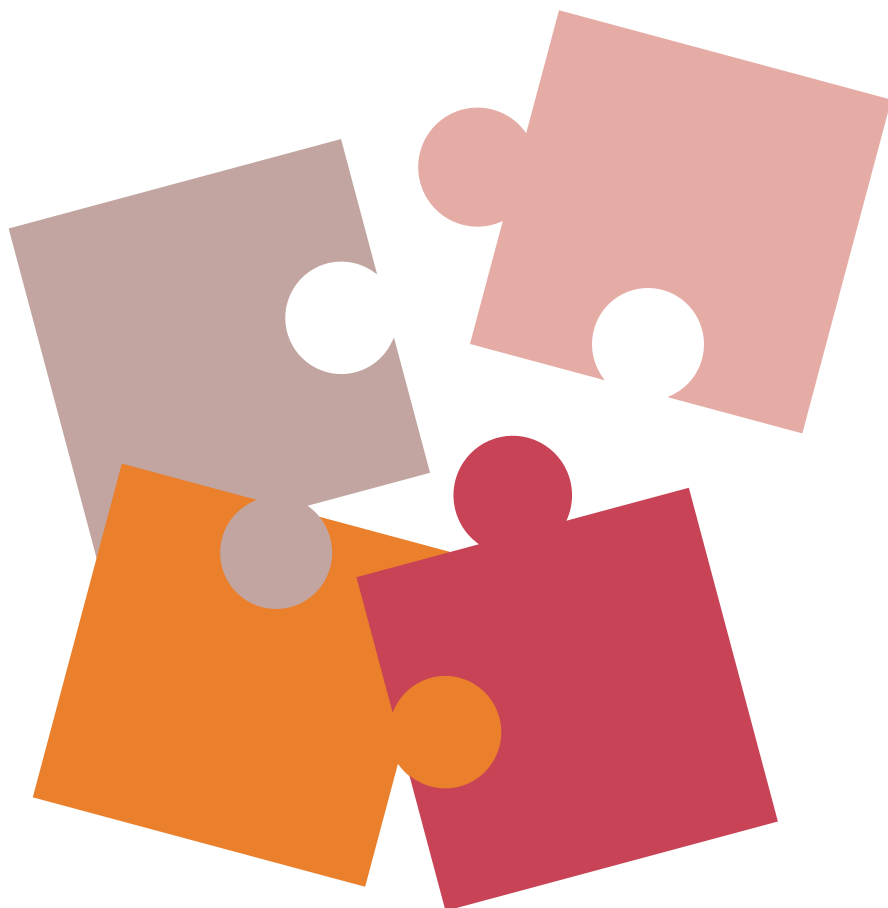




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A fragmented jigsaw puzzle: funding of local infrastructure organisations in England

NAVCA



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A jigsaw of funding

Local infrastructure organisations are supporting the VCSE sector with **fragmented, insecure, short-term funding**



Underfunding

Underfunding, unpredictability and last-minute decisions make LIOs struggle with planning, staffing, and finances.



Short-term funding

53% of funding is awarded for only 12 months, creating constant uncertainty and regular cliff edges.

Demand remains high despite financial strain

89% of LIOs are doing more with less, expecting to deliver the same or higher levels of support in 2026-27.

Fragmented funding

Funding is fragmented and precarious – rather than stable, long-term investment, some LIOs are often reliant on just one or two insecure sources of funding.



Reliance on reserves

50% of NAVCA members recorded a deficit in 2024-25, and are increasingly reliant on reserves to maintain essential infrastructure support.

Without action, more local infrastructure organisations are likely to be pushed into a downward spiral of declining capacity and ability to support the VCSE sector.

If we recognise the value of local infrastructure, is it being funded in a way that allows it to be sustainable?

