



Local Authority Finances – Note for NAVCA Members

23 January 2024

Summary

We know that the precarious nature of local authority finances has significant implications for the VCS, and specifically for LIOs. We convened members on 18 December 2023 to come together and share experiences and progress to date. This note sets out a summary of the current position and NAVCA's next steps, in partnership with members, to:

- (1) Compile a resource that makes recommendations on what LIOs can do in relation to their own financial position and work effectively with the local authority
- (2) Advise LIOs on how to support the VCSE sector and encourage collaboration and positive engagement with the local authority
- (3) devise a national advocacy and influencing strategy to raise awareness of the impact on the whole VCSE sector, LIOs and vulnerable communities from the current financial situation
- (4) Identify the additional information needed to inform the work.

In the short term we are engaging DLUHC and DCMS to flag the impact of local authority finances on the VCS, elevating the evidence and examples we have already gathered.

Action for members:

Let us know your local experiences by completing this short survey [5-10minutes].

<https://navca.aidecrm.co.uk/surveys/respond/cwoXouL5JDmmQUoZJ7SHpRVbYbnFBrKTf8raJgd>

Join us to share your thinking and what you are doing as we convene members together again at 2.00pm on Tuesday 20 February 2024. Sign up for the meeting via:

<https://navca.aidecrm.co.uk/booking/event-booking-form>

(1) Overview of Financial Situation for Local Authorities

The state of local government finance remains perilous despite confirmation on 18 December 2023 of an increase in the total grant of 6.5% to £64Bn, an increase of £4Bn. This equates to an increase of 6.5% in core spending power, but which is still insufficient to meet projected local authority costs. This is in the context of a 27% real terms reduction in core spending power of local authorities since 2010/11.¹

Local authorities will be able to increase the core council tax by up to 3% before a council tax referendum is triggered. For shire district councils this is 3% or £5 – whichever is higher.

¹ See LGA letter to Jeremy Hunt, 13 October 2023 <https://www.local.gov.uk/parliament/briefings-and-responses/autumn-statement-2023-lga-submission#current-financial-pressures>

Thurrock and Slough have received permission from DLUHC to increase council tax by 8% and Woking by 10%. Other permissible increases are up to 2% for adult social care, £13 for police authorities and up to 3% for fire and rescue authorities, up to a total of 5%.

The government has asked local authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.

Indicative allocations for the Public Health Grant in 2024 to 2025 have been published and this will increase to nearly £3.6Bn. Further specific investment will continue to improve the start for life offer and support improvements in the quality and capacity of drug and alcohol treatment, with an additional £70M per year from 2024-25 for local authority led efforts to stop smoking.

The Household Support Fund [HSF] is still expected to close on 31 March 2024 leaving vulnerable households unable to meet basic needs and removing funding from VCSE organisations providing vital basic services such as hot meals or foodbanks. This financial year HSF contributed £840 million to English councils' provision of local welfare support. Without this funding there will be a further reduction in local welfare support and additional pressures on limited local authority budgets and VCSE resources.

Councils are facing funding gaps of £2.4 billion in 2023/24 and £1.6 billion in 2024/25. These gaps relate solely to the funding needed to maintain services at their current levels. The LGA identified three key areas that required immediate government action:

- addressing funding sufficiency and certainty issues faced by councils
- taking steps to strengthen the local government workforce
- strengthening councils' role in key national policy areas such as housing and net zero.

Urgent pressures are driven by:

- Rising costs and demand pressures in children's social care – budgets up by £1.5Bn [13.6%] in 2023/24 compared to 2022/23 with further upward pressure on in-year spend. There are a growing number of children in care, a shortage of some types of placement, and an increasing complexity of cases.
- Escalating costs of home to school transport for children with special educational needs and disabilities – budgets up by £1.4Bn [23.3%] whilst pressures continue to increase.
- Additional funding for adult social care in 2023/24 resulted in stand still budgets, spending is £2.5Bn [12.8%] higher in 2023/24 than the previous year, with costs for external home care and supported living increasing by 8.4–9.6%. The median figure for social care spend accounts for 63.9% of budgeted service spend (excluding education) in 2023/24 amongst councils with social care responsibilities, up from 56.5% in 2016/17.

- Increasing costs of homelessness services with multiple contributory factors, including asylum and resettlement, insufficient supply of affordable housing and frozen local housing allowance rates, pushed budgets up by 19.9% with pressures ongoing. There were 1.2M households on council housing waiting lists and 104,000 households in temporary accommodation by the end of March 2023. Figures currently will inevitably be higher.

