

Grants for Good:

Exploring local authority
grant-making to the VCSE sector

2025

Rhiannon Doherty
Jay Kennedy
Sevi Marshall

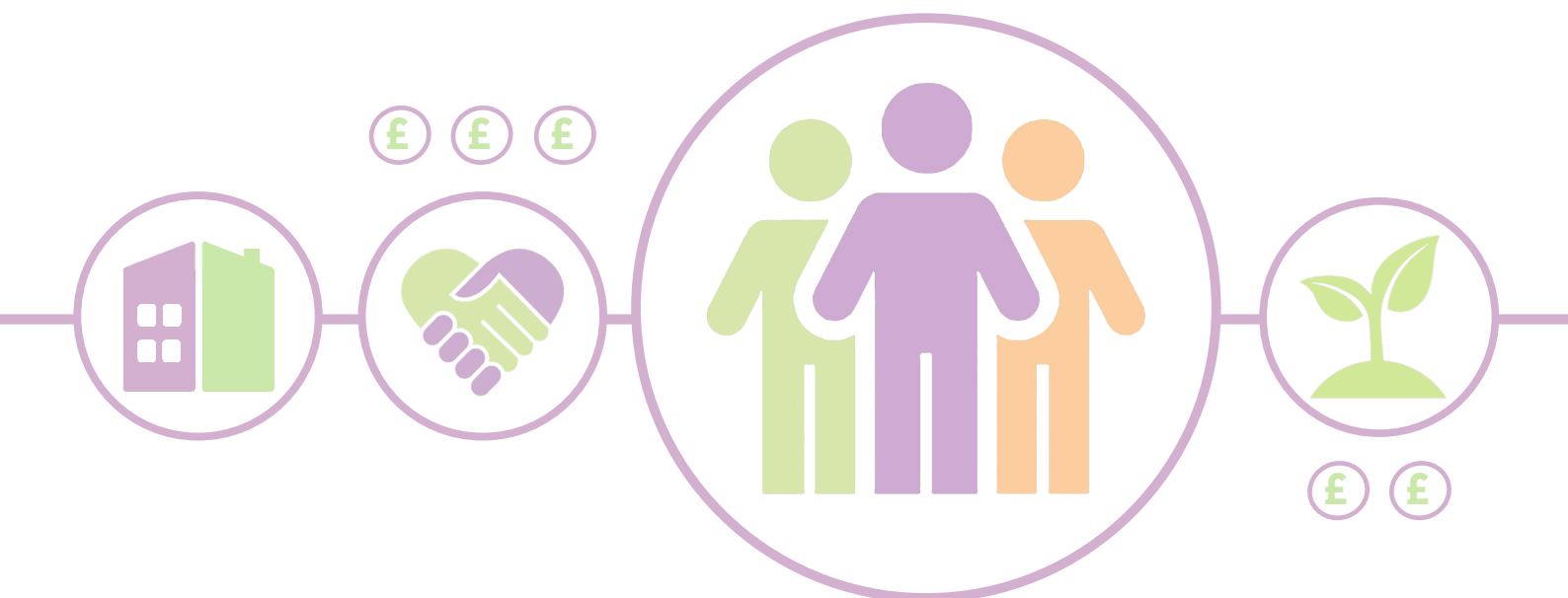


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Executive summary

About this report

This report provides an analysis of data gathered from local authorities in response to freedom of information (FOI) requests sent to all UK local authorities in 2024 by the Directory of Social Change (DSC). It presents new insights into local government grant-making across the UK for the voluntary, community and social enterprise (VCSE) sector between the financial years 2021/22, 2022/23 and 2023/24.

Key findings

- **UK local authorities awarded in the region of £600 million in grant funding to the VCSE sector.** The councils that responded to the FOI requests awarded at least 35,554 grants in the most recent financial year (2023/24), worth £461.9 million. When we take non-respondents into account, the actual total value of the grants awarded is likely to be around £600 million.
- **Based on the councils that responded to DSC's FOI request, the value of reported grants increased by almost 23% between 2021/22 and 2022/23, and then by a small margin of 2% in 2023/24.**
- **In the latest financial year, half of the local authorities that responded made grants totalling less than £520,000, and the average individual grant was worth around £13,000.** In terms of year-on-year growth, the increase in average grant value didn't keep up with high inflation in 2022/23.
- **Around four-fifths (76.9–79.4%) of local authority grants were awarded via open or competitive processes (as opposed to closed processes).** This provides strong evidence that the majority of council grants are open to new applicants.
- **Out of all the respondents, just three local authorities reported that they received formal complaints or challenges regarding their grant-making practices.** This represented a tiny 1% of all councils that responded to this question.
- **Only one council reported legal proceedings arising from complaints or challenges relating to its grant-making processes or decisions.** This confirms that the perceived legal risks associated with local authority grant-making, such as potential breaches of procurement regulations, are largely unfounded.
- **Local authority transparency about grant-making practices remains poor, and information about grants is not standardised.** Almost one-fifth (18.2%) of local authorities either failed to respond to DSC's FOI request (11.3%) or denied the request (6.9%). The quality and comprehensiveness of the data returned to DSC were also inconsistent.
- **An increasing number of councils are issuing Section 114 notices (effectively declaring themselves at risk of insolvency) and/or experiencing financial hardship.** DSC found that a significantly higher proportion of councils at risk of financial hardship (71.0%) reduced their annual grant spending to the VCSE sector in 2023/24, compared to those not at risk (46.0%).

Recommendations

- **Local authority commissioners and legal departments need to be aware that they can legitimately make grants to VCSE organisations.** The number of councils reporting legal challenges remains extremely low. There is no evidence that grants involve a greater risk of legal challenges than contracts, and this lack of understanding is not a valid reason for avoiding grant programmes or for using contracts by default in commissioning.
- **Local authorities need to comply with the spirit and the letter of the Freedom of Information Act 2000.** Not all councils are providing transparent data on their grant-making even when they claim to be. Many councils responded to FOI requests long after the legal requirement of 20 working days, while others responded with inaccessible data or denied the request.
- **Information from councils about local authority grants for the VCSE sector needs to be clearly accessible and provided in a standardised format.** Many councils are still failing to meet the guidance set out in the Local Authority Transparency Code 2015.
- **Further research is needed to explore how local authorities' grant-making practices have changed given the rising number of councils facing financial hardship and issuing Section 114 notices.** While DSC's data suggests that councils experiencing financial hardship have made more extreme reductions in their grant funding, the situation is moving at pace, and more research is needed to understand the long-term impact.

CHAPTER ONE

Introduction

1.1 Background to the project

Local authority grants provide essential financial support that enables voluntary, community, and social enterprise (VCSE) organisations to deliver services and make a difference in the communities they serve. They sit alongside income from service delivery contracts, public donations, trading, and grants from grant-making charities and corporates. Any reduction in this funding is likely to have a detrimental impact on the people who depend on these organisations.

The impact of public policy changes on public sector grants

Grants from the public sector remain an important funding component, particularly for the local VCSE sector, but have come under huge pressure from several converging factors. First, there was the drive towards the commissioning of public services, which began in the 1990s and accelerated under the New Labour governments (1997–2010) and then the Coalition government (2010–15). The central tenet of public services reform during these years was that public services did not need to be delivered by the state even if there were statutory duties to do so; instead, commissioners of services in public bodies could use the market to secure services on behalf of the taxpayer.¹ In practice, this often involved a preference for contractual arrangements rather than grant provision to support the delivery of outcomes, especially for services or financial arrangements above a relatively low value.

Among the highly debatable assumptions behind this approach was that competition and market forces would improve the efficiency and effectiveness of services for the public. Policymakers in the main political parties saw the private sector as poised to compete and win contracts to deliver or take over services from the state, and make them more efficient by reducing costs or bringing more innovation and investment. The New Labour and Coalition governments also viewed the VCSE sector as a player in public services reform to different degrees, with mixed results. Initiatives such as the Public Services (Social Value) Act 2012, for example, sought to influence commissioners to consider the wider social, economic and environmental benefits when commissioning services.²

The effects of public services reform under the New Labour and Coalition governments are reflected in trend data about VCSE sector income. Income from government rose from £11.4 billion in 2000/01 to £17.9 billion in 2009/10, when it made up 37% of all sector income.³ Much of this growth was due to an increase in income from statutory contracts, but it was also influenced by an initial increase in grants income during the early 2000s, with income from government grants reaching £7 billion in

¹ Rob Macmillan, *The Third Sector Delivering Public Services: An evidence review* [PDF], Third Sector Research Centre, 2010, accessed 20 May 2025.

² 'Social Value Act: Information and resources' [web page], Gov.uk, 2021, www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources, accessed 20 May 2025.

³ The data on VCSE sector income is derived from successive versions of the UK Civil Society Almanac, produced annually by NCVO. The latest edition available at the time of writing was 2024, which analysed financial data from 2021/22. 'UK Civil Society Almanac 2024' [web page], NCVO, www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2024, accessed 20 May 2025.

2003/04. A decade later, in 2012/13, grants income had decreased to a low point of £2.9 billion⁴. Overall, in the decade after 2010, income from government (including both grants and contracts) fell in value and as a percentage of all VCSE sector income.

The growth in VCSE sector income from statutory sources between the early 2000s and 2010 was accompanied by increased use of contracting and procurement in the commissioning of public services.⁵ Public sector procurement processes were often inaccessible to VCSE organisations, including at the local level, particularly for smaller organisations or those without the scale to deliver large programmes or the capacity to navigate complex and bureaucratic tendering procedures. Private sector organisations with vastly greater resources and market power not only won much of the business but also developed subcontracting arrangements with VCSE organisations. Some labelled such arrangements ‘bid candy’ because they were so financially unviable.⁶ The allegation was that private companies included VCSE subcontractors in bids not because of their specialist skills or delivery expertise but to convince commissioners of their own social bona fides.

A second factor impacting the trends on VCSE sector income involved the huge changes to the public finances, and particularly to local government finances, that the Coalition government instigated after 2010, following the 2008/09 financial crash and subsequent recession. An overriding feature of the so-called ‘age of austerity’ was the rapid cancellation of many funding schemes that had previously supported the financial security and provision of services such as health, housing and economic development in many local authority areas.

Between 1997 and 2010, the New Labour government, alongside the European Union, had ploughed funding into areas which had lagged behind in terms of stagnating economic development and social deprivation.⁷ In England, this was co-ordinated via a network of Regional Development Agencies and Government Offices for the Regions. Under the Coalition government, these were scrapped in favour of a more localised approach, and much of the related funding rapidly disappeared after 2010.

At the same time, HM Treasury, via successive budgets and spending reviews, drastically reduced central grant funding to local governments while seeking to limit local authority council tax increases, which precipitated a crisis in local authority finances that is still ongoing. Analysis by the Institute for Government concluded that:

Central government grants – including retained business rates – were cut 37% in real-terms between 2009/10 and 2019/20, from £41.0bn to £26.0bn in 2019/20 prices. While grants from central government were cut, rates of council tax were increased. Local authorities raised 25% more council tax, in real terms, in 2019/20 compared to 2009/10.⁸

⁴ *Ibid.*

⁵ In the context of this report, ‘contracting’ refers to one organisation paying another to deliver a service according to the specific conditions outlined in a contract; ‘procurement’ refers to public authorities purchasing work, goods or services; and ‘commissioning’ refers to identifying needs, allocating necessary resources and selecting a service provider to meet those needs using the resources available.

⁶ Patrick Butler, ‘Charities: Corporate “bid candy” for the big society?’ [web article], *The Guardian*, June 2011, www.theguardian.com/society/patrick-butler-cuts-blog/2011/jun/22/bid-candy-charities-carved-out-of-work-programme, June 2011, accessed 20 May 2025.

⁷ See, for example, Ruth Lupton, Alex Fenton and Amanda Fitzgerald, *Labour’s Record on Neighbourhood Renewal in England: Policy, spending and outcomes 1997–2010* [PDF], Centre for Analysis of Social Exclusion/The London School of Economics and Political Science, 2013, <https://sticerd.lse.ac.uk/dps/case/spcc/wp06.pdf>, accessed 20 May 2025.

⁸ Graham Atkins and Stuart Hoddinott, ‘Local government funding in England’ [web article], Institute for Government, March 2020, www.instituteforgovernment.org.uk/explainer/local-government-funding-england, accessed 20 May 2025.

The most recent data shows that the VCSE sector now receives most of its income from the general public. Income from statutory sources has declined dramatically compared to 15 years ago, but this funding remains substantial, representing one-fifth of total sector income. For the latest year where data is available (201/22), the statutory sector was the source of £14.2 billion in income to the VCSE sector, of which roughly half was from central government and half was from local government. Grant income accounted for £3.67 billion, or just over one-quarter, of this total, with contract income making up nearly three-quarters.⁹

Effects of the cost-of-living crisis and high inflation on grant-making

Qualitative evidence from research for the first edition of this report suggested that many local governments had increased their supply of grant funding to local VCSE organisations and community groups during the COVID-19 pandemic, as institutions and communities rallied together to respond to the global crisis.¹⁰ To some extent, local government was used as a distribution mechanism for funding streams put in place by central government to deal with a multi-faceted emergency that affected the economy, health, education, employment, poverty and social isolation.¹¹

However, as the pandemic abated, unusually high inflation in 2022/23 added to the massive underlying financial pressures on local authorities. By 2024, many local governments were struggling just to maintain services which they have a statutory duty to provide, and some had issued Section 114 (S114) notices, effectively declaring themselves at risk of insolvency. In some cases, particularly where a council has filed an S114 notice necessitating radical financial cuts, local authority grant-making to VCSE organisations has ceased completely. The prevalence and impact of S114 notices are discussed in more detail in section 2.2.

In this environment, VCSE organisations that receive local government funding are facing multiple pressures. The local government financial crisis is putting pressure on funding streams, and the costs of delivering services have also increased. Many VCSE organisations are struggling to deliver contracts whose values have not been uplifted in line with rising inflation. This is taking place against the backdrop of a reduction in the financial resilience of VCSE organisations due to the COVID-19 pandemic, which disrupted fundraising for an extended period.¹²

In a 2024 survey of charities in receipt of public sector grants or contracts, 40% said that grants or contracts never provided the full cost of delivering a service, with 44% saying that this had been the case since at least 2020. To deal with the shortfall caused by funding values not keeping up with high inflation, 87% of respondents said that their charity was subsidising the cost from other sources (such as donations), 39% of respondents reported that they were having to reduce the number of people

⁹ The data on VCSE sector income is derived from successive versions of the UK Civil Society Almanac, produced annually by NCVO. The latest edition available at the time of writing was 2024, which analysed financial data from 2021/22. 'UK Civil Society Almanac 2024' [web page], NCVO, www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2024, accessed 20 May 2025.

¹⁰ Rhiannon Doherty, Chester Howarth and Jay Kennedy, *Grants for Good: Exploring local authority grant-making to the VCSE sector* [PDF], Directory of Social Change, 2023, www.dsc.org.uk/publication/grants-for-good-exploring-local-authority-grant-making-to-the-vcse/, accessed 20 May 2025.

¹¹ Thomas Pope and Peter Hourston, 'Coronavirus: What support did government provide for individuals and businesses?' [web article], www.instituteforgovernment.org.uk/explainer/coronavirus-economic-support-individuals, Institute for Government, March 2022, accessed 20 May 2025.

¹² For more on the financial impact of the COVID-19 pandemic and cost-of-living crisis on VCSE organisations, see the Voluntary Sector Barometer series of surveys conducted by Nottingham Trent University, available at www.ntu.ac.uk/research/groups-and-centres/projects/vcse-data-and-insights-national-observatory/vcse-barometer-survey, accessed 20 May 2025.

they were supporting, and 72% said they were withdrawing or considering withdrawing from public service delivery on behalf of statutory bodies altogether.¹³

Implications of Labour's return to power in 2024 for local government grants

The election of another Labour government in July 2024 raises the prospect of further policy changes that will affect local government, public spending and commissioning practices over the coming years. In its first Budget in Autumn 2024, the government signalled an initial funding increase for local government, which was confirmed in a local government finance settlement in early 2025. However, it remains uncertain whether that will continue over subsequent years as a Spending Review setting budgets for the remainder of the Parliament was due to be completed in June 2025.¹⁴

The party has also committed to a substantial reorganisation of local government in England, with the announcement of a devolution bill in its first King's Speech and a white paper published at the end of 2024.¹⁵ A main feature of this policy is the abolition of district councils in England and the consolidation of English council areas into larger regional entities with greater powers. The government also issued a procurement notice which called for 'maximising procurement spending with [small and medium-sized enterprises] and VCSEs',¹⁶ but the impact of this when set against so many other simultaneous and competing pressures affecting local government may be limited.

It remains to be seen what effect these policies will have on the commissioning of services and provision of local authority grants over the longer term, but, in the near term, there is likely to be some disruption. Data analysed in this report pre-dates Labour's General Election victory, and the government's policy changes will take time to be fully felt. Amid these changing conditions, maintaining the argument for grant funding to support the local VCSE sector remains challenging, yet the evidence in this report suggests that many councils still retain their use of grants. From the VCSE sector's point of view, this is very positive news and indicates the value councils place on continuing to support partners in their communities, even during times of high financial stress and economic disruption.

