NAVCA Members Annual Survey 2024

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Introduction

Each year, we survey the NAVCA membership network to find out more about your priorities, concerns, ambitions and more. This helps us to spot trends, identify what is changing, and establish a clearer picture of local infrastructure to inform influencing work on your behalf. This document is designed for NAVCA members to:

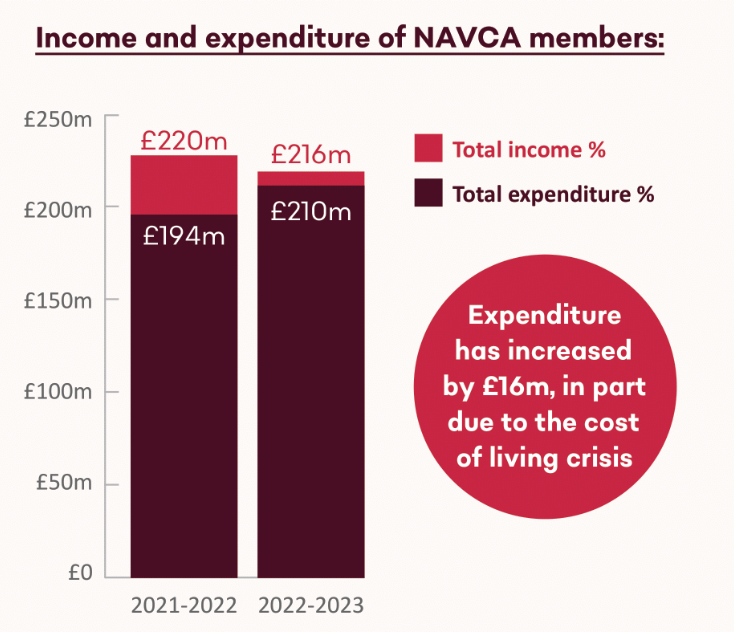
- set your work in the broader context of local infrastructure provision across England
- identify how your concerns and priorities are reflected in other areas
- be aware of trends in LIO finances and funding.

Methodology

We invited all NAVCA members to respond to a survey between March and May 2024. Out of 177 members, 65 members responded (36.7% response rate). Information on staff numbers, income and expenditure are taken from Charity Commission records where available.

Income and Expenditure for Financial Year 2022-23

For 177 local infrastructure organisations in financial year to 31 March 2023, total income and expenditure adjusted for inflation.

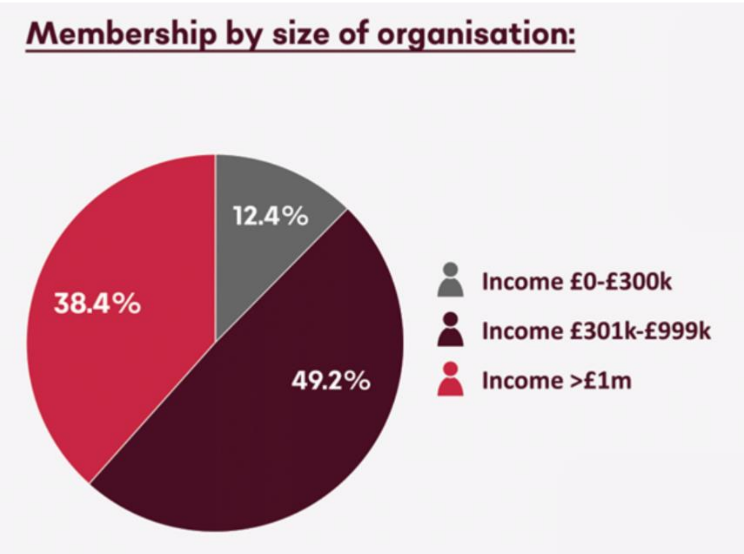


Data from Charity Commission Annual Returns

2022-23 shows a relatively small decrease of £4M in total income (adjusted for inflation) from 2021-22. The reduction in total income is likely to reflect cuts in funding from local authorities, increased competition for grants from trusts and foundations, and Covid Recovery grants coming to an end.

