and increasing need among the people they support, and continued strains on income and upward pressures on expenditure. On the other hand, collaboration is one of the opportunities for armed forces charities to be resilient to future challenges; it may enhance the support provided to the armed forces community as well as the efficiency of service delivery.

Moving forward, there is also a need for further research on and with armed forces charities. As newer data becomes available, it will be important to continue monitoring the armed forces charity sector – and to revisit some of the analyses in this report when a more complete picture of recent changes becomes available. This is particularly so in light of the potential challenges ahead, as highlighted by armed forces charities themselves. To shed more light on how far changes in the landscape of the armed forces charity sector are distinct or shared, a comparative analysis could be carried out on the armed forces charity sector alongside other parts of the charity sector, or the charity sector overall.

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Appendices

APPENDIX TO CHAPTER 4

Table A4.1

Composition of charity closures over the past decade, grouped by closure date			
	Overall	Charities that closed before or during 2019	Charities that closed in 2020 or after
Service branch affiliation			
Royal Navy	13.3% (N=98)	14.0% (N=72)	11.8% (N=26)
British Army	25.1% (N=185)	24.8% (N=128)	25.8% (N=57)
Royal Air Force	24.6% (N=181)	19.4% (N=100)	36.7% (N=81)
Tri-Service	37.0% (N=273)	41.9% (N=216)	25.8% (N=57)
Charity type			
Association branches	42.3% (N=312)	42.1% (N=217)	43.0% (N=95)
Associations	2.6% (N=19)	2.1% (N=11)	3.6% (N=8)
Heritage charities	12.2% (N=90)	13.2% (N=68)	10.0% (N=22)
Mixed-type charities	5.0% (N=37)	5.8% (N=30)	3.2% (N=7)
Other	0.1% (N=1)	0.0% (N=0)	0.5% (N=1)
Service funds	8.5% (N=63)	6.2% (N=32)	14.0% (N=31)
Welfare charities	29.2% (N=215)	30.6% (N=158)	25.8% (N=57)

Composition of charity closures over the past decade, grouped by closure date

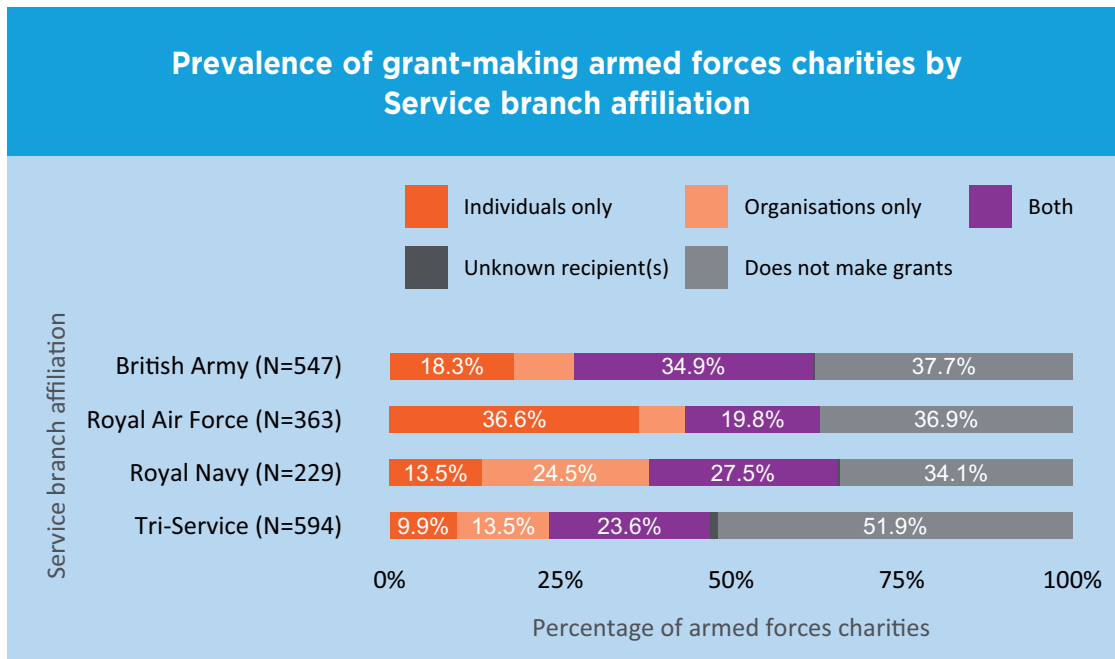
Real average charity size

Major	0.0% (N=0)	0.0% (N=0)	0.0% (N=0)
Large	2.5% (N=16)	2.7% (N=11)	2.3% (N=5)
Medium	11.9% (N=75)	10.5% (N=43)	14.5% (N=32)
Small	21.6% (N=136)	18.3% (N=75)	27.7% (N=61)
Micro	63.9% (N=402)	68.5% (N=280)	55.5% (N=122)
Not available	N=108	N=107	N=1