The grants data gap

A major problem in understanding the impact of changing policy developments on the VCSE sector has been the lack of data about how grant-making by local authorities and central government has changed over time. A series of policy initiatives dating back to at least 2002 have attempted to illuminate the issues and provide solutions, but their impact has at best been gradual, and none have yet lived up to their own intentions in practice.

¹³ 'The True Cost of Delivering Public Services: a survey of UK charities' [web article], NCVO, March 2024, www.ncvo.org.uk/news-and-insights/news-index/the-true-cost-of-delivering-public-services, accessed 20 May 2025.

¹⁴ *Autumn Budget 2024: Fixing the Foundations to Deliver Change* [PDF], HM Treasury, https://assets.publishing.service.gov.uk/media/6722120210b0d582ee8c48c0/Autumn_Budget_2024__print_.pdf, accessed 20 May 2025.

¹⁵ 'English Devolution White Paper' [web page], Ministry of Housing, Communities and Local Government, December 2024, www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth/english-devolution-white-paper, accessed 20 May 2025.

¹⁶ *National Procurement Policy Statement* [PDF], Cabinet Office, 2025, https://assets.publishing.service.gov.uk/media/67ab330e1a116437c7ed88da/E03274856_National_Procurement_Policy_Statement_Elay.pdf, accessed 20 May 2025.

For example, in the early 2000s, the Labour government conducted an investigation, led by HM Treasury, into the role of the VCSE sector in public service delivery. This in-depth and now largely forgotten report was the genesis of programmes such as Futurebuilders and Capacitybuilders, which sought to boost investment and infrastructure in the VCSE sector by allowing organisations to compete in the market to provide commissioned services. The report also made recommendations around funding and data, including that ‘Government should establish a unified information system for data collection and analysis on government funding for the VCS.’¹⁷

As part of its mission to improve accountability around public spending, the Coalition government introduced measures which required statutory bodies to be more transparent about their spending, including the Local Government Transparency Code 2015. The code requires that all spending transactions over £500 must be published on a quarterly basis. It explicitly lists ‘grants’, ‘grant payments’ and ‘grant-in-aid’ as examples, and it includes a dedicated section on what kind of data should be published on grants to the VCSE sector (see appendix two for more detail). Similar requirements exist for contracts valued at £5,000 or greater, which also require information on ‘whether or not the supplier is a small or medium-sized enterprise and/or a voluntary or community sector organisation’.¹⁸

In 2018, the Conservative government of Prime Minister Theresa May produced a Civil Society Strategy. The strategy talked about ‘ensuring collaborative commissioning’, including ‘a revival of grant-making – “Grants 2.0” – to reflect the fact that grants can combine flexibility with the accountability and performance rigour of a contract, and also bring “additionality”, such as philanthropic or in-kind investment.’¹⁹ Outcomes from this policy agenda include the development of a search engine for government grants and a ‘Grants Centre of Excellence’ with tools for officials involved in central government grant-making. Although this system has now been in place for several years, its usefulness to VCSE organisations seeking grant funding remains limited because much of the data it contains is not relevant for most organisations.²⁰

Despite these efforts by successive governments and technological advancements in open data, which should have enabled greater transparency around government funding over the past two decades, progress has been slow, and data about grant funding from local government and agencies outside Westminster or the devolved governments remains inconsistent and lacks transparency.

Individual councils can and do publish some information about their grant-making, but, despite initiatives like the Local Government Transparency Code 2015, it often isn’t in a standard format and isn’t comparable across councils. There is no robust, centralised database to illuminate exactly how much money local government provides to the VCSE sector. This is frankly shocking – not only given the scale and importance of voluntary activity in the UK but also the aggregate amount of public money that is being spent to support the VCSE sector’s work.

¹⁷ Stephen Osbourne and Kate Mc Laughlin, *The Role of the Voluntary and Community Sector in Service Delivery: A cross-cutting review* [PDF], HM Treasury, 2003, www.tandfonline.com/doi/abs/10.1080/0143116042000229320, accessed 20 May 2025.

¹⁸ ‘Local Government Transparency Code 2015’ [web page], Department for Communities and Local Government, 2015, www.gov.uk/government/publications/local-government-transparency-code-2015, accessed 20 May 2025.

¹⁹ *Civil Society Strategy: Building a future that works for everyone* [PDF], HM Government, 2018, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/732765/Civil_Society_Strategy_-_building_a_future_that_works_for_everyone.pdf, pp. 105 and 111, accessed 20 May 2025.

²⁰ ‘Government grants management function’ [web page] Gov.uk, <https://grantshub.civilservice.gov.uk/s>, accessed 20 May 2025.

About the project and DSC's Grants for Good campaign

The wider trends and policies described in the previous sections matter because they have a real impact on people's lives. VCSE organisations are often integral to providing effective and trusted support in communities. Many do provide services on behalf of councils, but narrowly conceiving of their role as service providers misses the full picture. VCSE organisations are much more than a delivery option: they help to strengthen communities by bringing people together, for example with volunteers; by bringing people's needs to the attention of decision-makers; and by providing innovative solutions to problems, often developed by people in the community and for the community. These are all strong reasons to provide local grant support to VCSE organisations which don't always easily fit into the existing logic or processes of procurement.

In 2016, the Directory of Social Change (DSC) launched the Grants for Good campaign (www.dsc.org.uk/grantsforgood) in partnership with the Charity Finance Group, Children England, NAVCA, Clinks, and Lloyds Bank Foundation for England and Wales to influence and educate commissioners on the huge benefits of supporting charities and community groups through grant-making. The campaign advocates that the long-term decrease in grant-making from public bodies needs to be reversed and that grants are good for:

- investing locally;
- supporting community;
- empowering people;
- sustaining services;
- saving time, effort and resources;
- nurturing innovation;
- adapting to change.

This report provides some data to help fill the gap in the knowledge around local authority funding, and spark a debate about how both the data and the funding itself can be improved for the benefit of everybody. Local government, the VCSE sector and, most importantly, the people and communities they serve should expect the highest standards of transparency regarding how public funds are spent.

1.2 Research objectives and methodology

To better understand the grant-making behaviours of local authorities, DSC sent FOI requests to all UK councils. The requests asked a series of questions about each local authority's practices for grant-making to the VCSE sector in the financial years 2021/22, 2022/23 and 2023/24. This report analyses the data provided by the councils in response. DSC's researchers wanted to find out answers to the following questions:

- **What was the total annual financial value of grants councils made to the VCSE sector during the three financial years?** (to establish the total value of local authority grant-making in recent years)
- **How many grants did councils make to the VCSE sector over the three years?** (to establish the total number of local authority grants made in recent years)
- **What was the breakdown between grants awarded via competitive processes** (such as an open application form) **and grants-in-aid** (that is, grants to an organisation to support its

overall work, often without an open process)? (to examine the degree to which grants are awarded competitively)

- **Did councils receive any formal challenges to their grant decisions, and if so, did any of those challenges lead to legal proceedings?** (to investigate whether there is any evidence to support the argument that grants cannot be made because of legal risks – for example, suggesting that procurement regulations don’t allow it or that or that grant funding violates the Subsidy Control Act (or state aid rules prior to Brexit)²¹

The questions were carefully developed in consultation with commissioners at local authorities and piloted with a small sample of ten local authorities in spring 2022. Following the successful response to the pilot study, on 29 June 2022, DSC’s researchers sent FOI requests to all remaining councils in the UK via email. The results of this informed the first edition of this report, published in 2023. In June 2024, DSC’s researchers repeated the process, to gather data which informed this second edition of our Grants for Good report. A full transcript of the FOI requests can be found in appendix one.

Email addresses were sourced from the FOI Directory, a free online database of contact details for councils’ freedom of information teams, which is compiled and maintained by journalist Matthew Burgess.²² DSC’s researchers updated and refined the FOI Directory contact list to account for councils that had closed and merged with others since the database was published. New contact information was also added where necessary, for example, where email addresses were no longer in service. Where email addresses were unavailable, councils were contacted via webform.

FOI regulations stipulate that public bodies should respond to FOI requests within 20 working days.²³ However, initial responses acknowledging receipt of the request or requesting clarifications can reset the clock, and, in many cases, councils did ask for more time. Public bodies can also refuse the request if they deem it too expensive to answer, and some councils did so. DSC allowed 14 weeks for responses to be received and entered into a database, with researchers also responding to queries and providing clarifications during this period.

In early September 2024, DSC’s researchers sent a final reminder email to councils that had not yet responded to DSC’s FOI requests. DSC’s data-collection period was over three times as long as the 20 working days over which councils are required to respond by law. Still, a substantial minority of councils refused the requests or simply didn’t respond at all.

In total, 307 councils had responded with data in response to DSC’s FOI requests by the close of data collection in October 2024, representing an overall response rate of 81.0%. However, the comprehensiveness and quality of the data returned varied significantly. Section 2.1 provides an in-depth overview of how councils responded to DSC’s FOI requests.

²¹ ‘State aid’ refers to state spending that has the potential to affect competition and trade between EU member states. After the UK’s exit from the European Union, this has been replaced in the UK by the Subsidy Control Act. The Act takes a more flexible and ‘principles-based’ approach to subsidy control and contains different thresholds than the EU regime. For more see: ‘Subsidy Control Act 2022: what does the new regime mean for you?’ [web article], Farrer & Co, November 2022, www.farrer.co.uk/news-and-insights/subsidy-control-act-2022-what-does-the-new-regime-mean-for-you, accessed 20 May 2025.

²² ‘FOI Emails for City, Borough and District Councils’ [web page], FOI Directory, www.foi.directory/councils-city-borough-district-foi, accessed 20 May 2025.

²³ *The Guide to Freedom of Information* [PDF], Information Commissioner’s Office, 2017, <https://ico.org.uk/media2/migrated/4020010/guide-to-freedom-of-information-4-9.pdf>, p. 27, accessed 20 May 2025.

CHAPTER TWO

Data analysis

2.1 Introduction

The following sections will explore the findings from local authorities' responses to DSC's freedom of information (FOI) requests. The requests asked about several aspects of grants provision to the VCSE sector, to provide a first-hand account from the councils themselves.

This chapter aims to answer the following questions:

- How many local authorities responded?
- How many grants did local authorities make in each of the financial years 2021/22, 2022/23 and 2023/24?
- What was the total value of grants made in each year?
- What was the typical size of the grants made?
- To what extent are local authority grants accessible to VCSE organisations?
- Have local authority grants been subject to legal challenge?

For each of these questions, DSC's researchers looked at the overall statistics and then investigated differences between the nations of the UK (England, Scotland, Wales and Northern Ireland).

2.2 How many local authorities responded?

DSC sent FOI requests to all local authorities across the UK. At the time of data collection (June to October 2024), there were 378 local authorities in the UK, which included 313 in England, 22 in Wales, 32 in Scotland and 11 in Northern Ireland.

As we discussed in section 1.2, the Freedom of Information Act 2000 clearly stipulates that public authorities are legally required to respond to FOI requests within 20 working days. However, the extent to which local authorities complied with DSC's requests – in terms of both responding to the request and returning good-quality, comprehensive data – varied significantly.

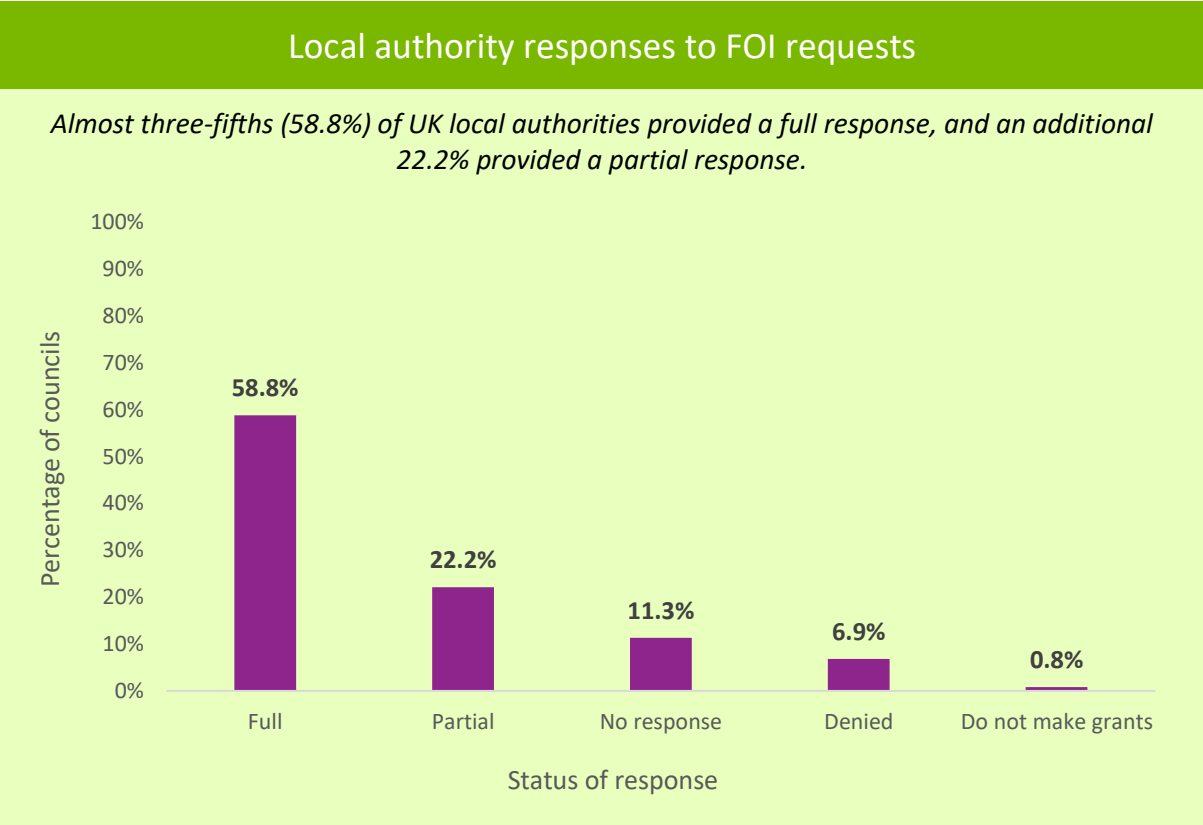
Analysis of council response rates to DSC's FOI requests provides new insights into the degree to which UK councils are upholding their legal duty to respond to FOI requests. It also provides some measure of councils' commitment to sharing transparent data about their grant-making to the VCSE sector.

Figure 2.1 provides an overview of how councils responded to DSC's requests. Almost three-fifths (58.8%, N=223) of all councils responded in full, answering all three questions set out in DSC's FOI requests (see appendix one). Just over one-fifth (22.2%, N=84) provided a partial response, where they were unable to answer one or more questions. Where partial data was supplied, the remaining questions were typically denied on the basis that the council did not hold the data, or that gathering and collating the data would exceed the appropriate time frame (usually 18 hours).

In total, 11.3% (N=42) of councils did not respond to DSC’s FOI requests. Of those 42 councils that failed to return data, 23 did not reply to DSC’s emails beyond an initial acknowledgement, 9 replied with insufficient or poorly labelled data that could not be used, and 11 stated that they did not hold the data.

A further 6.9% (N=26) of councils denied DSC’s FOI requests in full. The most common reason given for denying the request (cited by 22 councils) was that gathering the data would exceed the appropriate 18-hour time limit and incur a cost, generally quoted at £450. Finally, 0.8% (N=3) of councils replied to say that they did not make grants;²⁴ on this basis, the councils stated that they could not proceed further with the FOI requests.

Figure 2.1



Note: percentages are calculated out of the total number of councils in the UK at the time of data collection (N=378).

Many councils cited that the information for question 1 in the FOI request (as laid out in appendix one), which asked about the number and value of grants to the VCSE sector, was already publicly available. However, in most cases, councils directed DSC’s researchers to web pages or documents containing historical grants data, which required manual collation. These cases were labelled as ‘returned in full’ or ‘returned partially’ since the data was provided indirectly.

Occasionally, the data councils signposted DSC to was in an inaccessible format or poorly labelled. In these instances, DSC’s researchers corresponded further with the councils by email or telephone to request clarification and seek help interpreting the data. In most cases, this was successful, but a

²⁴ The three councils that responded to DSC’s FOI requests and stated that they did not make grants were Blackburn with Darwen Borough Council, Darlington Borough Council and Harrow Council.