Expenditure has increased by £16M overall, reflecting significantly increased costs due to the cost of living crisis and increased demand for services. Part of this figure is driven by LIOs acting as grant-giving bodies on behalf of other funding organisations such as local authorities, for example for the Household Support Fund.

Organisation Size



Numbers of LIOs in each membership banding:

	2022-23	%
Band 1 £0-100K	6	3.4
Band 2 £101-200K	8	4.5
Band 3 £201-300K	8	4.5
Band 4 £301-600K	37	20.9
Band 5 £601-999K	50	28.2
Band 6 £1M+	68	38.4
TOTAL	177	

Over the last seven financial years to 31 March 2023, the numbers of organisations in the three smallest membership categories, with an income under £300,000 per year, have declined from 49 in 2016 to 22 in 2022/23 [12% of membership]. The numbers of organisations in Band 4 [income £301-600K] has also reduced particularly over the last two financial years as organisations have grown in financial size. In 2022/23, 37 LIOs were in this income band, 21% of membership. However, the numbers of LIOs with an income greater than £600,001 per annum has increased each year since 2016, with 66.7%, two thirds of members in Bands 5 and 6.

This indicates that overall, LIOs are increasing in size financially when assessed against the general measure of income and expenditure. However, this does not accurately reflect the funding available to provide VCSE infrastructure services (as described by the four functions of infrastructure). Funding for infrastructure functions may be only a small proportion of the overall budget, with LIOs often running other services such as Healthwatch, social prescribing or community buildings, specific community development or capacity building projects, and working in partnership with other organisations to deliver a wide range of activities for communities and the VCSE sector.

Numbers of Staff and Trustees

Numbers of:	No. organisations responding	Total	Median	Mode	Max	Min
LIO Staff	120	3655	22	13	257	3
LIO Trustees	174	1348	7	7	17	3

Data from Charity Commission Annual Returns

Of the 120 members recording staff numbers on Charity Commission annual returns, a total of 3655 people were employed in both full and part-time roles. The most frequent number of employees is 13 (mode), and the median figure (the midpoint in the range) is 22, indicating that most local infrastructure organisations have a comparatively small number of employees. Of those making returns, the smallest number of employees reported was three.

Source of Funding for Local Infrastructure Functions

Funding for LIOs has always been somewhat precarious and with the increasing difficulty in diversifying or even finding funding for infrastructure functions, it is important to understand the main sources of funding for specifically infrastructure functions.

72.5% of survey respondents received funding from a local authority. LIOs are very reliant on local authorities funding infrastructure services, and as such are vulnerable to budget cuts. The other important source of funding is from health systems, with only a small proportion from grant making trusts and foundations, which often prefer to fund frontline delivery rather than infrastructure.

