Written evidence submitted by NAVCA [FSR 059]

Executive Summary

The following evidence is submitted by the National Association for Voluntary Community Action (NAVCA). The focus of this submission is on the impact that reductions to local government finance have had on local communities, those members of society with the greatest needs including the most marginalised, and on the local infrastructure and voluntary organisations that support them.

This submission is based upon feedback from our members, the voluntary sector support and development organisations (local infrastructure organisations) in England. This submission also draws on evidence and analysis from expert and local government sector bodies.

In Spring 2019, NAVCA carried out an engagement exercise across its membership to answer the questions underpinning this Inquiry. Our members have conveyed their first-hand experience of the impact of local government cuts on the most vulnerable people within our local communities, on local voluntary and community sector (VCS) organisations within those communities, and on the survival and sustainability of local infrastructure organisations and the wider VCS whose role is to support the local VCS. However, we are concerned foremost on the impact on communities and those people who rely most on decent local government services rather than the VCS itself.

Through this submission we seek to demonstrate that an effective approach to funding local government that is clearly focused on addressing the areas of greatest need and inequality is urgently required. This approach should focus on the continuation of central government grant funding (Revenue Support Grant) on a redistributive basis given that any form of local authority tax raising will be insufficient to meet local needs and address inequalities; and indeed a reliance on local revenue raising alone will amplify inequalities between places and consequently within them too.

1. Key messages

1.1 The reduction and withdrawal of the Revenue Support Grant (RSG) and of special grants (including their incorporation into RSG) have impacted most significantly on areas with the greatest level of need. Special grants (such as Single Regeneration Budget) were targeted at supporting the most vulnerable and disadvantaged communities and often required the VCS to be involved in their spending. Such funding has been significantly diminished since 2010. Local government financial support from central government should significantly be increased based on principally on a 'needs based' RSG formula.

1.2 Increased local taxation including business rate retention is not in itself a solution to the removal of central government RSG funding; in fact, it exaggerates the inequalities between places and consequently within places. Those areas with greatest need can raise the least from council taxes and business rates. More equitable and fair central tax-raised redistributive funding is required to address inequalities between localities and the wider inequalities which are increasing across England.

1.3 VCS organisations should not be expected to step in for the state when local government is forced to make cuts. The voluntary sector’s role should be to complement the state rather than substitute for it. It can provide advocacy services and speak and act for those who are victim of public service cuts.

1.4 Cuts (in real spending terms if not always in cash) to the NHS, police and other system partners add to the pressure on local government; and vice versa. When the costs and responsibilities of the provision of key physical, social and community focused services become a battleground
for ‘cost-shunting’ it is the communities and individuals within those communities that ultimately pay the price. Inadequate funding has led to significant reductions in preventative services and preventative interventions.

1.5 The restoration of a ‘Total Place’ type model would offer a more efficient and effective use of public spending in a local place allowing local authorities to have a greater say in how money is spent locally to meet local need with local accountability. Local authorities could involve the local voluntary sector and take their voice into account. They could also adopt a community assets based approach.

1.6 Local authorities can be supported to make better, more effective and value-for-money decisions on behalf of local communities through meaningful engagement in strategic budget deliberations with the local VCS – usually through the representative VCS voice of a local infrastructure organisation. Such an approach should be encouraged more widely.

1.7 England faces some major social, economic and environmental challenges (of which the fragmented social context of many disadvantaged communities, as exposed by the Brexit debate, stands out as a prominent issue). Local government needs the resources to address these – and in many cases individual local authorities will ideally partner with and adequately fund the local VCS to enable both bodies to address these challenges.

2. Lessons learned

2.1 Since 2010 local authorities have seen cuts of over 40% (and some have had even more severe cuts) in the funding they receive from central government. They have been operating in the face of serious financial challenges that have forced them to make difficult decisions about the availability and delivery of services. We acknowledge that difficult decisions have to be made and that responsible local authorities have sought to protect critical services such as social care and children’s services. We are now at the point when these crucial services are at risk and in many places are unable to meet basic need. This has led to greater demands being placed on the VCS, yet like local government it has less money to address increased demand.

2.2 The reduction and withdrawal of the Revenue Support Grant (RSG) and special grants have impacted most significantly on areas with the greatest level of need. Special grants (such as Single Regeneration Budget) were designed to target our most disadvantaged communities. The reduction in this funding has disproportionately led to the severe cuts to frontline and community services, in spite of the best efforts of local authorities and their partners.

2.3 Whilst local authorities have sought to protect their most vulnerable residents and communities, the reality of operating on budgets reduced by 40%+ when there has been no reduction in their statutory duties. At the same time increased demand due to demographic change, and the wider social consequences of nearly a decade of austerity have made this an often insurmountable challenge.