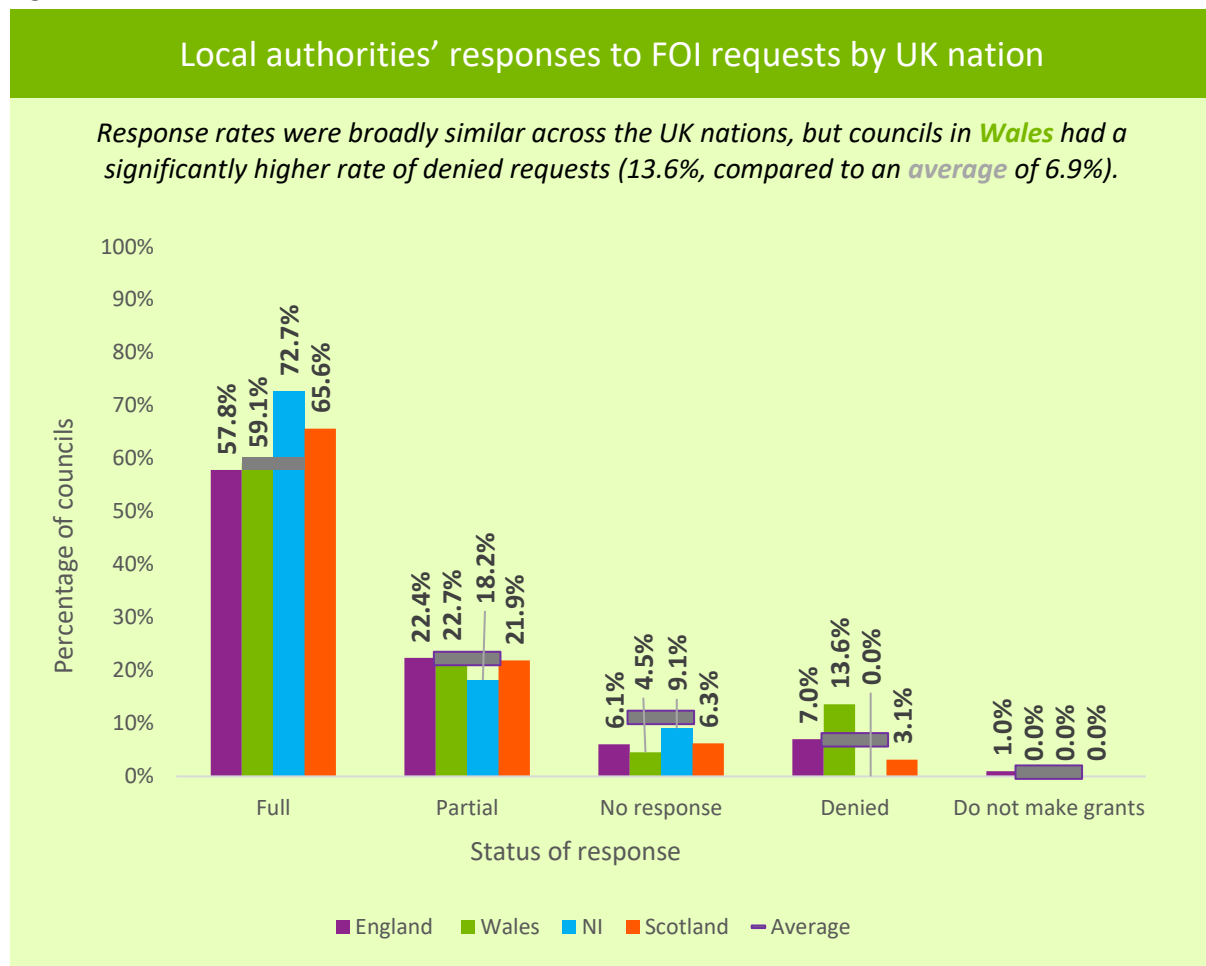
handful of councils did not respond to clarification requests, so their data had to be excluded from the analysis. This raises concerns about whether councils are fulfilling their responsibility to provide transparent grants data, and highlights issues with the consistency and comparability of how government grants data is published.

How did the response rate differ by UK nation?

Figure 2.2 shows a breakdown of response rates by UK nation. The coloured bars represent the response rates for each nation, while the grey lines show the average response rate across all councils.

The pattern of response statuses was broadly similar. Notably, Wales had the highest rate of denied requests, with 13.6% of Welsh councils denying the request. Local authorities in Northern Ireland provided the highest rates of full responses, with almost three-quarters (72.7%) answering all three questions in DSC's FOI request.

Figure 2.2



Note: percentages are calculated out of the total number of councils in England (N=313), Wales (N=22), Northern Ireland (N=11), Scotland (N=32).

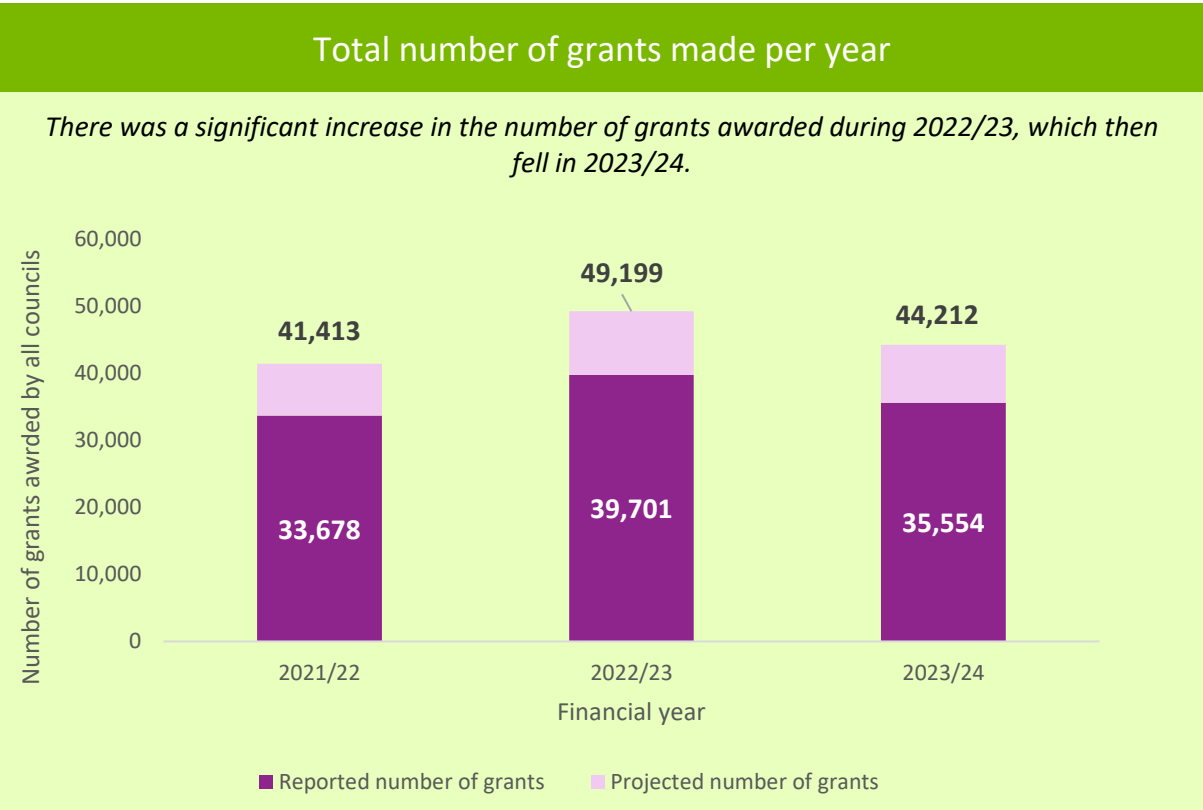
2.3 How many grants did local authorities make in each year?

How many grants were made in total in each year?

DSC’s FOI requests asked local authorities how many grants they had made to the VCSE sector in the financial years 2021/22, 2022/23 and 2023/24. Approximately three-quarters of local authorities responded to this question across all three years (73.3% in 2021/22, 75.7% in 2022/23 and 72.8% in 2023/24).

Figure 2.3 shows the total number of grants awarded by the responding councils in each year. Collectively, UK local authorities awarded at least 33,678 grants in 2021/22, 39,701 in 2022/23 and 35,554 in 2023/24.

Figure 2.3



Note: not all councils responded, and responses also varied slightly for each year – 278 councils provided data for 2021/22, 287 provided data for 2022/23 and 276 provided data for 2023/24. Estimates are based on the average number of grants awarded per council per year by UK nation and assume that the majority of councils make grants, as in the respondent group. In total, there were 88 non-respondent councils in 2021/22, 89 in 2023/24 and 76 in 2023/24.

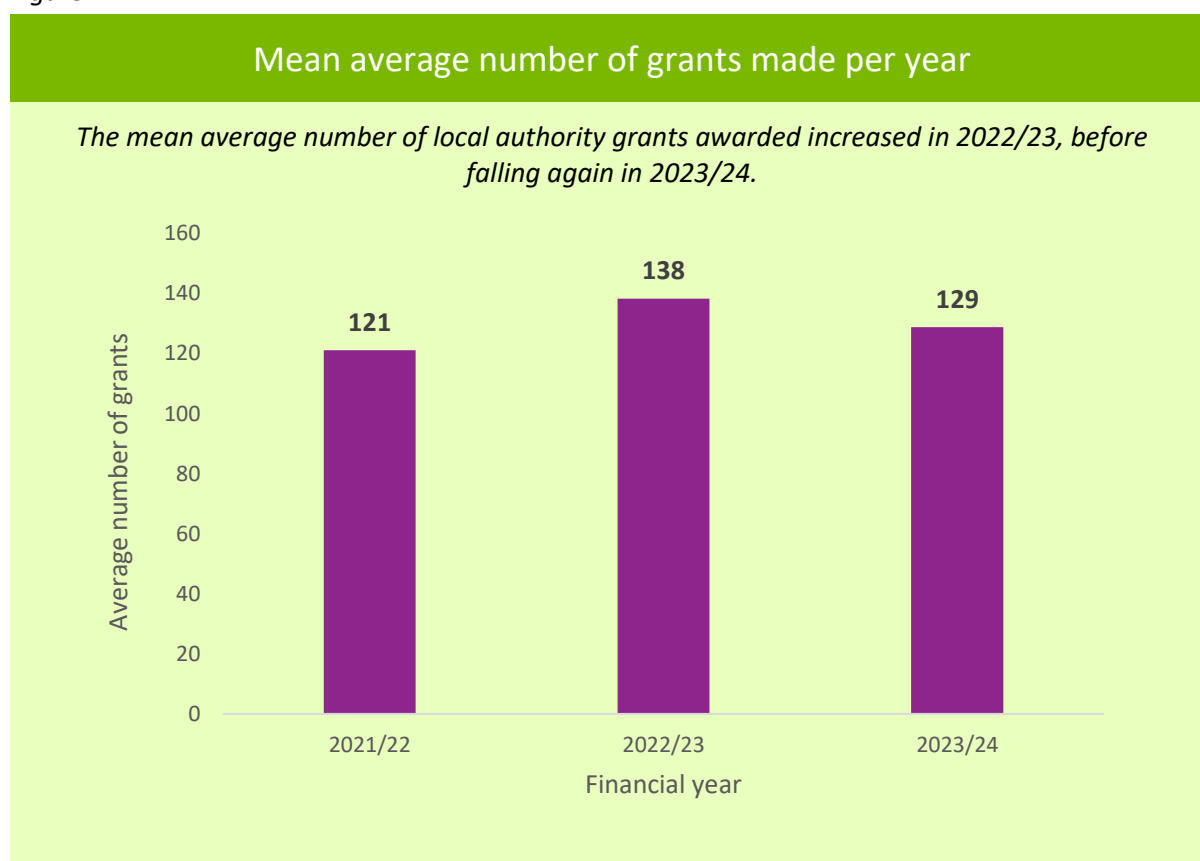
There was a significant 18% increase in the number of grants awarded between 2021/22 and 2022/23. However, the total number of grants awarded declined by 10.4% in 2023/24. This decrease is most likely due to the fact that slightly more councils responded with data for 2022/23. This may be because, at the time of data collection, councils had not yet published data for 2023/24 and therefore did not have it to hand.

Taking the non-respondent councils into account, DSC estimates that the total number of grants awarded by all councils per year was likely to be around 41,413 in 2021/22, 49,199 in 2022/23 and 44,212 in 2023/24²⁵.

What was the mean average number of grants made per year?

Figure 2.4 shows the average (mean) number of grants awarded by local authorities to VCSE organisations per year. The average council in the respondent sample awarded 121 grants in 2021/22, 138 grants in 2022/23 and 129 grants in 2023/24. Therefore, notably, the mean average number of grants per council peaked in 2022/23.

Figure 2.4



Note: not all councils responded, and responses also varied slightly for each year – 278 councils provided data for 2021/22, 287 provided data for 2022/23 and 276 provided data for 2023/24.

²⁵ The number of non-respondent councils varied in each year (88 in 2021/22, 76 in 2022/23 and 89 in 2023/24).

2.4 How much did councils award in grants in each year?

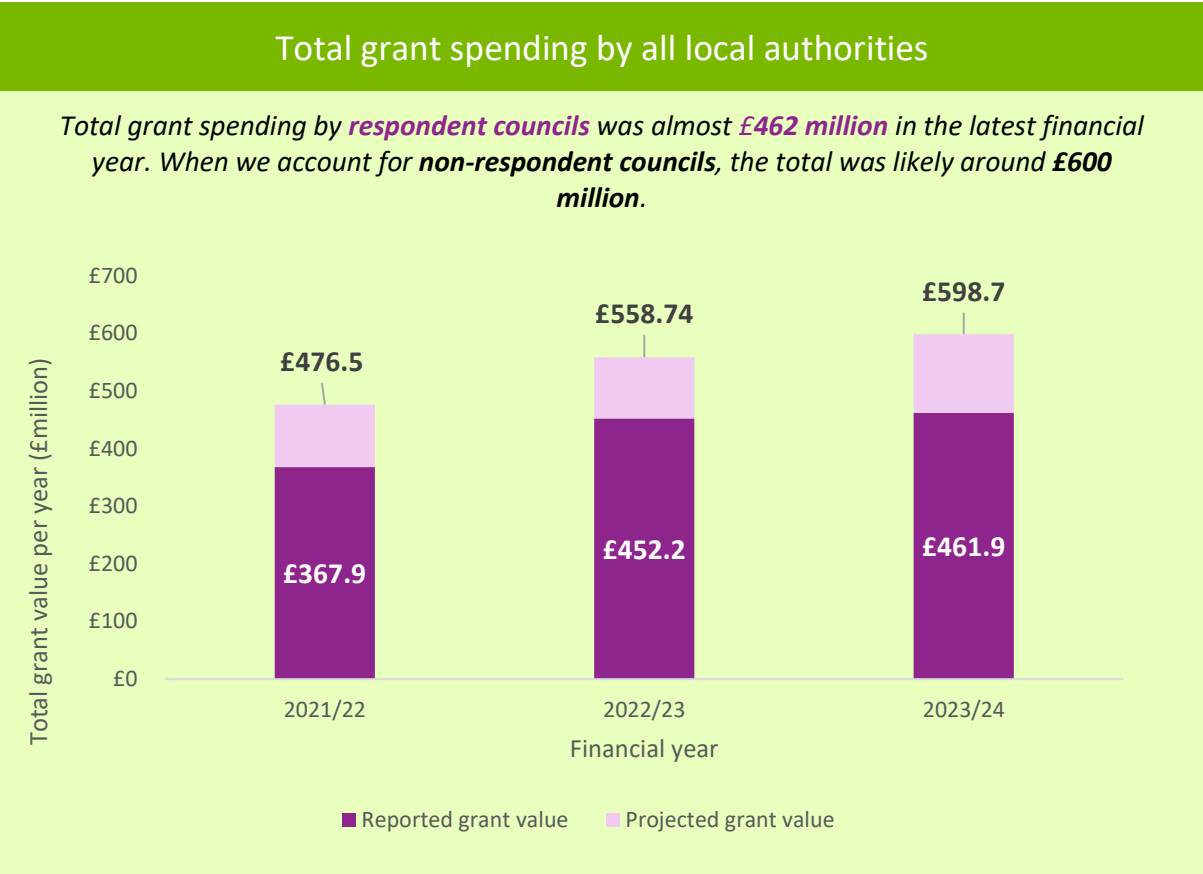
What was the total value of the grants made in each year?

The next question in DSC’s FOI requests asked councils about the total value of grants made to the VCSE sector in the financial years 2021/22, 2022/23 and 2023/24.

The dark purple bars in figure 2.5 show the total value of grants awarded to VCSE organisations by councils that responded to DSC’s FOI requests. The light purple bars show the estimated total spending when we account for non-respondent councils.

UK councils awarded at least £367.9 million in grant funding to VCSE organisations in 2020/21, £452.2 million in 2022/23 and £461.9 million in 2023/24. When we account for the non-respondent councils, DSC estimates that the total value of grants was around £476.5 million in 2021/22, growing to £558.7 in 2022/23 and £598.7 million in 2023/24.