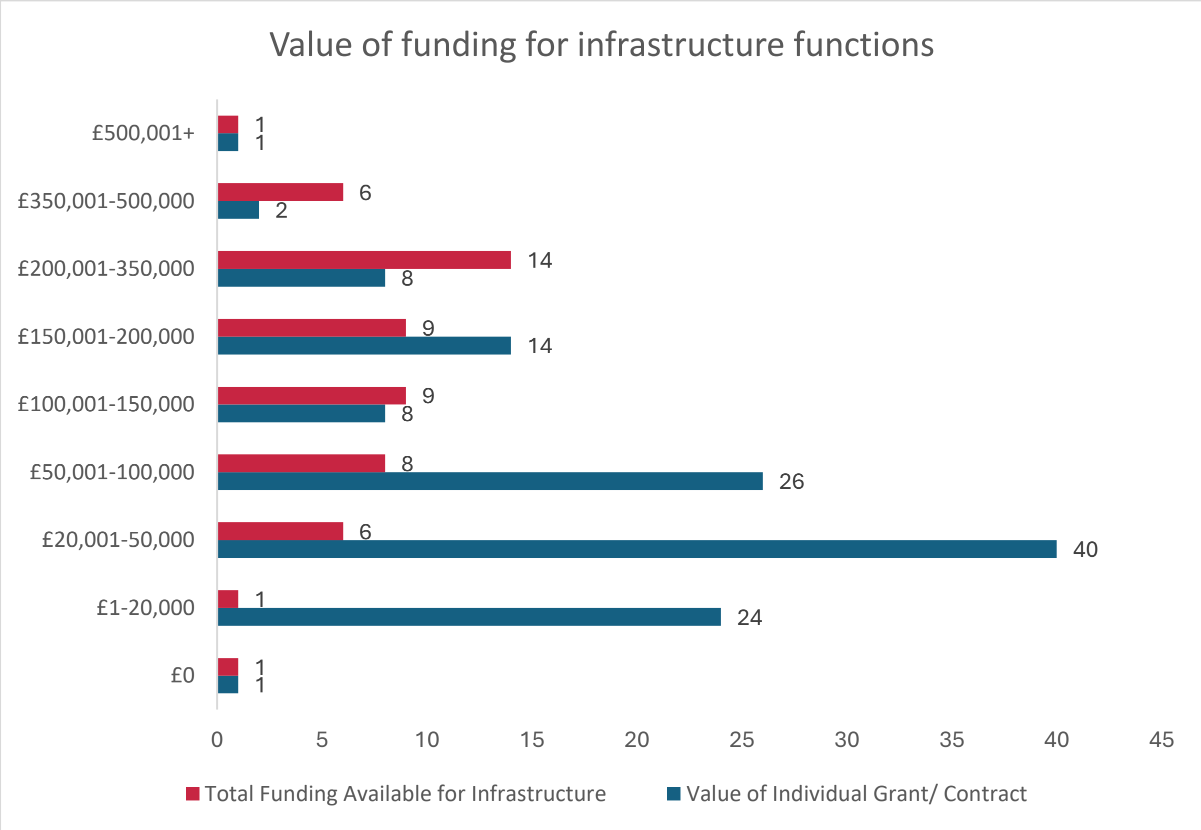
Source	**Proportion of respondents receiving funding**
County council	41.5%
District council or metropolitan borough	67.7%
Unitary authority	26.2%
London borough	15.4%
Health system	35.4%
Foundations and trusts	15.4%
The National Lottery Community Fund (TNLCF)	4.6%

Data from survey responses by 65 NAVCA members.

Amount of Funding for Infrastructure

The data used for this analysis are for the financial year to 31 March 2023 only, and therefore do not reflect more recent changes or cuts in funding for local infrastructure. 55 respondents completed information about the amount of money received to support the delivery of infrastructure services in addition to the source. The total funding received was £10.5M across the 55 organisations.

	Frequency: Value of Individual Grant/ Contract	**Frequency: Total Funding Available for Infrastructure**
£0	1	1
£1-20,000	24	1
£20,001-50,000	40	6
£50,001-100,000	26	8
£100,001-150,000	8	9
£150,001-200,000	14	9
£200,001-350,000	8	14
£350,001-500,000	2	6
£500,001+	1	1
TOTAL	124	55



64 respondents had a total of 138 different sources of funding in the 2022-23 financial year, emphasising that many LIOs piece together funding from more than one source. One LIO does not receive any specific funding to provide infrastructure services. Three LIOs only received funding from grant making trusts and not from statutory partners. 18 (27.7%) organisations are reliant on a single source of funding for infrastructure services.

Current Priorities for Member Focus and Activity

NAVCA members' top three priority areas of current focus and activity.