2.4 Local infrastructure organisations and the wider VCS have faced increasing pressure to provide support in communities where statutory services have been restricted or withdrawn. Life enhancing, non-statutory services and in some cases statutory services are also being shifted into the voluntary sector.

2.5 At the same time, many local authorities are recognising that communities benefit significantly from support from VCS and anchor organisations which can respond quickly and flexibly to their needs. This was the case when local government was much better funded and indeed would be the case again if appropriate funding was made available.

2.6 Despite this recognition, as councils have been forced to implement cuts, it has meant that funding for softer community services and even support for the local VCS is often perceived as “the first to go”: Sometimes a lack of communication and engagement with the local VCS can fuel this perception even when it is not the case. NAVCA and our members recognise and respect the right of democratic local government to determine how best to spend their finances,
meet their statutory duties, to meet wider needs and to decide which sector to involve in service delivery. They must be accountable for this but should not be expected to be held to account for the consequences of government funding cuts.

2.7 Over the past decade, councils have been forced to significantly reduce (and in some cases completely withdraw) their core funding from grants that many local infrastructure organisations have relied upon to provide practical support to local VCS organisations and local communities, and to fill gaps left by loss of statutory sector provision. Once again, the reduction in government funding has contributed to these local decisions which we recognise are not easy – see above.

2.8 All of this means VCS organisations face increased need/demand for their services with fewer resources/less support with which to deliver. Local VCS infrastructure organisations face a double pinch point: increasing need for support from local VCS organisations facing reduced resources and increased demand, while at the same time handling their own reduction in resourcing and capacity. Despite this, the sector has shown exceptional resilience and has continued to deliver key services in some of the most difficult times in recent history.

2.9 These issues around decreased support and resources highlight the serious threat of losing local infrastructure in some areas. This can be as significant as losing public parks, libraries, social care services and other vital public services. The local VCS and its infrastructure bodies are core to local places and to securing community wellbeing and resilience.

2.10 Central government has made important pledges to citizens through key national strategies such as the Civil Society Strategy, the Loneliness Strategy and the NHS Long Term Plan. It has not reduced the statutory duties on local authorities – and indeed has over the last ten years increased these. Many of these specific pledges (such as the training of 3,500 Community Organisers by 2020, or addressing complex social issues such as rough sleeping, digital inclusion and healthy ageing) rely on local authority and local VCS capacity for delivery. If these pledges are to be met, local authorities and, by extension, the local voluntary sector must be properly and adequately funded.

2.11 Public sector funding cuts have not been restricted solely to local authorities. Financial pressures on other parts of the local public sector ecosystem – in health, policing, schools and criminal justice particularly and the welfare reforms such as Universal Credit – lead to ‘cost shunting’, less ‘joined up’ service delivery with the costs and responsibilities of delivering essential services for communities in some places becoming a battle ground in which the primary casualties are the individuals and communities most in need of those services. This is one of the ways in which the VCS finds itself at the sharp end of reduced resources and increased demand, as it ‘papers over the cracks’ of system failure. This is a good reason for reintroducing a ‘Total Place’ type approach but this in itself will not be enough unless there is more central government funding to all public services.

2.12 Our members are acutely aware of the pressures that local authorities face and the very difficult choices they have to make. At local level the knock-on effect of current, inadequate financing of local government can often be the perception from the local VCS that they are undervalued, disregarded or being actively undermined. This is unhelpful. It undermines local government’s place shaping role and weakens local community resilience and sense of place. Central government cuts to local government funding have tragically led in some cases to unnecessary and undesirable wedges being driven between local authorities and the local VCS. NAVCA and its members wish to build partnerships with local government.

2.13 Local authorities have fewer resources and less people to engage with the local voluntary sector, impacting on local relationships, understanding and opportunities for effective collaboration. They should be encouraged to engage from Leader and Chief Executive level and throughout their organisations in ways described earlier in this submission (see points 1.5 – 1.7).

2.14 Additionally, budgetary pressures are leading to ever more prevalent, lowest price driven competitive tendering and price driven commissioning models for local services, that have a
direct impact on the local VCS and its relationship with local authorities. Price is shaping what should be value-based decisions, Relational partnerships with the VCS are being pushed aside which is not in the interests of communities and local people.

3. Fitness for purpose of the current system

3.1 Since 2010, central government cuts to local government funding have been made worse by constraints on local tax raising such as council tax capping and referenda. And as outlined earlier in this submission, the potential to generate income through local tax-raising varies between places; with those areas with greatest need having the least potential (see point 1.2).

3.2 Council tax is a regressive tax and without re-evaluations and extensions of top end tax bands it cannot substitute for loss of RSG.