Figure 2.5



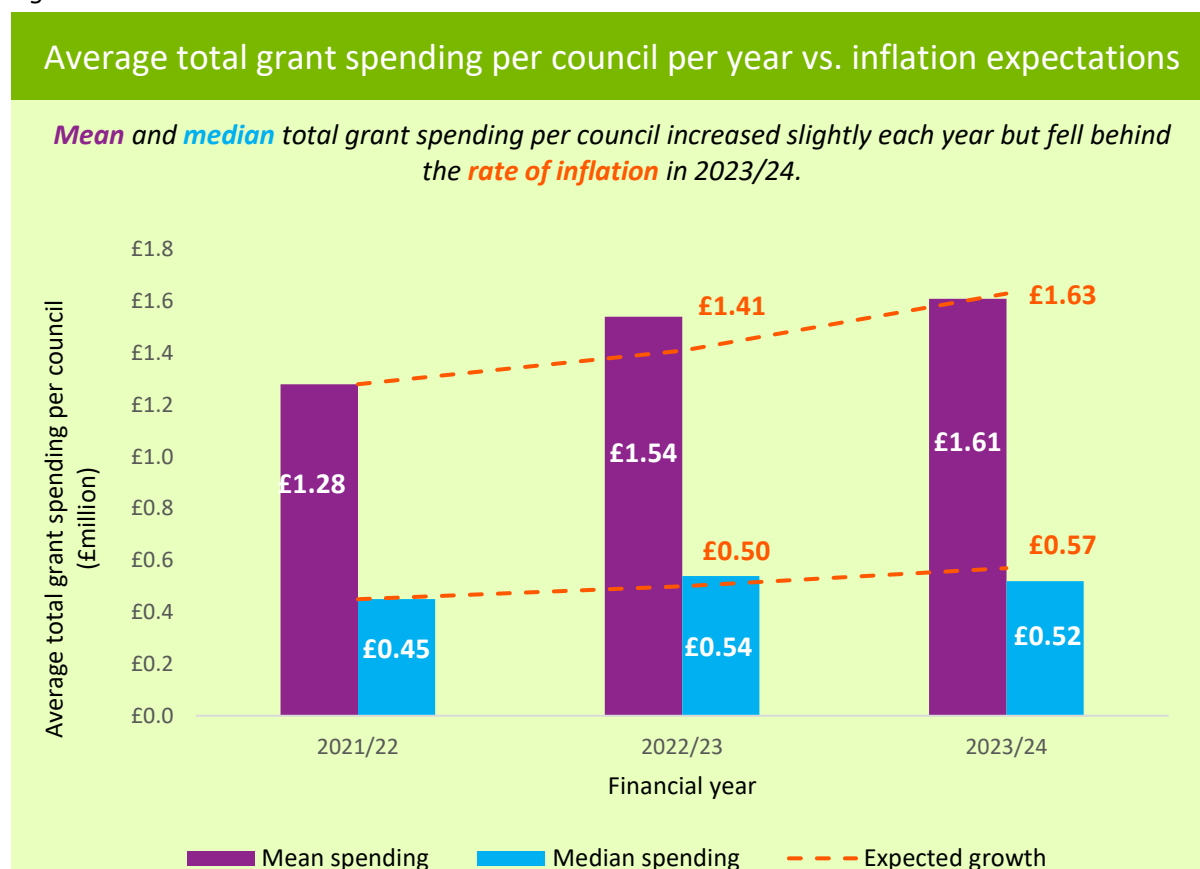
Note: estimates are based upon average total spending per council per year by UK nation and assume that the majority of councils make grants, as in the respondent group. In total, there were 88 non-respondent councils in 2021/22, 89 in 2023/24 and 76 in 2023/24.

What was the average grant spending per local authority in each year?

Figure 2.6 illustrates both the mean and median average grant spending per local authority during the financial years 2021/22, 2022/23 and 2023/24. The dashed orange lines indicate the rate of growth we would expect to see if the 2021/22 nominal values had changed directly in line with inflation.

The mean average grant spending by UK councils increased each year, reflecting a steady overall rise in grant expenditure. In 2021/22, the average spend per council was £1.28 million, rising to £1.54 million in 2022/23 and reaching £1.61 million in 2023/24.

Figure 2.6



Note: not all councils responded, and responses also varied slightly for each year – 288 councils provided data for 2021/22, 300 provided data for 2022/23 and 287 provided data for 2023/24. Inflation rates are based on ONS Consumer Price Index.²⁶

However, this period coincided with high inflation. If mean spending had risen in line with average inflation rates (of 10.0% in 2022/23 and 5.7% in 2023/24), we would have expected mean grant spending to reach approximately £1.41 million in 2022/23 and £1.63 million in 2023/24. This comparison suggests that while nominal spending increased, the growth did not keep pace with inflation in 2023/24 (the most recent financial year).

It's important to note that mean figures can be distorted by a small number of significantly higher values, whereas the median is less affected. As our data contained a few councils with exceptionally high grant spending, we next calculated the median to provide a more accurate reflection of the typical local authority's grant expenditure.

Figure 2.6 shows that median spending rose from £0.45 million in 2021/22 to £0.54 million in 2022/23, representing an increase of 18.9%. It then remained relatively stable, decreasing marginally (by 2.8%)

²⁶ Inflation and price indices' [web page], Office for National Statistics, <https://www.ons.gov.uk/economy/inflationandpriceindices>, accessed 20 May 2025.

to £0.52 million in 2023/24. This may indicate that funding levels have plateaued, mirroring the more modest growth in overall grant expenditure.

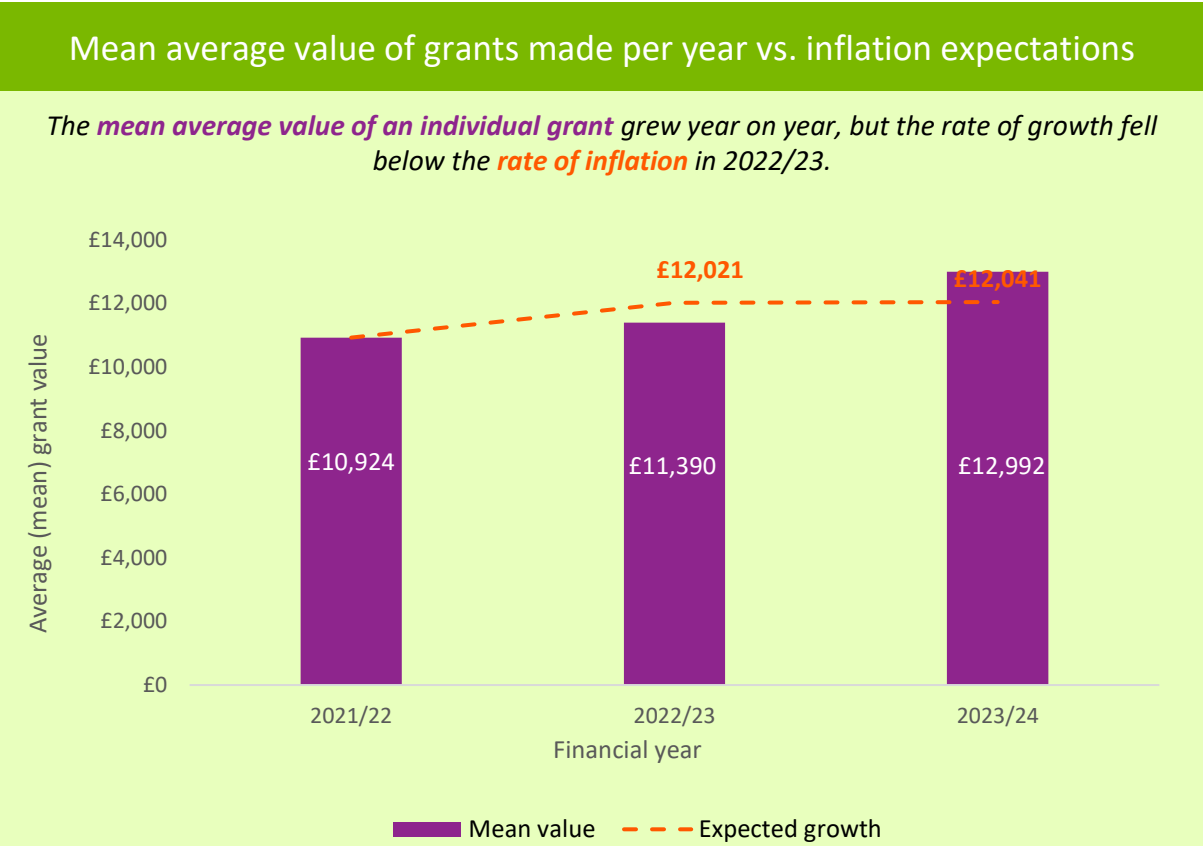
If we consider these figures in light of inflation, the change in median grant spending between 2022/23 and 2024 (-2.8%) fell behind the growth we would expect to see if grant spending had risen directly in line with inflation (+5.7%). This indicates a real-terms reduction in the typical grant funding available to VCSE organisations.

What was the average value of an individual grant in each year?

DSC’s researchers also looked at the mean average of an individual grant awarded by all councils over the three financial years from 2021/22 to 2023/24.

As shown in figure 2.7, the mean average value of a grant increased from £10,924 in 2021/22 to £11,390 in 2022/23, representing a 4.3% rise. This was followed by a more substantial 14.1% increase in 2023/24, bringing the average grant value to £12,992. These findings suggest that councils are shifting towards awarding a smaller number of higher-value grants, reflecting a possible change in funding strategies or priorities.

Figure 2.7



Note: not all councils responded, and responses also varied slightly for each year – 276 councils provided data for 2021/22, 302 provided data for 2022/23 and 288 provided data for 2023/24. Inflation rates are based on ONS Consumer Price Index²⁷

²⁷ Ibid.

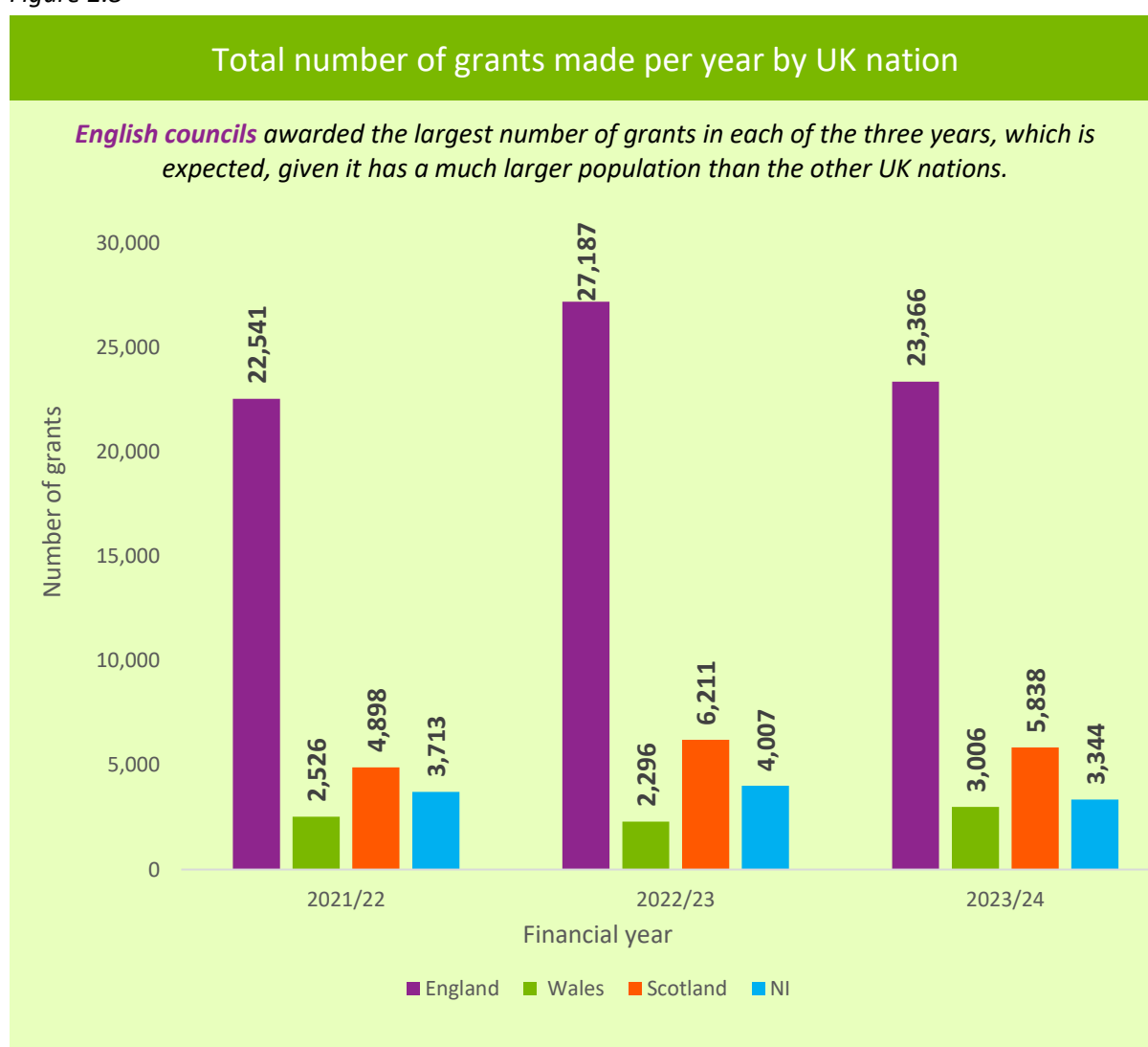
Despite the fact that the mean average grant value has increased each year, the rate of growth fell below the high rate of inflation in 2022/23. As shown by the dashed orange lines in figure 2.7, if the mean grant value of £10,924 in 2021/22 had risen directly in line with inflation, we would have expected it to reach £12,021 in 2022/23.

2.5 Grant-making by UK nation

How many grants were made in each UK nation?

Figure 2.8 shows the number of grants awarded to the VCSE sector per year by each UK nation. In all three years, English councils awarded the highest number of grants (22,541 grants in 2021/22, 27,187 grants in 2022/23 and 23,366 grants in 2023/24).

Figure 2.8



Note: not all councils responded, and responses also varied slightly for each year – 278 councils provided data for 2021/22, 287 provided data for 2022/23 and 276 provided data for 2023/24.

Across the three years, English local authorities awarded over three-fifths of the total grants awarded in the UK, accounting for 67.0% in 2021/22, 68.5% in 2022/23 and 65.7% in 2023/24. Scottish local authorities were responsible for between 14.5% and 16.4% of all grants awarded in the UK.

Meanwhile, Northern Irish councils accounted for between 9.4% and 11.0% of the total grants awarded, and Welsh councils for between 5.8% and 8.5%.

What was the total value of grant spending in each UK nation?

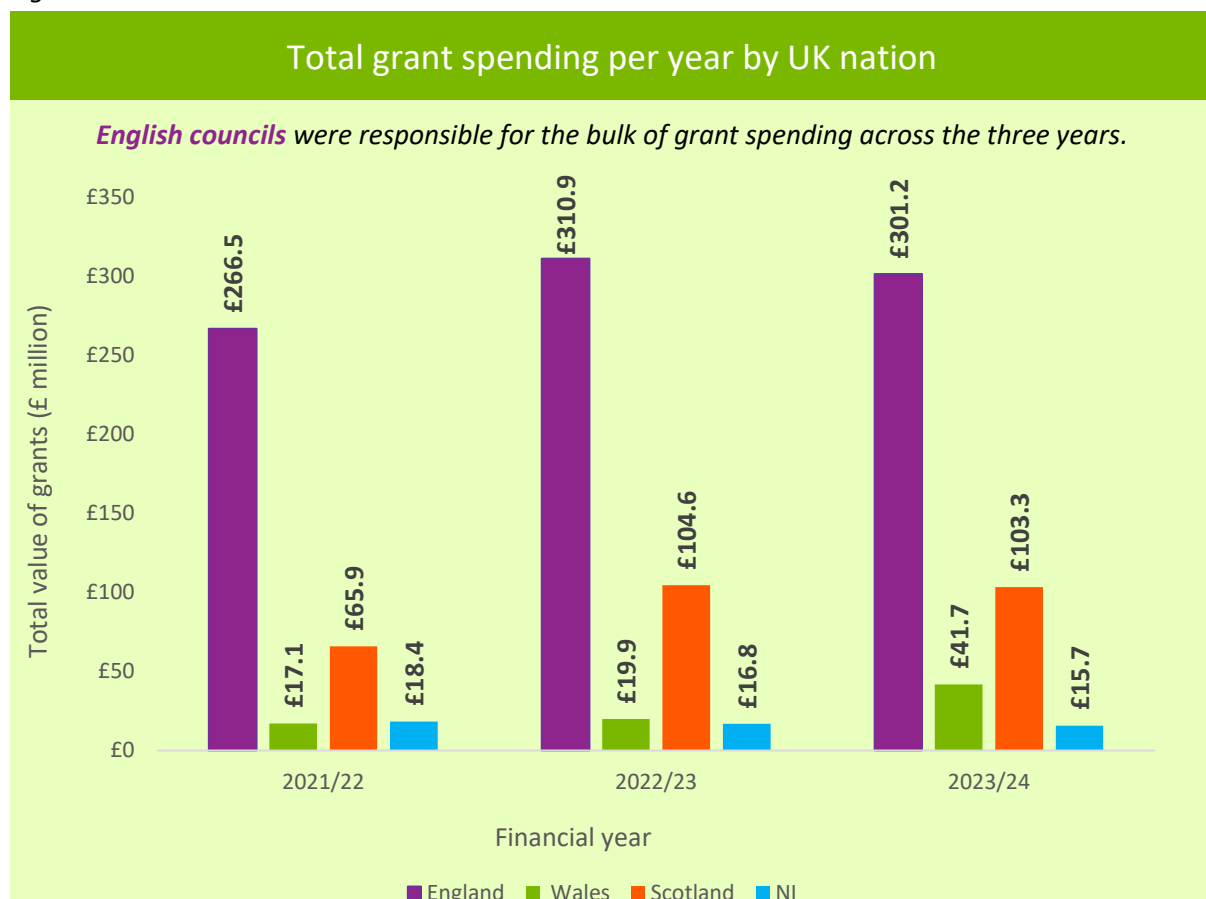
Figure 2.9 illustrates the total grant spending across local authorities in each UK nation from 2021/22 to 2023/24.