Recent spikes in inflation, increases in the National Living Wage and energy costs have placed substantial pressure on council finances. By 2024/25 cost and demand pressures will have added £15 billion (28.6%) to the cost of delivering council services since 2021/22. Despite additional funding provided to local government there are now funding gaps of £2.4 billion in 2023/24 and £1.6 billion in 2024/25. These gaps relate solely to the funding needed to maintain services at their current levels, so that councils currently do not have enough funding simply to stand still. Councils have used reserves in the current and past financial year to fund either one off measures or day to day running costs. The use of reserves can only be temporary, and one off funding and 'easy' cuts have already been made. The position of reserves varies for each local authority and although the total amount looks to be 'healthy' for the sector, more are now running at a much lower level and they are not being replenished.

Both single tier and county councils are having to make in the year budget increases to cover additional costs. Half of single tier and county councils forecast an increase of 1% in the in-year budget during the first three months of this financial year. This is an increase of £1.4Bn in spending after only three months. This is due to increased spending on social care and homelessness, so that cost and demand pressures are outstripping available resources.

The LGA and other local authority groups estimate that one fifth of councils are likely or very likely to be unable to balance a budget in the next year.

(2) Notes of NAVCA members meeting on 18 December 2023

Six questions were discussed.

1. What are the characteristics of effective leadership by LIOs in this context?
2. Who are the allies currently / who do we want or need the allies to be – both locally and nationally?
3. What needs to be in place and who by – for the VCSE sector to demonstrate its outcomes, impact and value [as a whole / individually]?
4. What is the process for identifying priority groups and communities who will be most at risk through funding cuts to communities and VCSE organisations?
5. What are the issues that need to shape and inform a national influencing strategy?
6. What else do we need to consider?

What are the characteristics of effective leadership by LIOs in this context?

Key points made in discussion.

- Be inquisitive to understand the local situation, cross cutting agendas and the national agenda, as knowledge is essential.

- Gather sector together to reframe solutions to challenges being faced within communities and presenting a viable alternative to both ICS and local authority [LA].
- Opportunity to make a case for genuine overhaul of services to make best use of resources and ensure services which are delivered meet the needs and aspirations of user groups and communities. Opportunity for community power?
- Being a critical friend and advocate for the realities the VCSE sector is facing on the ground.
- Good relationships with local authority officers and councillors are important but in themselves do not stop cuts to budgets.
- Be strong and resilient and have peer support opportunities for LIO leaders.
- Diversify funding streams for LIOs, especially away from local authority funding as the primary source of income.
- Work together across LIOs at a sub-regional level to share resources, support each other, provide quality local infrastructure, and offer a unified approach for devolved areas / combined authorities.

Who are the allies currently / who do we want or need the allies to be – both locally and nationally?

Key points made in discussion.

- Local VCSE organisations – mobilise and help develop their voice.
- NAVCA members network including peer support networks, e.g. in groups of three.
- National and regional VCSE infrastructure bodies with joined up thinking and approach. Work with other local infrastructure organisations in the local area to advocate for the sector and offer consistent messaging.
- NHS England and ICSs – help them to recognise the value and importance of the VCSE sector in existing, new and transformational services, as well as an avenue of funding for community led deliverables.
- National delivery organisations and charities such as Citizens Advice, Age UK, NSPCC, Action for Children, Shelter, Crisis etc.
- MPs but with consistent messaging and focus on impact of LA funding cuts as part of wider lobbying.
- Local elected mayor [non metro]
- Local Enterprise Partnerships [note: which will close in April 2024] and links to Shared Prosperity Funds.
- Strategic engagement with Public Health. Public health is one of few departments not being cut [and emphasis is on what people and communities can do to look after their own health and wellbeing – VCSE has a key role in this].
- Work across political spectrum – think about what might happen after next election and who we will need to work with.

What needs to be in place and who by – for the VCSE sector to demonstrate its outcomes, impact and value [as a whole / individually]?

Key points made in discussion.