Priority	**%**
Capacity building of VCSE sector	50.7
Support for volunteering	41.5
Community development with underserved, minoritised or excluded communities, including children and young people	38.4
Leadership and advocacy – voice and influence and system transformation	33.8
Working with health systems (ICS/ICB)	32.3
Funding and sustainability of VCSE sector	21.5
Sustainable funding for LIO	21.5

The priority for LIOs in this survey was to support the local VCSE sector through **capacity building**. There was an increasing emphasis on one-to-one advice and development for some respondents, others were increasing and extending their training and skills development offer, some needing to do both. For some, there was a need to improve support for social enterprises and link to social investment pipelines.

Several LIOs noted the importance of the development of new **volunteering** platforms in their local area and the importance of promoting inclusive volunteering, recruiting volunteers, and supporting volunteer-involving VCSE organisations.

Where there was a distinct focus on **community development,** this was often orientated to reach and serve the needs of diverse and often excluded populations, improve the outcomes for Black children and young people, and improve communications and networks in communities. Asset Based Community Development was a frequently used tool.

Building relationships with **health systems** and ensuring that the VCSE sector is embedded within those systems was a priority for many respondents. Priorities included:

- planning service design across the ICS and engaging the local VCSE in health and care developments
- hosting and empowering the VCSE Alliance for the ICB
- addressing a lack of capacity and increased risk for VCSE organisations working within health and wellbeing; lack of capacity includes insufficient funding, reduced numbers of volunteers and paid staff available; increased risk includes increasingly complex client referrals due to reductions in other public services
- ensuring the VCSE is embedded in design and delivery of future health and
- further embedding health transformation work e.g. Neighbourhood Forums, EPIC (Empowerment Programme for Inclusive Health).

Local authorities were also a priority for strategic relationships, particularly maintaining good relationships when the local authority was struggling financially. Other priorities included:

- influencing the new Mayoral Authority to listen to and fund the VCSE sector
- continuing to focus on the value of community-led solutions
- developing ways of working within newly devolved administrations.

Some respondents reflected on how their work was influenced by the current state of the **VCSE sector** with the need to support more organisations with fundraising and grant applications, and to end their operations and close well. The difficult funding environment combined with an increased demand for services and activity was putting often significant pressure on the staff and volunteers of VCSE organisations (and LIOs).

Pressing concerns for LIOs in next year

The priority concerns for the 65 LIOs responding fell into nine categories.

Concern	**%**
financial sustainability	81.5
the future of the VCSE sector	43.1
the finances of local authorities	41.5

organisational sustainability including workforce recruitment, retention and burnout	30.7
the delivery of infrastructure services, including strategic leadership and partnership working	27.6
funding of and decisions by health and care systems	24.6
volunteering	13.8
competition with other LIOs or providers of infrastructure services	10.7
the need to demonstrate impact of LIOs	10.7

The overwhelming priority concerns from almost all responses were related to the future finances and financial sustainability of the LIO. The impact of the uncertainty and instability within local government finances were the biggest sources of concern, with budget cuts within health systems and the possible closure of national funding schemes, such as UKSPF, also an issue. There was evidence in two cases of the loss of local authority funding having a particularly significant impact on LIOs that solely deliver infrastructure services, and consequently are without diversified income streams. Other responses indicate that long-term organisational sustainability is likely to come from the delivery of other projects and services, risking competition with the VCSE sector. As one response noted it was difficult to continue '*being strategic with so much operational pressure*.'

The frequency with which reduction in funding available to VCSE organisations and a general lack of resilience within the local sector was associated with an increase in demand for local infrastructure services, suggested that these are deeply related causal factors.

Priorities for the **future for the LIO itself** focused on finding future funding and developing sources of sustainable funding:

- diversifying income to sustain infrastructure services
- broadening range of funders including exploring corporate funding
- delivering well and getting repeat funding from dwindling sources
- navigating needing to do some delivery projects as well as infrastructure support in order to survive financially (and so risking accusations of competition with the local VCSE sector).