In real terms, English councils' grant spending increased by 16.7% from £266.5 million in 2021/22 to £310.9 million in 2022/23. However, spending then fell by 3.1% to £301.2 million in 2023/24.

The value of grants awarded by Scottish councils increased significantly each year, rising 58.7% from £65.9 million in 2021/22 to £104.6 million in 2022/23, before decreasing slightly by 1.2% to £103.3 million in 2023/24. Welsh local authorities saw a modest 16.4% increase in grant spending from £17.1 million in 2021/22 to £19.9 million in 2022/23. Grant spending by Welsh councils then more than doubled to £41.7 million in 2023/24.

Meanwhile, Northern Irish councils' grant expenditure decreased by 8.7% from £18.4 million in 2021/22 to £16.8 million in 2022/23, and then by a further 6.5% to £15.7 million in 2023/24.

Figure 2.9



Note: not all councils responded, and responses also varied slightly for each year – 278 councils provided data for 2021/22, 287 provided data for 2022/23 and 276 provided data for 2023/24.

English local authorities accounted for the majority of grant funding to the VCSE sector in all three financial years, providing 71.3% of total funding in 2021/22, 68.6% in 2022/23 and 54.3% in 2023/24.

However, English councils' proportion of total grant spending gradually declined over the three-year period, as the proportion contributed by Scottish and Welsh council grew.

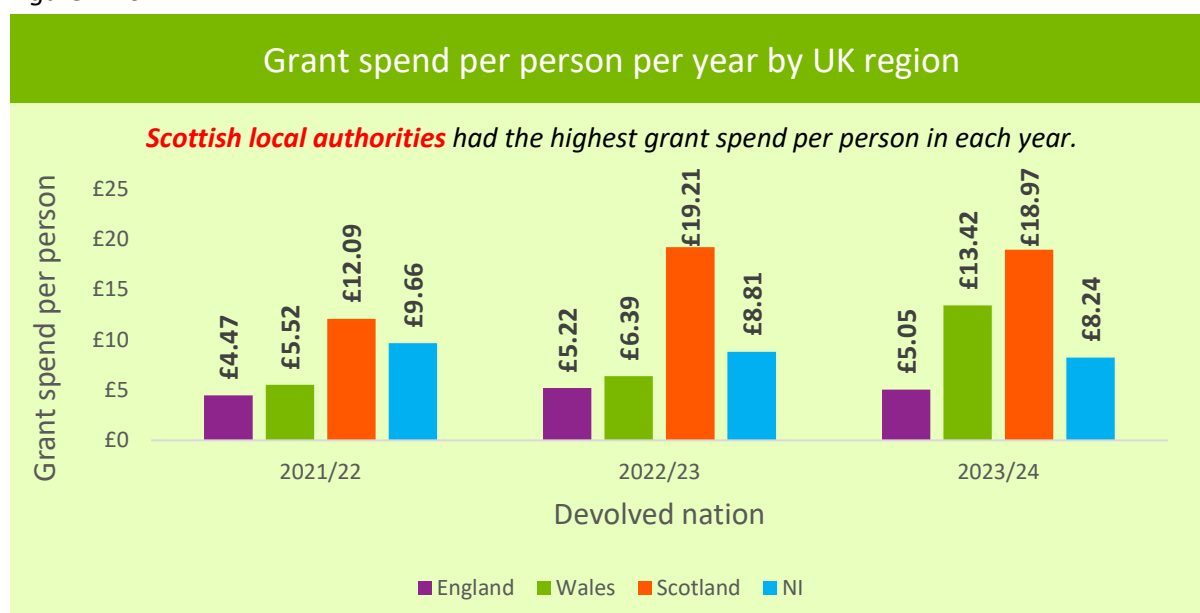
Scottish councils' share of total grant spending increased over the period, from 19.1% in 2021/22 to 23.3% in 2022/23, reaching 35.4% in 2023/24. The proportions contributed by Welsh councils remained relatively stable in the first two years, at 4.9% in 2021/22 and 4.4% in 2022/23, before rising to 14.3% in 2023/24. Northern Ireland's proportion of total grant spending decreased slightly from 4.9% in 2021/22 to 3.7% in 2022/23 and 2.8% in 2023/24.

What was the total grant spend per person in each UK nation?

It is, of course, important to keep in mind that England's population is much larger than those of the other devolved nations of Scotland, Wales and Northern Ireland. Therefore, it is also worthwhile to look at the total value of grants made per person per year in each nation – in other words, the amount each person living within each nation would receive if the grant total were split equally among the population there.

As shown in figure 2.10, looking at the total value of grants per person per year rather than the total value of grants provides a different perspective. While councils in England were responsible for the bulk of grant spending across the three years (see figure 2.9), Scottish local authorities had a higher value of grants per person, which peaked at around £19 per person in 2022/23. In contrast, England consistently had the lowest grant spending per person, standing at around £5 per person, when rounded to the nearest pound.

Figure 2.10



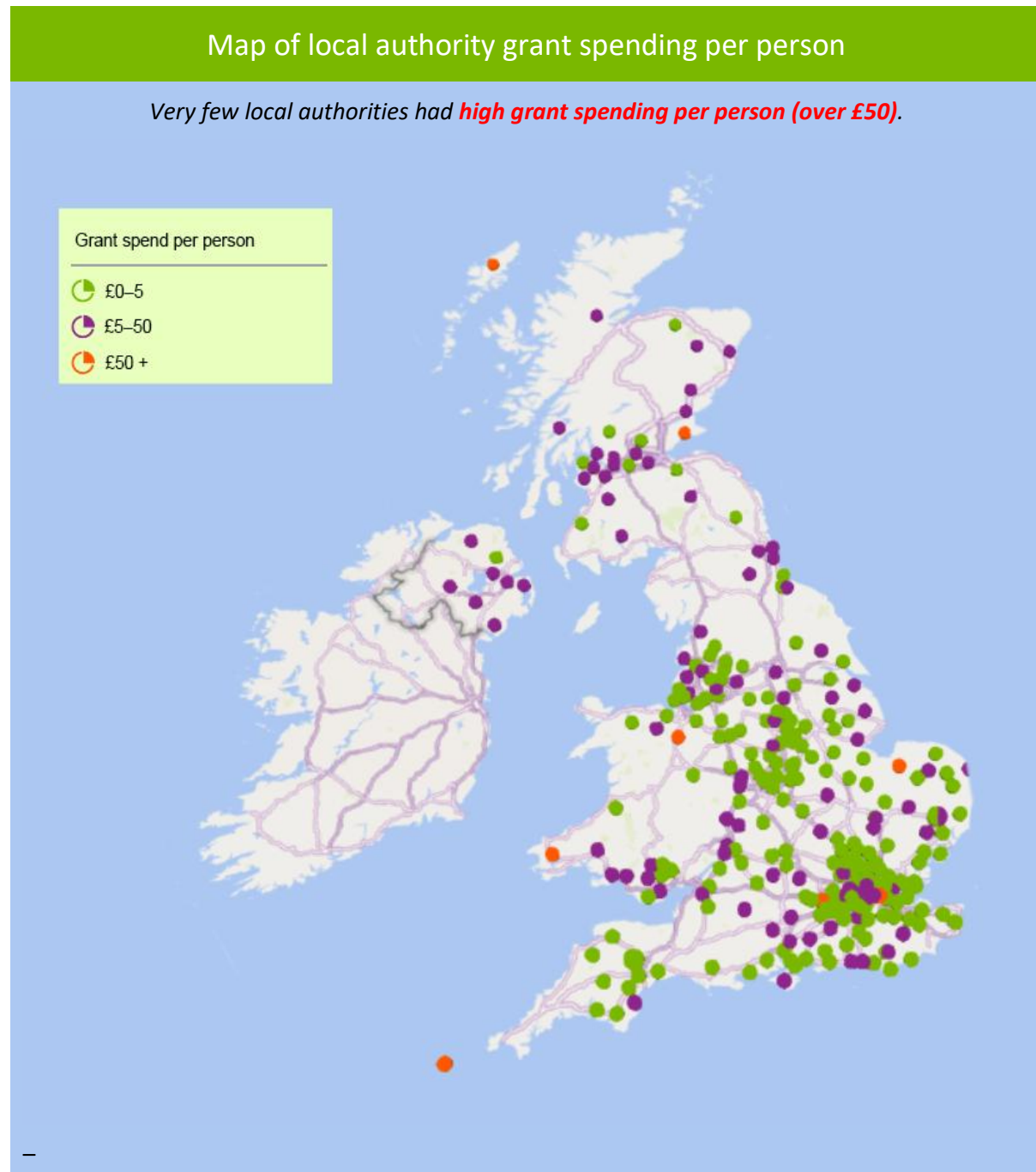
Note: response rates varied for each year – 289 councils provided data for 2021/22, 301 provided data for 2022/23 and 288 provided data for 2023/24. Population data is sourced from the Office for National Statistics mid-2021 population statistics and assumes that populations are stable over time.²⁸

²⁸ 'Estimates of the population for the UK, England, Wales, Scotland and Northern Ireland' [web page], Office for National Statistics, 2022, www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland, accessed 20 May 2025.

Figure 2.11 shows the grant spend per person in the latest financial year (2023/24) plotted on a map of the UK, for all councils that responded with data (N=287).

The green dots indicate local authorities that had low grant spending per person (below £5); the purple dots signify areas with more moderate grant spending per person (between £5 and £50); and the orange dots show areas that had high grant spending per person (over £50).

Figure 2.11



Note: based on councils that made grants and that responded with data for the 2023/24 financial year (N=287).

As seen in figure 2.11, there is a high volume of green and purple dots, indicating that the vast majority of local authorities had low to moderate grant spending per person.

Very few (N=10) local authorities had high levels of grant spending per person (over £50). The local authorities in this category included: Bexley, Bracknell Forest, City of London, Comhairle nan Eilean Siar (Western Isles), Fife, the Isles of Scilly, and King's Lynn and West Norfolk. Of these local authorities, only two had grant spending exceeding £100 per person – the Isles of Scilly and Comhairle nan Eilean Siar (Western Isles) – both of which are island communities with small populations.

At the other end of the spectrum, a significant number (N=54) of local authorities had grant spending below £1. Local authorities with the lowest grant spending per person (below £10p) included Luton, Broxbourne, Hastings, East Staffordshire, Mansfield and Worcester.

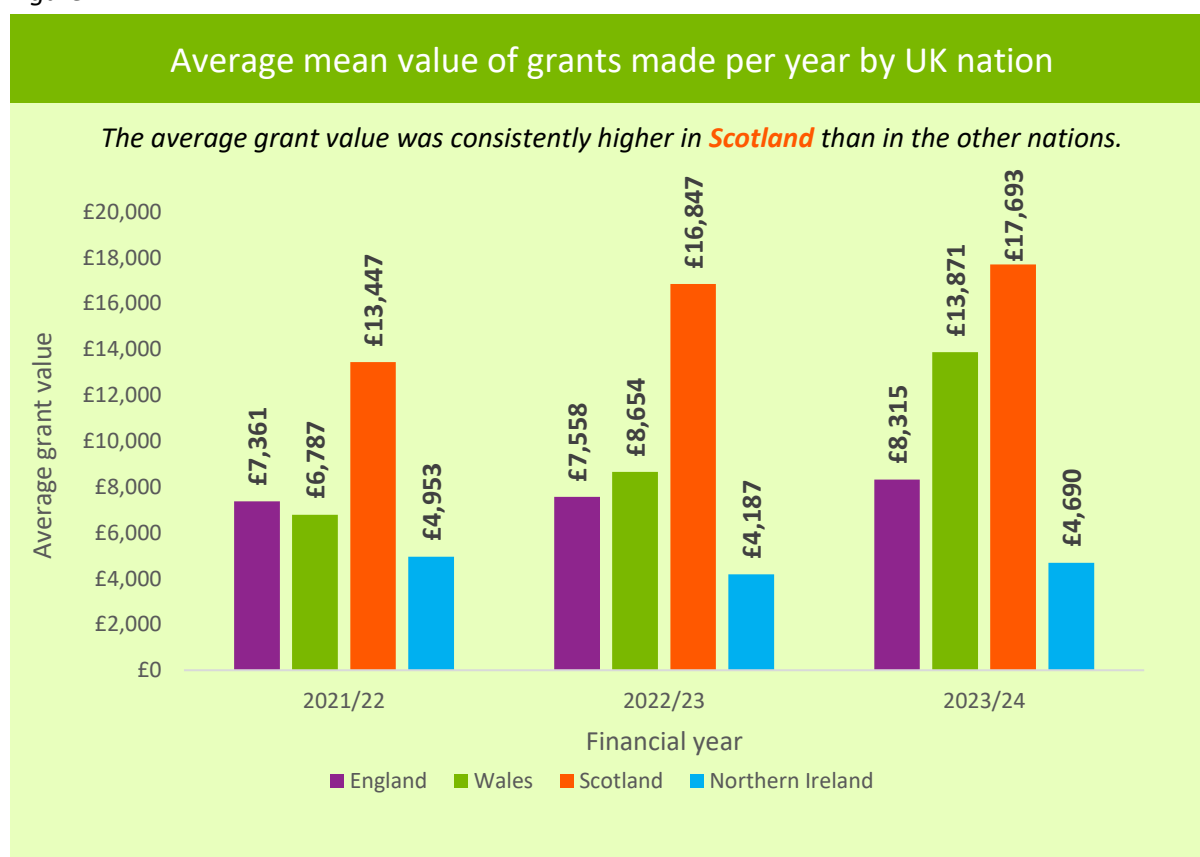
The coloured dots in figure 2.11 are widely distributed across the UK, with a noticeable lack of clusters of high spending. This indicates that there weren't any specific geographical regions that had clusters of high grant spending per person.

What was the average size of an individual grant in each UK nation?

The overall mean average size of an individual grant made by the local authorities that responded to DSC's FOI requests is informative, but it masks some important differences between councils in the different UK nations. As shown in figure 2.12, across all three years, local authorities in Scotland had the largest average grant value of the four UK nations.

The average value of grants awarded to VCSE organisations by Scottish councils peaked at almost £17,700 in 2023/24. In contrast, Northern Irish councils typically awarded the lowest value grants, with the mean average grant value falling between £4,000 and £5,000.