A fragmented jigsaw puzzle: funding of local infrastructure organisations in England



Summary

- **Chronic underfunding and unpredictable funding risk the long-term commitment to place.** The number of LIOs with insufficient funding for infrastructure activity is increasing year on year.
- **Core infrastructure activity is funded through a complex and precarious patchwork rather than stable, long-term investment.** LIOs often rely on one or two core funding sources that are also under financial pressure [local authorities and health systems], with some juggling up to nine.
- **53% of funding is awarded for only 12 months.** Short-term funding and late notice decisions create constant uncertainty and regular “cliff edges”, making it harder to plan services, retain skilled staff and move towards financial security.
- **50% of NAVCA members recorded a deficit in 2024–25.** Many organisations are increasingly relying on reserves to cover day-to-day costs and to maintain essential infrastructure support.
- **LIOs are being asked to do more with insecure and insufficient investment.** 89% of LIOs expect to deliver the same or higher levels of support in 2026–27.
- **Multiple small amounts are propping up essential services.** Many LIOs are expected to support local charities and communities with funding levels that are unsustainably low and insufficient for an effective service.

Without action, more local infrastructure organisations are likely to be pushed into a downward spiral of declining capacity and ability to support the VCSE sector.

Introduction

Local infrastructure organisations [LIOs] provide vital services to the local VCSE sector, communities and public sector organisations. From convening partnerships, to providing strategic leadership, to representing marginalised communities and providing support for volunteering, the work of LIOs connects across sectors and supports people to thrive.

Independent research has demonstrated the outcomes and impact from the work of LIOs, which enables more capable VCSE organisations, stronger place-based systems through partnerships with statutory bodies, and more resilient communities.¹ Without local infrastructure, there are risks of fragmentation and duplication, public services not meeting people's needs, communities not being heard, and the VCSE sector being unable to access grants and funding.

Despite the importance of their role, this analysis of LIO finances shows how fragmented and uncertain this funding picture has become. With funding for core local infrastructure work often coming from multiple different sources, it raises a question: **if we recognise the value of local infrastructure, is it being funded in a way that allows it to be sustainable?**

Analysis of the finances of LIOs for the financial year 2024-25 and 2025-26 reveal large differences in funding between LIOs, demonstrate continued pressures on funding, and confirm the systemic issues in the funding system that are experienced across the VCSE sector. The analysis also confirms research that shows that LIOs can experience virtuous or vicious spirals of conditions that lead to positive or negative outcomes for the LIO and the VCSE sector it serves.²

Analysis is based on the Charity Commission returns for the financial year [FY] April 2024 to March 2025, a longitudinal data set tracking NAVCA member finances over a nine-year period from FY 2016-17, and responses to a survey of one third of NAVCA members in March and April 2026, covering the FY 2025-26.

¹ DCMS (2025) Local Civil Society Infrastructure (LCSI) R&D Programme – final research report. <https://www.gov.uk/government/publications/local-civil-society-infrastructure-lcsi-rd-programme-final-reports>

² Hamer, R, Stuart, J and Macmillan, R (2025) Walking a tightrope: exploring the conditions for effective local voluntary and community sector infrastructure. Final Report Research Strand – NAVCA Development Programme. <https://www.navca.org.uk/walking-a-tightrope>

LIOs face the same systemic funding pressures affecting the wider VCSE sector. The funding environment can create either a positive or negative cycle for organisations and the communities they support.



Characteristics of LIO finances

Funding for local infrastructure [LI] is highly variable between LIOs, with some LIOs funded sufficiently by single or multiple sources, and others receiving little or no funding.

Of the 66 NAVCA members reporting their income specifically to provide LI services [grants or contracts], 36% received more than £200,000 per annum, 43% between £200,000 and £50,000 and 20% less than £50,000. Eight members reported total available funding for local infrastructure was over £500,000 per annum [from multiple sources] and there were a further five with an income over £350,000. This disparity in the amount of funding available sets some LIOs up for further success and others for more challenging times.

LI is consistently underfunded, with 36% of respondents having an income under £100,000 specifically to fund infrastructure, 20% under £50,000. A small number receive no direct funding for LI from any source. Where funding for LI is limited, LIOs often cross subsidise provision of LI by use of reserves, earned income, and from funding for other projects.