Note: This analysis is limited to all armed forces charities (N=737) that have closed (as defined in the 'Methodology' on page xxvi) by closure date: charities that closed before or during 2019 (N=516) and charities that closed in 2020 or after (N=221). Armed forces charities for which real average charity size was not available (N=108) are not included in the percentages.

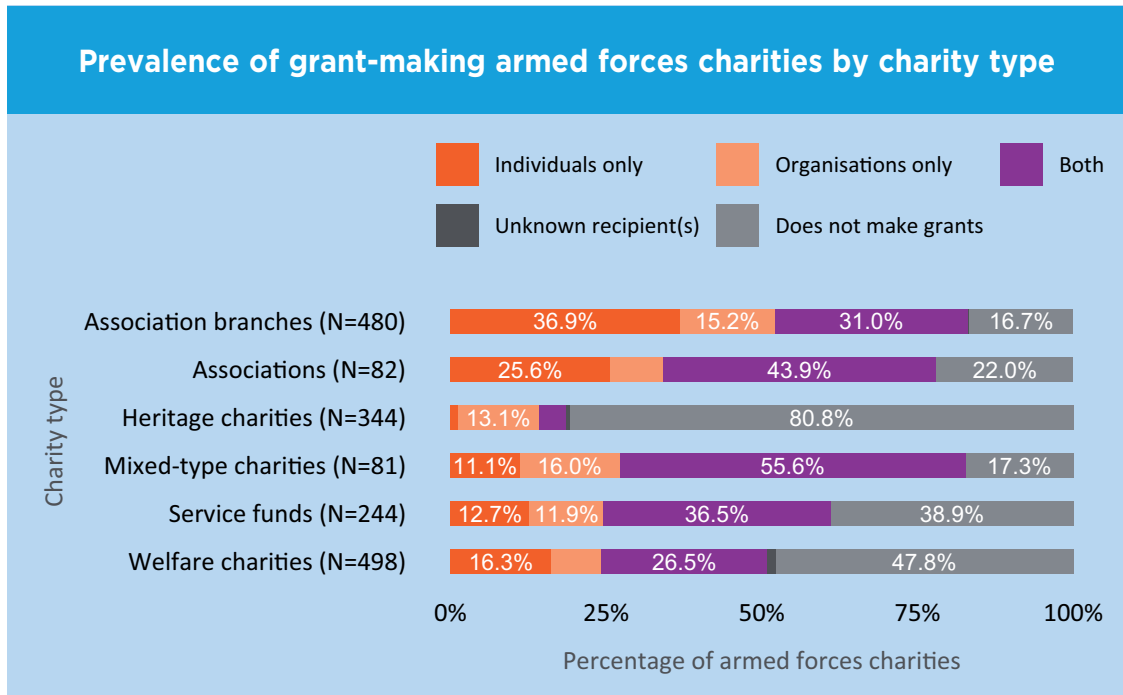
APPENDIX TO CHAPTER 6

Figure A6.1



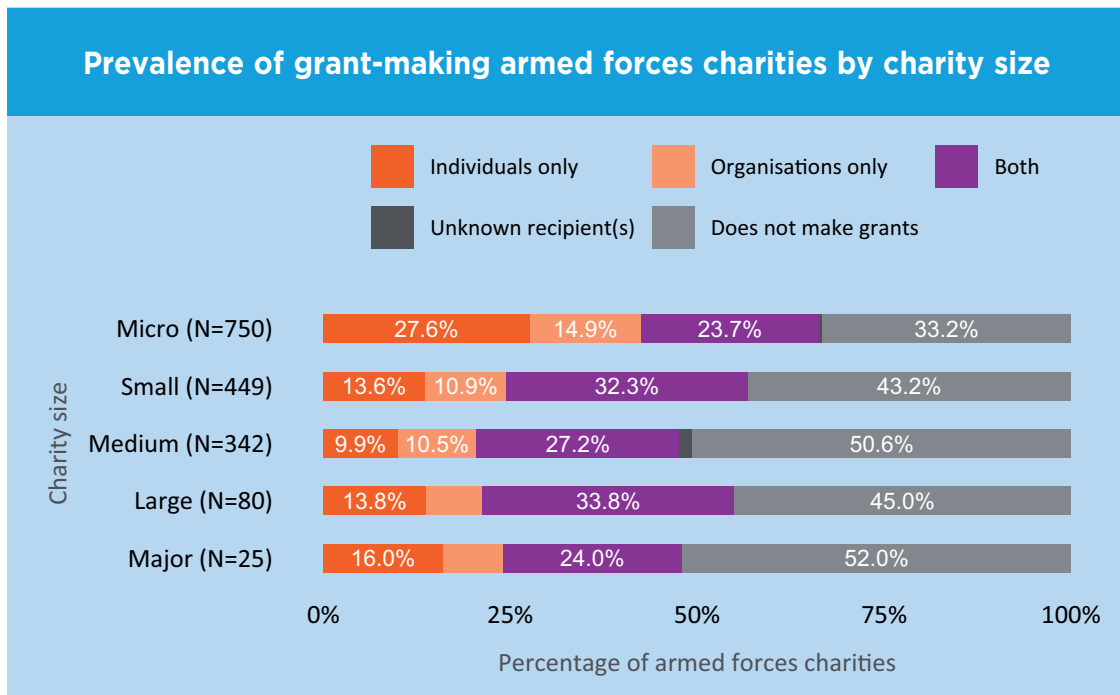
Note: Percentage labels below 9.5% are not shown for reasons of space. This analysis is limited to armed forces charities that were active, as defined in the 'Methodology' section, on page xxvi (N=1,733). Two charities identified within chapter 6 as grant-making armed forces charities fall into the 'Makes grants - unknown' category because data on their recipients was not available.

Figure A6.2



Note: Percentage labels below 9.5% are not shown for reasons of space. This analysis is limited to armed forces charities that were active, as defined in the 'Methodology' section, on page xxvi (N=1,733). Two charities identified as grant-making armed forces charities fall into the 'Neither' category because data on their recipients was not available. The 'other' charity type is excluded from this figure for practical reasons relating to the low number of charities in this category (N=4).

Figure A6.3



Note: Percentage labels below 9.5% are not shown for reasons of space. This analysis is limited to armed forces charities that were active, as defined in the 'Methodology' section, on page xxvi, that had had financial data available (N=1,646). Two charities identified as grant-making armed forces charities fall into the 'Neither' category because data on their recipients was not available.

Armed Forces Charities 2024

An overview and analysis