Figure 2.12



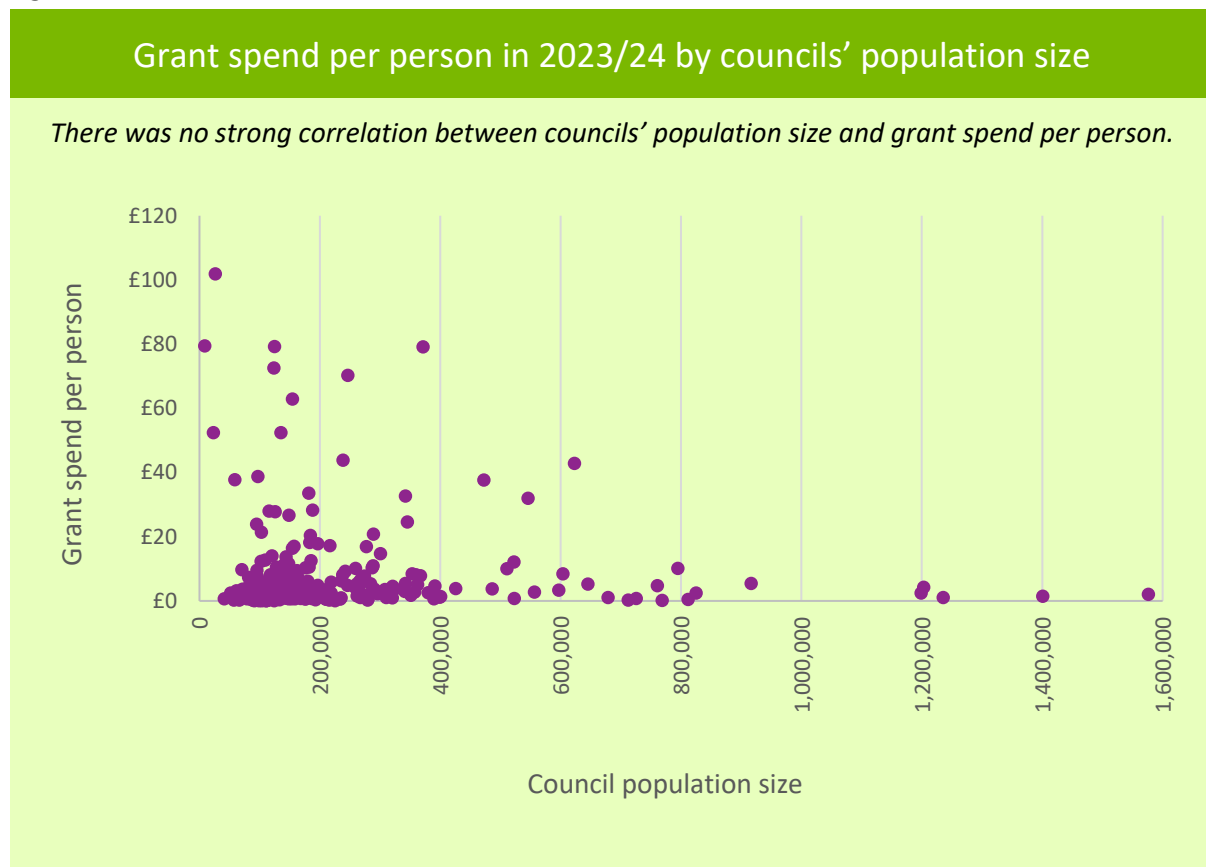
Note: response rates varied for each year – 289 councils provided data for 2021/22, 301 provided data for 2022/23 and 288 provided data for 2023/24.

2.6 Grant-making by councils' population size

DSC's researchers investigated whether councils' population size impacted the value of grants distributed to the VCSE sector.

Figure 2.13 shows councils' grant spending by population size. The majority of data points are clustered near the lower end of the grant spending scale, typically between £0 and £20 per person. However, there are some notable outliers where grant spending is significantly higher, exceeding £60 per person. These cases are relatively rare but indicate that certain councils award disproportionately high levels of funding compared to others.

Figure 2.13



Note: the chart includes responses from 276 councils. The Isles of Scilly has been removed from the chart because it was an outlier due to its small population size.

Overall, there does not appear to be a strong correlation between population size and grant spend per person. Both smaller and larger population areas have a mix of low and high funding, suggesting that grant allocations do not scale consistently with population size. However, smaller population areas exhibit greater variation in spending, with some receiving significantly higher grants per person. In contrast, larger population areas tend to have a denser concentration of points at lower grant spend levels, implying that they may receive more consistent but smaller per-person allocations.

The high outliers may represent regions with specific funding priorities or exceptional grant awards, leading to significantly higher spending per person in these areas. The variation in grant spending among smaller population areas also suggests that funding may be more discretionary or influenced by other factors outside of population size.

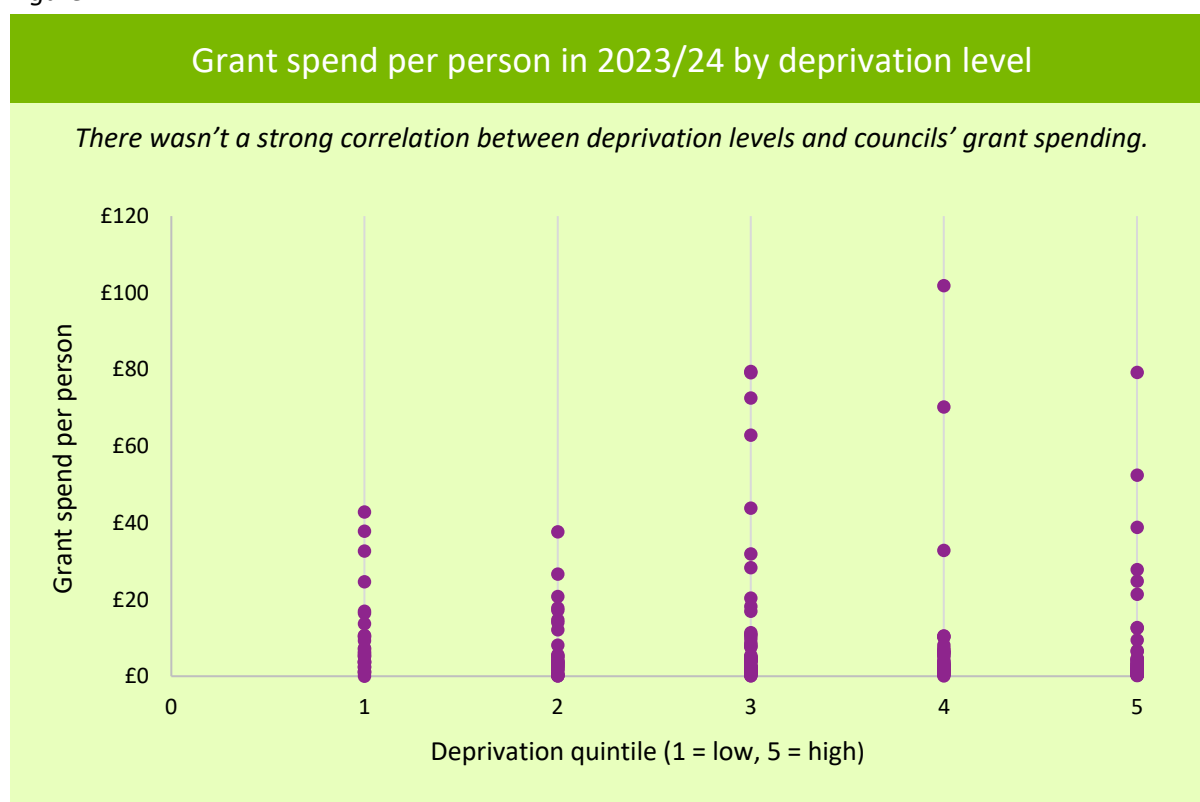
2.7 Grant-making by deprivation level

DSC's researchers investigated whether deprivation levels impacted the amount of grant funding that councils awarded to local VCSE organisations

DSC used the UK Composite 2020 Index of Multiple Deprivation to assign a deprivation level to each UK council.²⁹ Traditionally, each UK nation has used a different metric to measure deprivation across different geographical regions. The index combines three national deprivation indices to provide a comparable picture of deprivation.³⁰ It ranks local authority areas into five quintiles of deprivation, with a score of 1 indicating areas with the lowest deprivation and 5 indicating areas with the highest deprivation.³¹

Figure 2.14 shows councils' grant spend per person categorised by deprivation. As seen in the chart, the data points are highly dispersed across all quintiles. The findings show that, overall, there is little correlation between deprivation and councils' grant spending to the VCSE sector.

Figure 2.14



Note: the chart includes responses from 276 councils. The Isles of Scilly has been removed from the chart because it was an outlier due to its small population size.

Looking closer at the spread of the data points, the councils within the higher deprivation quintiles (3, 4 and 5) seem to have greater variation in spending, with more instances of higher-value grant

²⁹ 'Composite 2020 UK Index of Multiple Deprivation Repository' [web page], https://github.com/mysociety/composite_uk_imd, accessed 20 May 2025.

³⁰ *Ibid.*

³¹ *Ibid.*

allocations per person. This could suggest that councils in more deprived areas are awarding larger grants per person on average but there are still councils with low grant spending within these areas.

In comparison, the lower quintiles (1 and 2), which represent the least deprived council areas, appear to have a more compact distribution with fewer extreme high values. This might indicate that less deprived areas receive smaller and more consistent grant amounts. Some outlying data points reflect specific cases of exceptionally high grant spending.

While there wasn't a strong correlation between grant spending overall, areas with higher deprivation had higher variation in grant spending. While we don't know exactly what's underpinning this, local policy decisions and historical funding patterns could play a role, as some councils may have a stronger tradition of supporting the VCSE sector, while others prioritise different spending areas.

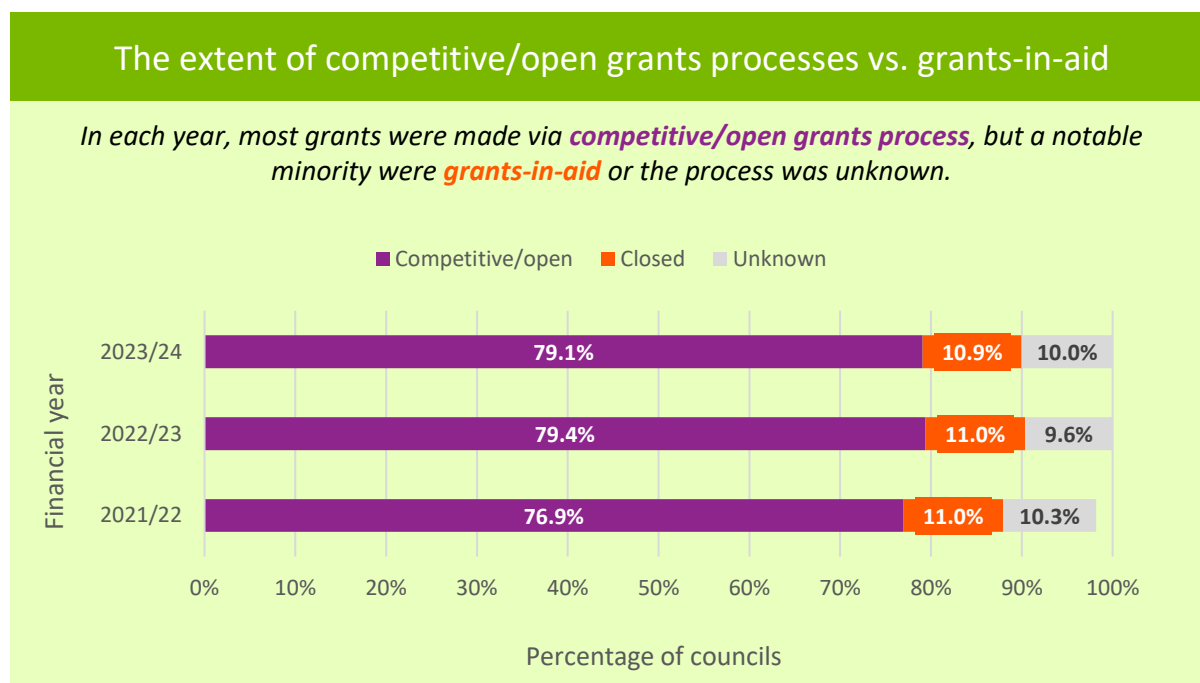
2.8 To what extent are local authority grants accessible to VCSE organisations?

For the second question in the FOI requests, DSC described two types of grant application processes. The first was 'competitive/open', where grant applicants must submit an application for consideration; the second was 'closed', where grants are awarded as grants-in-aid without an open application process. Although the boundaries between these processes can be blurred in practice, the broad distinction is important to determine the extent to which grants are subject to open competition.

For each year, the FOI requests asked for information about: the total number of grants awarded through a competitive/open grants process; the total number of grants awarded as grants-in-aid; and the total number of grants for which the type of application process was 'unknown'. In total, 232 councils provided data for all three years.

Figure 2.15 shows the percentage of grants that were awarded according to each type of application process, as reported by the councils that responded to the FOI requests. The data gathered by DSC indicates that the vast majority (around four-fifths) of grants from local authorities to VCSE organisations were awarded via processes that can be described as open or competitive. A small minority of grants (around 11%) were awarded through closed processes, and a further 10% had an unknown application process.

Figure 2.15



Note: based on data from 232 councils which provided data for all three years.

The widespread use of open application processes is a positive finding as it indicates fairness and transparency in how councils distribute grants. Open application processes ensure that every eligible organisation has an equal opportunity to apply, and the criteria for awarding grants are more likely to be clear and publicly available.

2.9 Have local authority grants been subject to legal challenges?

The final question of DSC's FOI requests asked local authorities: a) if they had 'received any formal challenges, specifically, in regard to their grant-making processes and decisions on the basis of alleged non-compliance with state aid, subsidy control, or public procurement regulations in each year between 2018 and 2021'; and b) 'if any of these formal challenges had led to legal proceedings'.

DSC's researchers asked this question because there can be some confusion in local authority commissioning circles or legal teams around the legitimacy and appropriateness of councils awarding grants, for example whether procurement regulations allow it or whether grant funding violates the Subsidy Control Act (or state aid rules prior to Brexit).³² The data received in response shows this not to be the case and that formal challenges or legal proceedings involving grant decisions or processes are extremely rare.

Of the 279 local authorities that responded to this question, only 3 councils received formal challenges, representing just 0.8% of all councils that responded.

³² See, for example, *Stronger Charities for a Stronger Society* [PDF], House of Lords Select Committee on Charities, 2017, <https://publications.parliament.uk/pa/ld201617/ldselect/ldchar/133/133.pdf>, pp. 41–57, accessed 20 May 2025.

Each of the 3 councils had received multiple challenges per year. In 2021/22, 10 individual challenges were reported by 2 councils. In 2022/23, there were 21 challenges reported by 3 councils, and in 2023/24, there were 15 challenges reported by 2 councils. Only one of these challenges resulted in legal proceedings. None of the 3 councils that reported challenges had declared that they were facing financial hardship or had issued a Section 114 (S114) notice (see section 2.2 for more information on S114 notices).

The replies DSC's researchers received indicate that it is very rare for councils to receive formal complaints and challenges regarding their grant-making practices. However, it's important to note that 99 local authorities (that is, 26% of those we contacted) didn't reply to this question.

2.10 Have S114 councils reduced spending on grants to the VCSE sector?

DSC's researchers investigated whether councils that had declared S114 notices or had been identified as being in 'financial hardship' had any notable changes in their grant-making to the VCSE sector during the three-year period.

What is an S114 notice and how common is it?

Local authorities cannot declare bankruptcy in the same way that a company or an individual can. Instead, they issue an S114 notice. To do so, the council's finance officer must file a report stating that they believe the authority is about to incur unlawful expenditure under the Local Government Finance Act 1988. Expenditure can be unlawful for various reasons, but the primary reason most authorities issue an S114 notice is because they expect their expenditure to exceed their income for a particular financial year – which is not permitted under the 1988 Act.³³

When an S114 notice is issued, there is a freeze on new spending. The council's leadership team are typically required to convene within 21 days to discuss ways to align their spending with available funding and various options to balance the annual budget. During this period, local authority residents are unlikely to notice any differences in the provision of local services.³⁴ However, during this time, funding to the VCSE sector – including both grants and contracts – is likely to be cut. This is because any services or activities classed as 'non-statutory' (i.e. those which local authorities do not have to provide by law) are typically not prioritised for funding.³⁵

This is worrying because S114 notices have been issued more and more frequently in recent years. A survey undertaken by Local Government Association (LGA) in 2023 highlighted that one-fifth of

³³ 'Local government section 114 (bankruptcy notices)' [web page] Institute for Government, August 2024, www.instituteforgovernment.org.uk/explainer/local-authority-section-114-notices, accessed 20 May 2025.

³⁴ *Ibid.*

³⁵ Léa Legraien, 'New guidance for VCSE organisations working with councils in financial difficulty' [web article] Civil Society, October 2024, www.civilsociety.co.uk/news/new-guidance-for-vcse-organisations-working-with-councils-in-financial-difficulty.html, accessed 20 May 2025.

councils were at risk of declaring bankruptcy in 2024 and 2025.³⁶ In total, seven UK local authorities have issued S114 notices since 2020, six of which were experiencing financial challenges.³⁷

However, at the time of writing, many other councils are at immediate risk of issuing S114 notices. Notably, the UK government recently announced additional financial support for 30 councils facing exceptional financial hardship, to protect vital services and ensure their sustainability.³⁸ The councils will be supported through a process known as ‘capitalisation’, which enables them to borrow money or sell assets to meet day-to-day revenue costs.

The full list of 30 councils identified as being in financial hardship as of March 2025 is shown below. Those marked with an Asterisk have issued a S114 notice since 2020 :

■ Barnet	■ Havering	■ Stoke-on-Trent
■ Birmingham*	■ Lambeth	■ Swindon
■ Bradford	■ Medway	■ Thurrock*
■ Cheshire East	■ Newham	■ Trafford
■ Croydon*	■ Nottingham*	■ West Berkshire
■ Cumberland	■ Shropshire	■ Windsor
■ Eastbourne	■ Slough*	■ Maidenhead
■ Enfield	■ Solihull	■ Wirral
■ Halton	■ Somerset	■ Woking*
■ Haringey	■ Southampton	■ Worthing

³⁶ Patrick Bulter ‘English town halls face unprecedented rise in bankruptcies, council leaders warn’ [web article], *The Guardian*, December 2023, www.theguardian.com/society/2023/dec/06/english-town-halls-face-unprecedented-rise-in-bankruptcies-council-leaders-warn, accessed 20 May 2025.