LIOs currently facing financial difficulty due to recent funding cuts reported severely limited staff capacity for strategic engagement and representation. Similarly, one LIO expressed concern about the loss of support for small VCSE groups on the fundamentals.

As one LIO noted, there was a need to generate sufficient grant and other income to maintain a large enough core budget, to handle the complexity; *'we do not want to move back to siloed project working.'* The complexity of the work of a LIO means that it needs sufficient '*capacity to undertake the level of engagement and meaningful interaction in the complex collaborative partnerships we want to and are asked to work within.'* This complexity is rarely acknowledged by funders or statutory partners.

20 respondents noted the pressure on their workforce, with increased evidence of stress and burnout due to increased expectations and pressures to deliver in the face of rapidly

increasing demand from all partners. Difficulties in workforce recruitment and retention were identified as a result of:

- instability and insecurity in funding
- short-term project-based contracts
- increasing demand and expectations as pressure increases on the VCSE sector
- comparatively low pay within the sector as a whole, with the inability to compete with similar higher paid roles in other sectors.

Where local authorities had reduced funding for local infrastructure services, LIOs were prioritising remodelling their work to continue to deliver on reduced income. One LIO commented that it was necessary to '*remodel an infrastructure organisation that can operate at scale but remains embedded and connected with its local communities.*' Another respondent noted that in these circumstances there was a need to invest in the LIO for the future: *'We are investing in an enlarged management team to build profile and operate a more relational model in how we advocate and partner with others.'* Collaborations and partnerships were identified as essential for the future.

Budget pressures and cuts within health system budgets, particularly ICBs, had led to three main issues arising. Firstly, a loss of trust with VCSE organisations working with health systems and the concomitant uncertainty. Secondly, reduced funding available at place, within one example funding from the ICB for VCSE organisations given only on the basis of six-month contracts. Thirdly, the people organisations work with often present with very complex needs, placing increased pressure and demands on services, volunteers and staff.

What are the effects of the current funding environment on VCSE organisations?

All 65 responses detailed a consistent picture of the impact on the VCSE of funding constraints, increased costs and cuts, which included:

- cuts to service and activity provision
- reduction in staff hours and numbers
- increasing reliance on volunteers
- high turnover of staff and volunteers
- risks of staff and volunteer burnout
- increased competition for the limited funding available
- mission creep as organisations try to diversify income streams
- using reserves to continue to fund activities
- increased numbers of VCSE organisations closing or closing services.

Seven responses specifically note cuts to services, 44 responses related to funding and fundraising, 12 note impact of poor local authority finances and 13 problems working with health systems.

Overall, across the whole VCSE sector there is less funding available due to cuts in budgets for statutory partners and increased demand for limited funding pots from other sources.

The impact is highly detrimental resulting in an often competitive and fractured VCSE sector that is not able to deliver for its beneficiaries.

Currently, across statutory partners (including local authorities and health systems), there is limited, if any, clarity on the majority of budget decisions beyond March 2025. The VCSE is not always valued or treated as an equal partner, particularly within evolving health systems that depend on it for delivery.

Conclusion

The data collated in this second annual survey of member LIO financial status, priorities and concerns paints a mixed picture of the local infrastructure network across England. Whilst the overall total income for the network remains effectively the same, this masks significant changes for many LIOs. In particular, the amount of funding received specifically to provide infrastructure services has changed. There is also a need to respond to increasing demand for services, such as distribution of grants for partner organisations, and the pressures experienced by many VCSE organisations.

Member priorities remain focused on serving the needs of the VCSE sector in their local area through leadership and advocacy, partnerships and collaboration, capacity building, and support for volunteering. However, over 80% of survey respondents expressed concern about the future finances and sustainability of LIOs themselves.

These findings enable NAVCA to continue to advocate on behalf of the local infrastructure network, using the most up-to-date financial information available and being able to demonstrate more of the important work that LIOs do at place.

Thank you to all members who took the time to complete the survey in 2024. This information will be collated and updated annually.