- Need to produce evidence on impact of sector. In Manchester there is both a state of sector research and reporting, and the use of a Commissioning and Investment framework. This is used by system partners too, so it is repeated across the system, not just by LIOs. <https://www.10gm.org.uk/commissioning-and-investment.html>
- There needs to be accountability in the system for ‘warm words’ about what sector does etc. through representation on local boards, accountability through relationships and in written documents. In order to get accountability between different parts of the system in Manchester there are:
 - Commissioning and Investment group chaired by VCSE Leaders and senior partners attend and work together on to create spaces for accountability
 - An Accord Agreement <https://www.10gm.org.uk/VCSE-Accord.html>
 - Fair Funding Protocol <https://www.10gm.org.uk/assets/files/FINAL-APPROVEDGMCAandVCFSEsectorFairFundingProtocolNov2023.pdf>
 - Salford still has a Compact <https://www.salfordcvs.co.uk/salford-compact>
- Need to do more to demonstrate the economic impact of the sector as a whole, and for specific priorities of system partners who are also funders. e.g. demonstrating contributions to key services, universal broad offer of the sector, or system priorities such as hospital discharge. A priority is to obtain this economic data.
- Ensure that the work of the sector is integrated into the majority of the significant strategies for an area. e.g. ICB strategy, early intervention and prevention strategies, etc.
- Ensure fragility of sector is a named risk in the new ICB strategy, with a risk owner and is led by system and a partner from VCSE and the VCSE rep.
- A national report on the state of local infrastructure and its value.

What is the process for identifying priority groups and communities who will be most at risk through funding cuts to communities and VCSE organisations?

Key points made in discussion.

- Do we know how VCSE are funded [grants and contracts] and by who across the area? LIOs know some but not all of this – so there is some work to do.
- Are we prioritising community services or our members?
- How do you prioritise the necessary rather than the nice to have?
- LIOs need to make sure statutory services know what added value sector brings and what happens if cuts are made.
- LIOs have a role in brokering conversations within the sector e.g. to continue to provide services organisations may need to work differently, form partnerships, merge etc. and LIOs have a role in brokering difficult conversations. But it is not for LIOs to decide what should / should not be funded or become an arm of the state trying to mitigate / manage cuts.

- LIOs have to be clear with the sector and the council what their role is and what they can offer.

What are the issues that need to shape and inform a national influencing strategy?

Key points made in discussion.

- Whilst it is crucial to support infrastructure and the VCSE sector, this needs to be framed in way that is a financial solution to their challenges, part of the bigger system with consequences for cuts, and not going with a begging bowl. Part of this is demonstrating the [social] return in investment for upfront investment, and how things can be done differently.
- What is the preventative rather than crisis management argument? Co-ordinating these messages would be helpful.
- We need to show what is in it for local /national government to work with us.
- Recognising value of VCSE in delivering government priorities also requires government to recognise the power imbalance that is at play.
- Conversations that only focus on what is a statutory responsibility for council are not helpful. Is it possible to reframe this and offer balance as best value or social value instead. This concept is lacking across discussions on funding by local authorities and leads to a narrow understanding of how to manage individual issues or services. Whilst legal frameworks / obligations cannot be discounted we may be able to help push the agenda around outcomes and best value, to give some balance into the discussions.
- Valuing the role of the grassroots VCSE in providing insights and information on communities and excluded groups to help inform decision making by statutory partners particularly on cuts or reshaping services
- LIOs have role to add voice to local decision making and amplify local messages.
- Use of reserves is a specific angle here for future solidarity across sectors – common to all sector now, not just VCSE.
- NCVO Cost of Giving survey suggesting that 20% of charities could be facing financial difficulties is replicated across local experience and in state of the sector reports. So need to ensure decision makers recognise this. The additional social value that the VCSE sector brings when delivering services is often not taken into account when cuts are made – it is just the monetary value that is considered.
- Need to focus on best value and impact. Demonstrate and prove cost benefit of using VCSE and highlight the social value and impact.
- Be bolder with campaigns nationally to show how hard hitting we are against societal priorities e.g. violence reduction, youth services. Need to grow evidence base about how sector addresses key societal concerns, supported by evidence gathering particularly on the economic impact of the sector.
- LGA as a key partner.

What else do we need to consider?

- What should happen in an area if an LIO closes? What could surrounding LIOs do and how? What is NAVCA's role in enabling sustainable services for an area?

- A model of peer support where LIO leaders / senior staff are matched in groups of three to support each other, provide opportunities for peer coaching and being an 'accountability partner'. Is this something to think about as part of the NAVCA membership?

(3) Next Steps

NAVCA in partnership with members will:

- (1) Compile a resource that makes recommendations on what LIOs can do in relation to their own financial position and work effectively with the local authority
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