³⁷ Note: Northumberland council was the seventh council to issue a S114 notice but this was not due to ‘unlawful expenditure’ rather to than the council experiencing financial hardship. Therefore, Northumberland council has been excluded from this part of the analysis.

³⁸ Jonathan Bunn, ‘Councils in severe financial distress granted support to protect services’ [web article], *The Independent*, February 2025, www.independent.co.uk/news/uk/home-news/government-communities-and-local-government-jim-mcmahon-mhclg-ministry-of-housing-b2701836.html, accessed 20 May 2025.

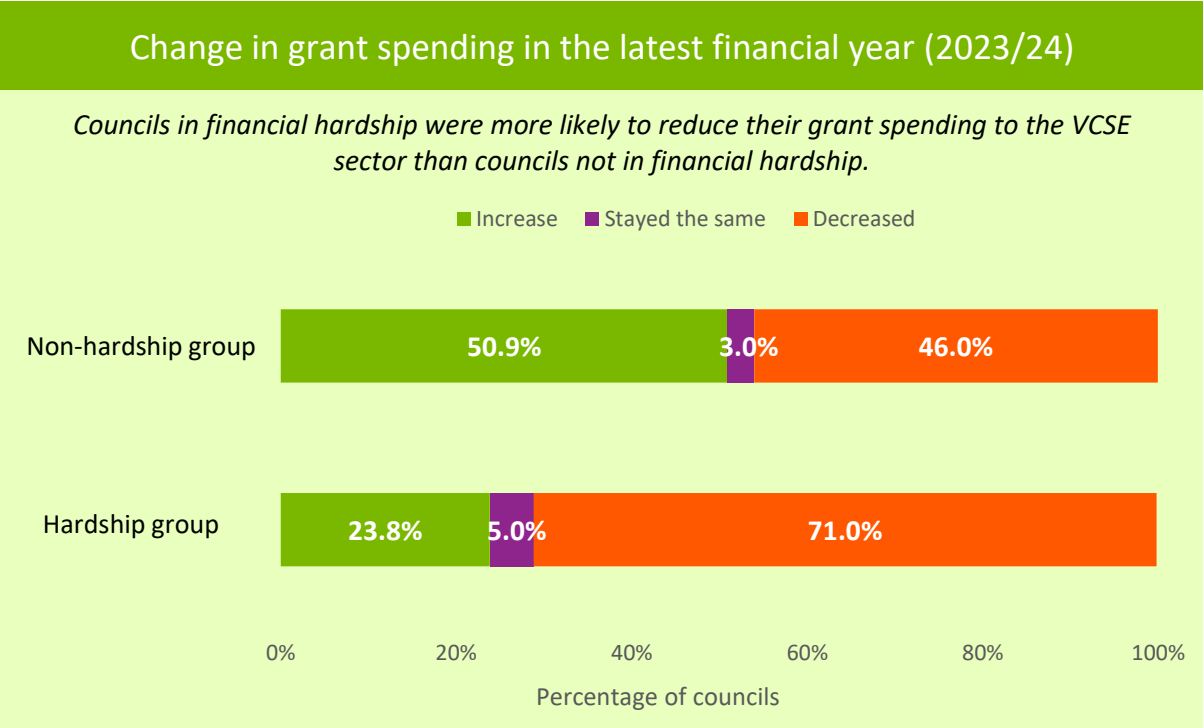
How do S114 notices impact grant-making to local authorities?

DSC’s researchers took a closer look at the councils on the government’s financial hardship list (N=30, including 6 that had issued S114 notices) to investigate if and how it had affected their grant-making to the VCSE sector over the three financial years from 2021/22 to 2023/24. Of these 30 councils in financial hardship, only 16 (53.5%) responded to DSC’s FOI requests in full, and 6 provided a partial response. Of the remaining 8 councils, 3 stated they didn’t hold the data, 3 denied the request and 2 failed to respond beyond an initial acknowledgement. Response rates were typically lower for the councils in financial hardship than for councils overall. This may be due to a lack of resource and capacity within their teams as they enter a period of financial crisis.

Figure 2.16 shows whether councils’ grant spending increased, stayed the same or decreased from 2022/23 to 2023/24. The bottom row shows councils identified as being at risk of financial hardship in 2023/24, and the top row shows councils not at risk.

As shown in the figure, a significantly higher proportion of councils facing financial hardship reduced their annual grant spending to the VCSE sector in 2023/24. Specifically, 71.0% of councils in hardship decreased their grant funding compared to the previous year (versus just 46.0% of councils not in hardship).

Figure 2.16

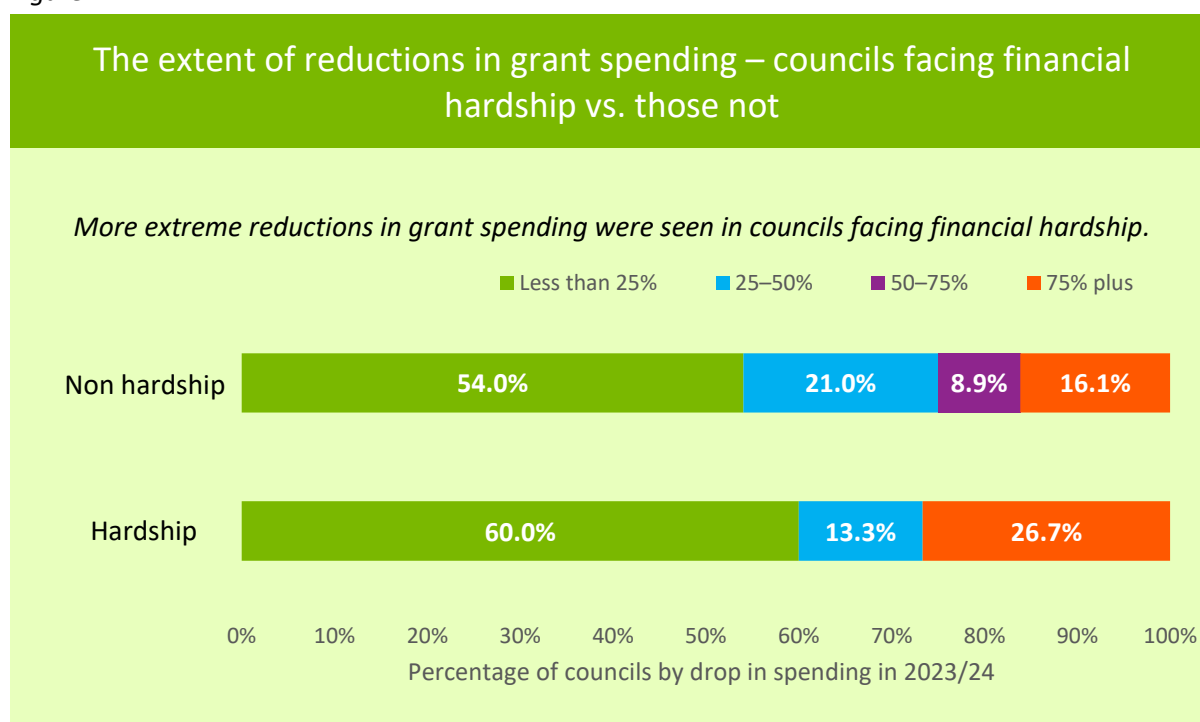


DSC also examined the extent to which councils had reduced their funding to the VCSE sector, focusing on those that had cut funding in the 2023/24 financial year.

As shown in figure 2.17, 40% of councils at risk of financial hardship had reduced their funding by more than 50%. This was notably lower than the 56% observed among councils not at risk of hardship, suggesting that major funding cuts were not limited to councils in financial hardship.

However, councils identified as being at risk of financial hardship were more likely to make more severe cuts. More than a quarter of these councils had reduced their VCSE funding by between 75% and 100% compared to the previous year (versus just 16% of councils not at risk).

Figure 2.17



It's important to note that DSC's data was collected between June and October 2024. As a result, it may not fully reflect current conditions, particularly given the growing number of councils declared to be in financial hardship during the first quarter of 2025 (see the full list on page 32). The situation is evolving rapidly, making it difficult to determine the exact impact on grant-making for the VCSE sector or how quickly any changes will take effect.

2.11 How have things changed since DSC's last Grants for Good report?

DSC's first Grants for Good report, published in 2023, explored the grant-making practices of UK local authorities from 2018/19 to 2020/21.

It's important to note that the cohort of respondents is slightly different in this edition. Notably, not all councils that responded to DSC's FOI requests for the first report responded the second time around – and vice versa. Additionally, the council landscape has itself shifted slightly since the last edition, with some councils closing and merging together to form new unitary authorities, which has created new council boundaries.

However, 75% of the councils that responded to the first edition also responded to the second edition. The high degree of overlap between the respondent options enables us to look back at some broad trends, which highlight how local authority grant-making has changed over the six years from 2018/19 to 2023/24. Some of the key findings are outlined below.

The average total grant spending per council has fluctuated slightly.

The average (mean) total grant spending per council increased steadily from £1.2 million in 2018/19 to £1.4 million in 2019/20 and £1.6 million in 2020/21. It then dipped to £1.3 million in 2021/22 before recovering to £1.6 million in both 2022/23 and 2023/24. However, it's important to consider these nominal figures in the context of rising inflation (see section 2.4 for more information).

Grant application processes have largely remained open.

Between 2018/19 and 2020/21, approximately 75% to 81% of all council grants were awarded through open or competitive processes, a trend that continued from 2021/22 to 2023/24. There has been a slight decline in the proportion of grants awarded as grants-in-aid, which fluctuated between 14% and 18% during the first three-year period before falling to around 11% in the second three-year period.

In contrast, the proportion of grants awarded through 'unknown' application processes increased from around 4% to 6.5% during the first three years to around 10% in the second three. The increasing number of grants recorded as unknown is concerning from the perspective of reduced public transparency.

The number of councils reporting legal challenges has remained low.

During the first three-year period, two councils (or 0.7% of all councils) reported challenges to their grant-making decisions, none of which resulted in legal proceedings. Between 2021/22 and 2023/24, three councils (or 0.8% of all councils) received challenges, with only one council reporting subsequent legal action. This indicates that the threat of legal action against councils engaging in grant-making, remains low.

Response rates to DSC's FOI requests have remained similar.

DSC's FOI requests for the first and second editions generated full responses from almost three-fifths (54.9% and 58.8% respectively) of councils and partial responses from almost one-quarter (24.4% and 22.2% respectively) of councils. There was little change in the percentage of councils that failed to respond to (12.1% and 11.3% respectively) or denied (7.3% and 6.9%) DSC's requests from the first edition to the next, and a similar percentage of councils (1.3% and 0.8% respectively) stated they did make grants. Unfortunately, there have been no notable improvements in terms of councils' compliance with the Freedom of Information Act 2000.

CHAPTER THREE

Key findings and recommendations

This report draws on data obtained through FOI requests sent to all local authorities across the UK, offering fresh insights into their grant-making practices. It presents unique evidence on the scale of funding awarded by councils to VCSE organisations, what types of grant application processes are most common and the extent to which councils face legal action in regard to their grant-making.

This chapter summarises and discusses the key findings from the report, and aims to answer the following questions:

- What was the extent of local authority grant-making?
- How did grant-making change in the three financial years (2021/22, 2022/23 and 2023/24)?
- What factors influenced grant-making?
- How were grants awarded?
- How prevalent were legal challenges?
- To what extent did councils comply with the FOI Act?

The chapter also outlines four key recommendations aimed at improving grant-making practices and transparency. We hope it serves as a valuable resource for local authorities, public sector commissioners, and VCSE organisations seeking to better understand and navigate the current grant-making landscape.

3.1 What was the extent of local authority grant-making in the most recent financial year (2023/24)?

Local authorities in the UK provided around £600 million in grant funding to the VCSE sector

Councils that responded to DSC's FOI requests awarded 35,554 grants in 2023/24 (the most recent year analysed), providing around £462 million in total. Due to non-response or partial response by some councils, the figure for the total is based on only around three-quarters (76%) of all local authorities in the UK (excluding those that said they didn't make grants).

The actual total awarded is likely to be notably higher: DSC estimates the overall total for 2023/24 to be around £600 million. This estimate takes geographical location into account and assumes that of the 91 councils that did not respond, almost all of them make grants.

Half of all councils made grants totalling less than £520,000 annually, and the average individual grant was worth around £13,000.

The median grant spending was £520,000 in 2023/24, meaning that half of all local authorities spent more than this value and half spent less. This median value was notably lower than the mean average (£1.61 million) because of the impact of a few councils with very large total grant spending. DSC also

investigated the mean average value of an individual grant, which was just under £13,000 in the latest financial year.

Local authority grant-making forms a relatively small proportion of the total funding for VCSE organisations in the UK. Most grants were small, and most councils did not spend huge amounts on grants. However, the impact of this support is likely to be far greater than the figures imply. Even small grants may underpin financial resilience for many small organisations doing important work in their communities. Notably, the National Lottery Community Fund makes awards of a similar value, across the UK each year and is rightly regarded as a crucially important grant funder for the VCSE sector.

3.2 How did grant-making change in the three financial years?

The total number of grants awarded by local authorities peaked in 2022/23.

The total number of grants awarded across all local authorities rose from 33,678 in 2021/22 to 39,701 in 2022/23, before falling to 35,554. The average number of grants awarded per council also peaked in 2022/23 at 138, which was higher than both the year before (N=121) and the year after (N=129).

However, this is likely, in part, to be due to the fact that fewer councils responded with data for the 2023/24 financial year. This may be because councils had not yet published their data and, therefore, did not have it to hand at the time of DSC's data collection.

When we take the non-respondent councils into account, the total number of grants awarded by all councils per year was likely to be closer to 41,413 in 2021/22, 49,199 in 2022/23 and 44,212 in 2023/24.

The total value of all grants awarded by local authorities increased significantly in 2022/23 but increased by a much smaller margin in 2023/24.

The total value of reported local authority grants increased significantly by almost 23% between 2021/22 and 2022/23, and then increased by a small margin of 2% in 2023/24. However, the financial years 2022/23 to 2023/24 marked a high-inflationary period.

When we take a closer look at how the average grant value changed from year to year, it became evident that sustained high inflation over 2022/23 and 2023/24 had eroded the value of grants to the VCSE sector and led to reduced spending power for VCSE organisations. This means that, in real terms, VCSE organisations had access to less funding in 2023/24 than in the previous year.

Median grant spending decreased in 2023/24, failing to keep up with the rate of inflation.

DSC looked at how the median grant spend per council changed over time. We chose the median rather than the mean because our dataset had outlying values from councils with unusually high [and low] grant spending. DSC found that median spending increased from £450,000 to £540,000 from 2021/22 to 2022/23 before falling slightly to £520,000 in 2023/24. When we consider these findings in light of inflation, in 2023/24, the change in total grant spending of -3% lags behind the growth we'd have expected to see in line with inflation (+6%).

This analysis corroborates survey data from Pro Bono Economics and Nottingham Trent University about the impact of the cost-of-living crisis and high inflation on VCSE finances in the period after the COVID-19 pandemic. The survey found that pandemic eroded VCSE financial resilience by negatively

impacting fundraising and draining reserves.³⁹ High inflation has also eroded the real-term value of contracts and grants, making it harder for VCSE organisations to deliver the same services due to rising costs. These combined pressures put the ongoing delivery of many VCSE services at risk, across the UK.

3.3 What factors influenced grant-making?

English local authorities were responsible for the bulk of grant spending but Scotland had the highest value of grants per person.

In terms of the number of grants awarded, English local authorities awarded over three-fifths of the total grants. While Scottish local authorities were responsible for between 15% and 16% of all grants awarded in the UK. Meanwhile, Northern Irish councils accounted for between 9% and 11% of the total grants awarded, and Wales for between 6% and 9%.

When DSC looked at the value of grant funding by UK nation, English local authorities also accounted for the majority of spending. However, the proportion of total grant spending awarded by English councils gradually declined over the three-year period (from 71% of total funding in 2021/22, to 69% in 2022/23 and 54% in 2023/24), while Scottish and Welsh councils' contribution grows.

While councils in England were responsible for the bulk of grant spending across the three years, Scottish local authorities had the highest grant spending per person, which peaked at £19 per person in 2022/23. In contrast, England consistently had the lowest grant spending per person, standing at around £5 per person.

DSC also looked at the average size of an individual grant across each UK nation, with it being highest in Scotland (around £13,500–£17,100, depending on the year), lower in England (£7,400–£8,300), and even lower in Wales (£6,800–£13,900) and Northern Ireland (£4,200–£5,000).

There wasn't a strong correlation between grant spending and deprivation levels.