The funding system for LI is fragmented in terms of source and size of award. On average, a LIO has 2.4 sources of funding for LI, with the range being zero to nine. Commonly, relatively small sums are put together to sustain LI services. 70% of funding amounts were under £100,000, 46% under £50,000. Where LIOs have larger amounts of funding available for LI, funding is usually from multiple sources with only one incidence of a large single source.

Funding rarely increases between financial years and LIOs will often be delivering LI services based on grants or contracts agreed several years ago without any subsequent uplifts for inflation or additional costs [even if renewed on an annual basis]. 56% of LIOs responding to the survey reported no change in funding available between 2025–26 and 2026–27, 18% a reduction in funding and 17% an increase. In some cases, organisations were facing a reduction in funding from 1 April 2026 of up to £200,000. There was also a risk that an increasing number of LIOs would receive no sources of funding for LI. Late notice decisions, cliff edges in funding, and significant variation in amounts year on year, mean that LIOs are unable to plan, retain staff or move towards financial security.

Local authorities remain the major source of funding for LI – 60% of grants and contracts were from local authorities in 2024–25, 16% from ICBs, and 12% from The National Lottery Community Fund and grant making trusts. Members in LGR areas are at risk of losing income from grants or contracts during the transition to unitary authorities. Some are funded only by a district council, others by both the county and multiple districts.

Where the length of the grant was specified, 53% of funding was awarded for one year only. 23% of grants were for three years and 11% for five years or more. This short-term annual renewal of funding for LI creates significant financial and management pressures, as a great deal of time is spent tendering for contracts or applying for grants each year.

LIOs in a virtuous spiral³ are able to build on the quality of their infrastructure work, and obtain multiple sources of funding to extend the outcomes that LI can provide to other partnerships, contracts etc.



There is no consistent funding model for local infrastructure.

Some LIOs have significant investment, while others are operating with very limited or no dedicated infrastructure funding.

Changes in funding over time

In comparison with data from 2022–23, although there are more funding sources available in total, individual awards are still frequently under £100,000 per annum [73% of sources in 2022–23 and 70% in 2025–26]. Positively, there are more sources of funding above £100,000 in 2025–26 and 2026–27 than in earlier years. Between 2022–23 and 2025–26 the numbers of awards under £50,000 and under £20,000 were similar, demonstrating the continued underfunding of some LIOs and the need to find multiple sources of small amounts of funding to maintain services.

Where total funding amounts are very small [under £50,000 per annum], there were an increasing number of LIOs with insufficient funding to sustain a quality LI service. There were eight LIOs indicating less than £50,000 per annum for LI in 2022–23, increasing to 12 in 2025–26, with the possibility of 20 LIOs in this situation in 2026–27 if no further funding was confirmed for them. In this situation, there is a risk that LIOs will fall into a downward spiral where income remains low or non-existent for LI specifically.

³ See Walking a Tightrope (2025) <https://www.navca.org.uk/walking-a-tightrope>

This puts pressure on the quality and extent of delivery, and potentially results in the LIO competing with local VCSE organisations to provide other services and changing the focus of the work of the LIO.

These data also demonstrate the virtuous funding circle experienced by some LIOs, where the total amount available to provide infrastructure services increases. 22 organisations had total funding exceeding £200,000 in 2025–26, compared to seven in 2022–23. Eight had a total of more than £500,000 of which three had more than £1,000,000 to provide infrastructure services in 2025–26. With one exception, these amounts were from multiple sources.

An initial examination of nine years of income figures for the NAVCA network [2016–17 to 2024–25] shows that many members have seen an increase in total income in that period. There are indications that, where there has been consistent long-term funding and relationships, some LIOs have grown significantly year on year, entering a virtuous spiral. For other LIOs, where income has either been static or varied greatly between years, this suggests a vicious spiral may be at play. Further analysis would be needed to confirm these indications.

The funding gap is growing for some LIOs. The number receiving less than £50,000 for infrastructure has increased, putting some organisations at risk of a downward spiral.