3.3 The elimination of core central government funding was underpinned by the assumption that the gaps can be filled by locally raised council tax and business rates will further exaggerate existing inequalities between places. Areas with the greatest need are almost by definition the least likely to be able to raise additional funds from business rates and council tax, and often have less opportunity to attract business and residential development and resultant increases in tax revenue. They will increasingly struggle to meet even the most basic needs and entitlements of some of the most marginalised in society: The social costs could be high.

3.4 Over the next few years, England will continue to face a number of significant social, economic and environmental challenges: Local government needs to be effectively resourced in order to address these.

3.5 The social divisions, lack of community cohesion, economic disadvantage and sense of political disenfranchisement exposed by the Brexit debate are amongst the greatest of these challenges. Alongside the constraints and problems that the current funding system causes local authorities, we and our members have these specific concerns:

- Not enough has been done to prepare for the potential worsening of existing socio-economic problems in the immediate aftermath of leaving the EU, where the resultant hit to the economy would trigger increased demand for community support services delivered by VCS organisations.
- A weakened economy would inevitably mean more cuts to council budgets, and even scarcer resources available to the local VCS and local infrastructure. In short, local authorities and the voluntary sector would be put in an even more precarious position than is already the case, yet again at a point when their services and support are needed more than even already is the case.
- This risks a continuing downward spiral, with marginalised communities becoming more, rather than less, disadvantaged, thus even more marginalised, and therefore even more socially, economically and politically disconnected from better-off communities.
- VCS organisations would have to do more with even less, providing support and assistance for more people in crisis and further stretching our already chronically underfunded sector to its very limit. Central government needs to take account of this in the allocation and design of future central government funding to local authorities. We agree with the Local Government Association’s view that local government needs to be properly resourced to effectively deal with additional responsibilities and financial pressures arising from the EU Exit should this occur.

4. Conclusions

1 Local Government Finance Settlement 2019/20: LGA response
4.1 We recognise that cuts in local government funding have forced councils to make difficult choices. These have sadly too often affected vulnerable communities, as well as local VCS organisations, the delivery of their vital work, and the local infrastructure bodies that they rely on for support. NAVCA and our members want to see a significant restoration in local authority funding to a level to enable councils, in collaboration with their VCS partners, to deliver properly resourced support services across all of our communities. In saying this we respect the right of local authorities to determine how and when to engage the VCS.

4.2 Cuts to local government funding should be seen as part of a wider political choice to reduce the size of the state and to reduce public expenditure. Local government funding cannot be addressed in isolation. A more comprehensive shift in policy is required.

4.3 Such a restoration in funding levels must take account of the additional responsibilities and financial impacts any EU Brexit should there be one.

4.4 There will always be a critical role for central government in distributing funding from central taxation in order to address inequalities. Business rates retention and council taxes cannot meet these needs alone and indeed without central government redistributive funding will compound inequalities between places; there must always be a level of RSG based on the social, economic and environmental and cultural needs of places.

4.5 The LGA should be encouraged to engage with the national VCS bodies such as NAVCA and NCVO to:

- Agree joint representations to government on the need for more funding;
- Consider advice to local authorities on building relationships and engaging the local VCS and local VCS infrastructure bodies in this period of austerity, and increasing inequalities and challenges to social justice and fairness.

Appendix: About NAVCA

NAVCA is the national representative body for local voluntary sector support and development organisations (also known as local infrastructure organisations) in England. We have over 180 members, who between them support over 160,000 small, local, charities, voluntary organisations and community groups.

Local infrastructure organisations are place based bodies (traditionally, but not always Councils for Voluntary Service) that support, develop and represent the multitude of small, local, charities, voluntary sector organisations and community groups that function at grass roots level.

Local infrastructure organisations are essential for the creation, maintenance and development of a flourishing VCS sector:

- They play a critical role in supporting community cohesion and inclusion, bolstering volunteering, reducing isolation and driving intelligent commissioning.
- Their detailed local knowledge and work in advocating for neighbourhoods and marginalised groups means that they are ideally-placed to amplify the voice of communities, connect citizens and strategic decision-makers, and shape the development of services.
- They provide expert strategic and practical support to the local charities, voluntary and community groups. This comes in the form of information/advice on issues such as setting up a new charity or community group, governance, HR; volunteer brokerage and engagement; and offering training provision on everything from data protection to marketing and communication.
- Local infrastructure organisations also act as an important conduit between statutory bodies and the grass roots VCS serving local communities. They coordinate cross-sector networks, facilitate collaboration and provide support on generating/access to funding for the sector. A
growing number play a fundamental role in facilitating cross-sector engagement on the local Health & Wellbeing Agenda.

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