Since 2014, the Directory of Social Change (DSC) has provided an unrivalled depth of analysis of charities that support the UK armed forces community. This report builds upon DSC's growing body of research, which is funded by Forces in Mind Trust (FiMT) and includes three *Sector Insight* reports, eight *Focus On* reports and DSC's online interactive database, to provide a detailed account of armed forces charities as a discrete sector.

This latest report offers insightful analysis and exposition of armed forces charities, including:

- Total numbers and types of charity
- Changing composition of the sector over time
- Financial size and characteristics of the sector
- Financial health of the sector over time
- Financial journeys of individual charities over time
- An overview of charities by beneficiary groups supported
- Longitudinal trends in opening and closing of charities
- Examples of collaboration, evaluation and grant-making practices
- Impacts of the COVID-19 pandemic and the cost-of-living crisis

This is a unique resource for charities, the government, policymakers and researchers to understand the UK armed forces charities as a distinct sector.

'This third iteration of the Directory of Social Change's *Sector Insight* report on the armed forces charity sector, provides vital evidence and analysis to ensure that the armed forces community continues to be effectively supported. The clearer the evidence, the better the understanding, and the more effective the armed forces charity sector can be in supporting our vital community.'

Michelle Alston, Chief Executive, Forces in Mind Trust [from the preface]

'This is an important piece of work, which those of us working in and with the armed forces community need to be aware of. Armed forces charities have played and will continue to play a key role in supporting the health and wellbeing of the armed forces community.'

Professor Nicola T. Fear, King's College London [from the foreword]