Operating in deficit

Half of NAVCA members recorded a deficit in FY 2024–25. Whilst there will be restricted funds from grants and other income that may skew outturns in any one year, there are initial indications that more LIOs are operating deficit budgets year on year, meaning there is a reliance on reserves to make up the shortfall and fund day to day operations including LI services. However, these data do not give an indication of (a) the extent to which reserves were used to fund the operation of the organisation, or (b) the longevity of the deficit, which cannot be covered from reserves forever.

Two LIOs have ceased operations in 2026 – both caused by withdrawal of significant grants by local authorities and the inability to find alternative sources of funding to sustain themselves. They are in very different geographical areas, one rural and the other inner city with high IMD scores, indicating that LIOs are at risk anywhere.

There are 44 members with deficits over –£50,000 and of these, 28 members with a deficit over –£100,000. For some of these members, the deficit may indicate the timing of grants and other restricted income, and natural variability in charity finances that equals out over several years. Further analysis of the longitudinal pattern of members with larger deficits will give some additional information on sustainability, but several LIOs have recorded a deficit for the first time in 2024–25.

Many LIOs are using reserves to keep going.

Half of NAVCA members recorded a deficit, while some LIOs have already ceased operating following the loss of significant funding.

Delivery of local infrastructure

Against this uncertain and fragmented funding environment, 89% of LIOs expect to deliver the same or higher levels of LI services in 2026–27. Where LIOs expect to deliver reduced LI services, they have funding of under £50,000 specifically for LI.

The 20 LIOs expecting to deliver higher levels of infrastructure services all had funding that exceeded £100,000 per annum, usually from two or more sources, not just the local authority. 14 of the 20 also had multiple year contracts of two, three, or five years. Where LI is more equitably resourced in terms of amount of funding and duration of contract, LI services can be extended and quality maintained.

89% of LIOs expect to deliver the same or higher levels of support in 2026–27.

Communities still need infrastructure support, but organisations are being asked to do more with insecure funding.

Financial outlook is mixed

When asked about the future financial viability of their organisations, members expect that this will worsen in the next two years. 38% of respondents expect a worsening in the current financial year [2026–27] and 55% for 2027–28. Those expecting financial viability to remain the same decline from 50% in 2026–27 to 36% 2027–28, with only 12% expecting their finances will improve, declining to 9% in 2027–28.

The use of reserves is becoming more important to sustain financial viability. 57% of respondent LIOs used them to cover a shortfall at year end, 21% to fund core infrastructure and a further 12% day to day activities. 18% use reserves more rapidly than they are replenished. Only half are using reserves to invest in organisational development.

The financial outlook for LIOs is difficult with a greater number of LIOs expecting their financial viability to decline, more LIOs reliant on a small number of insecure funding sources and an increasing use of reserves. This suggests that the risk of LIOs moving into deficit or having to close is likely to increase. The need to focus on finance rather than delivery of infrastructure services, suggests that more LIOs may be pushed into a downward spiral of declining capacity and ability to support the VCSE sector, putting further pressure on the individual LIOs and to the network as a whole.

The financial outlook is becoming increasingly uncertain.

More LIOs expect their financial position to worsen in 2027–28, while reserves are increasingly being used to sustain services.



Completing the jigsaw: funding for a sustainable future

The funding of the majority of LIOs in England is not sustainable. This jigsaw puzzle of funding, often small amounts from multiple short-term sources, cross-subsidy from other sources of funding, or use of reserves, does not enable long term planning or stability. That many LIOs still deliver high quality and reliable LI services is a testament to their ingenuity and tenacity. However, this is not a recipe for sustaining the long-term commitment to place that is a core part of central and local government policy.

The essential outcomes and impacts of the work of LI have been independently demonstrated, and this evidence makes the case for long term sustainable funding for LIOs.⁴ **All strategic authorities, local councils, ICBs and other funders must now reconsider the funding they make available to support the core work of local infrastructure, that brings significant benefits to public sector partners, the VCSE sector and communities.**

⁴Local Civil Society Infrastructure (LCSI) R&D Programme (2025) Final Research Report
<https://www.gov.uk/government/publications/local-civil-society-infrastructure-lcsi-rd-programme-final-reports>



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