However, the councils with the highest levels of deprivation had a greater variation in spending, with more instances of higher-value grant allocations. This could suggest that councils in more deprived areas were awarding larger grants on average but there were still councils with low grant spending within these areas. In comparison, the least deprived council areas appeared to have a more compact distribution with fewer extreme high values, which indicates that these areas receive smaller and more consistent grant amounts.

While there wasn't a strong correlation between grant spending and deprivation overall, areas with higher deprivation had higher variation in grant spending. While we don't know exactly what's underpinning this, local policy decisions and historical funding patterns could play a role, as some councils may have a stronger tradition of supporting the VCSE sector, while others prioritise different spending areas.

³⁹ Ben Evans, *Present Struggles, Past Origins: Current Challenges in Volunteering Amidst Two Decades of Decline: An analysis of the VCSE Barometer Survey by the VCSE Data and Insights National Observatory* [PDF], Nottingham Trent University, www.ntu.ac.uk/media/documents/research-documents/VCSE-barometer-wave-6-report-may-2024.pdf, accessed 20 May 2025.

There wasn't a strong correlation between grant spending and population size.

DSC's analysis also found no strong or consistent correlation between a council's population size and the level of grant funding awarded per person. Most councils, regardless of size, allocated between £0 and £20 per person, with only a few notable outliers exceeding £60 per person. These high-spending cases were rare and likely reflected specific local priorities or exceptional funding decisions. Smaller population areas tended to show greater variation in grant spending, while larger councils exhibited more consistent, but generally lower, per-person allocations.

Councils at risk of financial hardship were more likely to severely reduce their grant funding.

A significantly higher percentage (71%) of councils facing financial hardship reduced their annual grant spending to the VCSE sector in 2023/24 compared to councils not at risk (46%). While significant funding cuts were not exclusive to councils facing financial distress, councils identified as being at risk of financial hardship were more likely to implement severe funding cuts. Of the councils that reduced their grant funding in 2023/24, more than a quarter of those at risk of financial hardship cut their funding by 75% to 100%, compared to just 16% of councils not at risk.

It's important to note that DSC's data was collected between June and October 2024. As a result, it may not fully reflect current conditions, particularly given the growing number of councils that have been declared to be in financial hardship during the first quarter of 2025. The situation is evolving rapidly, making it difficult to determine the exact impact on grant-making for the VCSE sector.

The collateral damage to communities – and to the VCSE organisations that serve them – when councils face financial hardship can no longer be ignored by central government policymakers and politicians. Decades of cuts and underinvestment in local services have taken a heavy toll, yet the resulting social impacts are neither well understood nor treated as a priority. Policymakers must urgently consider how these pressures are deepening deprivation and social exclusion and weakening community cohesion. This is not just about the survival of VCSE organisations – although that is at serious risk – it is about ensuring that the essential needs of the people they support continue to be met. When council funding is squeezed, statutory services are reduced and demand is shifted onto VCSE organisations, the sustainability of vital community services is placed in jeopardy.

3.4 How were grants awarded?

Most local authority grants were awarded via an open or competitive process.

Depending on the year, around 77 to 89% of grants were described by respondents as being awarded via an open or competitive process. Although this question on the FOI requests had the lowest response rate, with 232 (61%) councils completing the full question, this is still strong evidence that local authority grants are predominantly open to new applicants and are awarded through competition.

When we look back at the first edition of DSC's Grants for Good report, published in 2023, a similar proportion of councils were using open grants application processes. However, in this edition, there has been a slight decline in the proportion of grants awarded as grants-in-aid and a slight increase in councils reporting that application processes were 'unknown'. This is concerning as it's not conducive to fostering open and transparent grant-making practices.

3.5 How prevalent were complaints and legal challenges?

Just one council reported that its grant-making practices had led to legal proceedings.

Only three councils reported receiving formal complaints regarding their grant-making processes or decisions – just 0.8% of all councils that responded to that question. Of these, only one council indicated that such complaints had resulted in legal proceedings. This strongly suggests that the perceived legal risks associated with council grant-making – such as potential breaches of procurement regulations – are largely unfounded.

The rarity of legal proceedings was also highlighted in DSC’s first Grants for Good report, which examined grant-making activity from 2018/19 to 2020/21. Notably, there has been no significant increase in complaints or legal actions in the subsequent period (2021/22 to 2023/24).

The second edition of this report re-emphasises that the legal risk to councils of making grants to VCSEs is almost non-existent, and cases of grant-making leading to legal proceedings are extremely rare. DSC’s findings suggest that local authorities can legitimately make grants to VCSE organisations without falling foul of procurement regulations. Commissioners and those in local government who make grants to VCSEs should take confidence from this data and act accordingly, by using grants when they are the most appropriate funding mechanism.

Most small, volunteer-run, local organisations will not be well equipped to navigate the complexity or legal risk inherent in procurement processes. However, they can deliver hugely needed services in the community which draw in volunteer support, adding value and boosting community connections. In many cases, grant funding such organisations will be the best approach, because it can strengthen their financial resilience, rather than pushing them into contracting processes that drain already limited management capacity.

3.6 To what extent did councils comply with the FOI Act?

Local authority transparency about grant-making practices has remained poor and information about grants is not standardised.

Response rates for this FOI request remained similar to those for DSC’s 2023 FOI requests, which informed the first edition of Grants for Good. There have been no notable improvements in councils’ willingness to engage with the FOI process since then.

The FOI requests asked for information about public spending, which should be readily available and not overly onerous or expensive to supply. While the majority of councils co-operated and responded within the legal time limit of 20 working days, 43 (11% of all local authorities) did not respond beyond an initial acknowledgement, despite DSC’s researchers extending the deadline to over 60 working days from the original FOI request date and sending multiple email reminders. A further 26 councils (7%) denied the FOI requests.

The quality and comprehensiveness of reported data varied significantly, with 84 (22%) councils providing a partial rather than a full response. The data also wasn’t always in an accessible format, meaning that DSC’s researchers had to liaise with councils to clarify responses, extract relevant information from web pages and other documents, and translate the data into a format that could be further analysed.

Clearly, more work is needed to ensure local authorities comply with FOI obligations and the legal requirements to publish spending information. While it is understandable that multiple competing pressures – particularly during times of financial crisis – can lead to FOI responses being deprioritised, it is crucial to remember that this involves public money. Access to this data is vital not only for upholding the principle of transparency but also for understanding how local authority grant-making is evolving and how it fits into the wider funding landscape for VCSEs.

3.7 Recommendations

Local authority commissioners and legal departments need to be aware that they can legitimately make grants to VCSE organisations.

There is no evidence that grants involve a greater risk of legal challenges than contracts, and this lack of understanding is not a valid reason for blocking grant programmes or for using contracts by default in commissioning.

This report shows no evidence that local authority grant-making gives rise to legal challenges. If done correctly, councils should be at no greater risk making grants to VCSE organisations than by contracting organisations, and there can be many benefits for using grants. Commissioners should cite this data and evidence in discussions with legal teams when proposing or designing grant programmes for the VCSE sector.

Central government is making some progress on the transparency and good practice of grant-making to the VCSE sector, and this needs to be replicated at a local authority level. DSC recommends that central government departments – such as the Cabinet Office, the Department for Culture, Media and Sport, and the Ministry of Housing, Communities and Local Government – and the devolved governments should work together and with local authorities and bodies such as the Local Government Association to support better grant-making by local government, by providing clear guidance and integrating data. Local authority officials could also potentially benefit from projects such as the Government Grants Information Service and the Grants Centre of Excellence if they were adapted to meet local authority needs.

Local authorities need to comply with the spirit and the letter of the Freedom of Information Act 2000.

As with our first edition of Grants for Good published in 2023, too many local authorities didn't respond to DSC's FOI requests at all, denied them on the grounds of expense, provided incomplete responses or took far longer than the legally required 20 working days to supply the information

A significant number of councils did not respond to part of the request, claiming that the data was already publicly available when, in fact, this was not the case. While some councils signposted researchers to clear web pages providing historic grants data, others provided web links to poorly labelled council budget documents or internal meeting notes, from which it wasn't possible to glean useable data. Such documents are not only nearly impossible for researchers or members of the public to find via online searches and their format is not conducive to analysis. Therefore, not all councils are providing transparent data on their grant-making even when they claim to be.

Information about local authority grants for the VCSE sector needs to be clearly accessible and provided in a standardised format, and should comply with the Local Government Transparency Code 2015.

As described above, information about local authority grants was often in an inaccessible format. The lack of transparency about government funding for the VCSE sector has been recognised for at least 20 years.⁴⁰ Despite some improvements, particularly from central government departments, progress has been slow. Local authority grant funding still lacks transparency and standardisation, despite the existence of the Local Government Transparency Code 2015,⁴¹ which requires that councils publish key information on all expenditure over £500, including on grants, grant payments and grants-in-aid.

DSC recommends that all local authorities should do the following:

- Gather, collate and store information on grant-making to the VCSE sector in a consistent format. This not only supports public enquiries and research about the funding environment nationally but also facilitates sharing knowledge and working in partnership with the sector locally.
- Publish information in an accessible format for research purposes, such as Excel or other databases that can be analysed, rather than linking to PDFs or Word files of budget documents or internal notes.
- Ensure that published data is easy to find via searches on the council's website and online search engines.
- Ensure that published data on grant-making to VCSE organisations, includes not just lists of grantees but key information about grantees, the value of individual grants, and the year the grant was made, as required by the Local Government Transparency Code 2015 (see appendix two).
- Respond to all FOI requests within the legal time frame of 20 working days. Better information management will facilitate quicker (and so less costly) responses.
- Consider publishing information about grants to the VCSE sector according to the 360 Giving Data Standard. This is the official government standard for the publication of grants data and is used by all central government departments, and it meets the publication requirements of the Local Government Transparency Code. It is free to publish data in this way, and the data is free to access via 360 Giving's GrantNav platform.⁴²

Further research is needed to explore how local authorities' grant-making practices may change considering the increasing number of councils at risk of financial hardship and the UK government's plans for local government reorganisation in England.

DSC's investigation revealed that councils at risk of financial hardship were more likely to severely reduce their grant funding to VCSE organisations than those councils not at risk. It's worth emphasising

⁴⁰ Stephen Osbourne and Kate Mc Laughlin, *The Role of the Voluntary and Community Sector in Service Delivery: A cross-cutting review* [PDF], HM Treasury, 2003, www.tandfonline.com/doi/abs/10.1080/0143116042000229320, accessed 20 May 2025.

⁴¹ Local Government Transparency Code 2015' [web page], Department for Communities and Local Government, 2015, www.gov.uk/government/publications/local-government-transparency-code-2015, accessed 20 May 2025.

⁴² 360 GrantNav [web page], 360 Giving, <https://grantnav.threesixtygiving.org>, accessed 20 May 2025.

that DSC's data was gathered between June and October 2024. Consequently, it might not capture the full extent of the present circumstances – especially in light of the increasing number of councils reporting financial hardship in early 2025.

The Labour government's ambitious Local Government Reorganisation scheme further complicates matters as it's not yet known how the closure of two-tier local authorities and the formation of new, larger unitary authorities will impact existing grant funding and procurement procedures. The landscape is shifting quickly, which makes it challenging to assess the precise implications for grant-making in the VCSE sector or the speed at which any changes might unfold. Ongoing monitoring and continued evidence-gathering will be essential to understanding the full impact as the situation develops.

Earlier this year, DSC responded to the HM Treasury Spending Review consultation, recommending that additional emergency financial support is distributed to stabilise councils currently under S114 notices, or at risk of issuing them, in order to prevent further deterioration or collapse of local services, social capital and social safety nets.⁴³

The findings of this report show that some VCSE organisations in council areas at risk of S114 notices are already facing severe funding cuts, underscoring the urgent need for swift action to prevent the situation from worsening.⁴⁴ Clearly, constructive dialogue is needed between local VCSE organisations and local councils about how best to serve communities in light of such challenges. Local authorities and local VCSE organisations also need to find a common cause to illustrate the positive impact of local authority grant making to national policymakers and propose useful reforms to central government.

⁴³ *DSC-Consultation-Submission-Spending-Review* [PDF] Directory of Social Change, February 2025, www.dsc.org.uk/wp-content/uploads/2025/02/DSC-Consultation-Submission-Spending-Review-2025-022025-FINAL-1.pdf, accessed 20 May 2025.

⁴⁴ 'Navigating section 114s' [web page], NAVCA, 2025, www.navca.org.uk/s114, accessed 20 May 2025.

Appendix one

Dear Council _____

I'm writing to you under the 2000 Freedom of Information Act to request information about your grant-making to the voluntary, community and social enterprise sector.

In 2023, DSC produced [unique research on local authority grant-making](#), which provides analysis and recommendations for public sector commissioners. The information requested below will inform our second edition, which will provide an up-to-date picture of grant-making practice and enable local authorities to benchmark their funding practice.

Hope this context helps. Please provide the following information:

1. Listing separately for each year, in the years 2021/22, 2022/23 and 2023/24 what was the
 - I. Total annual financial value of grants given to the voluntary, community and social enterprise sector by your authority?
 - II. Total number of grants given to the voluntary, community and social enterprise sector by your authority?
2. Listing separately for each year, in the years 2021/22, 2022/23 and 2023/24 of the above grants (question 1) what total number were awarded through
 - I. Competitive/open application processes?
 - II. Closed application processes?
 - III. Unknown?
3. Listing separately for each year, in the years 2021/22, 2022/23 and 2023/24 what was/were the:
 - I. Total number of formal challenges you received around your grant processes and decisions on the basis of alleged non-compliance with: State Aid, Subsidy Control, or Public Procurement regulations?
 - II. And of these what number of these challenged resulted in legal proceedings?

A glossary defining the terms used above can be found in the email attachments.

If it's not possible to provide the information we requested due to it exceeding the cost of compliance limits identified in Section 12 of the FOI Act, please provide advice and assistance, under the Section 16 obligations of the Act, as to how we can refine our request.

If you have any queries, please don't hesitate to contact me via email or phone, I'm happy to clarify what we're asking for and discuss the request.

Thanks for all your help, I look forward to your response.

Best wishes

Directory of Social Change

Appendix two

Sections 42 and 43 of the Local Government Transparency Code 2015 specifically require local governments to publish the following information on grants to voluntary, community and social enterprise organisations:

Local authorities must publish details of all grants to voluntary, community and social enterprise organisations. This can be achieved by either:

- *tagging and hence specifically identifying transactions which relate to voluntary, community and social enterprise organisations within published data on expenditure over £500 or published procurement information, or*
- *by publishing a separate list or register*

For each identified grant, the following information must be published as a minimum:

- *date the grant was awarded*
- *time period for which the grant has been given*
- *local authority department which awarded the grant*
- *beneficiary*
- *beneficiary's registration number*
- *summary of the purpose of the grant, and*
- *amount*

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.

Visit our website www.dsc.org.uk to see how we can help you to help others and have a look at www.fundsonline.org.uk to see how DSC could improve your fundraising. Alternatively, contact our friendly team at **020 4526 5995** to chat about your needs or drop us a line at cs@dsc.org.uk.

About DSC's research

DSC undertakes bespoke and commissioned research and evaluation work for a wide range of charities and organisations. Our research and consultancy service includes:

- **strategic advice** for grant-makers, charities and companies;
- **sector surveys**, such as membership surveys of charities and funders;
- **impact evaluation** of giving by large grant-makers and companies;
- **topical research** on sector developments and sub-sectoral analysis;
- **case studies**, highlighting the work of our clients and other organisations in an accessible way.

Our bespoke and commissioned research is led by the needs of our clients, but our policy work also informs our research for the benefit of the wider voluntary sector.

About the authors

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Rhiannon currently works as a Senior Researcher in DSC's commissioned research projects team.

Rhiannon enjoys helping charities gather evidence to inform their decision-making and better support their beneficiaries. She is experienced in a wide range of qualitative and quantitative research methods.

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

Jay Kennedy

Jay Kennedy is the Director of Policy and Research at DSC. He is responsible for DSC's research team, which analyses information for the charity's fundraising publications and its funding website (www.fundsonline.org.uk), and conducts bespoke research for a range of grant-makers and other charity clients.

Jay regularly works with DSC's board of trustees and its Chief Executive, Debra Allcock Tyler, on organisational strategy, management and external relationships. He often represents DSC in the media and at various forums, networks and events.

Jay has an MA in Modern European History from the University of California, Riverside. He is the author of DSC's *Speed Read: Campaigning*, has published articles for *Third Sector* magazine, *Civil Society* and *The Guardian*, and has written hundreds of articles and policy briefings for DSC's website.

Sevi Marshall

Sevi Marshall is a local authority officer and volunteers with DSC's research team in her spare time. She has a strong interest in UK regional economic growth policy, and a passion for supporting charities and voluntary sector organisations. As a DSC volunteer researcher, Sevi applied her research and analysis skills to support the *Grants for Good* report and contributes to the organisation's wider work.

Grants for Good:

Exploring local authority grant-making to the VCSE sector

The second edition of Grants for Good: Exploring local authority grant-making to the VCSE sector (2025) by the Directory of Social Change provides the clearest picture to date of the level of local authority grant-making to the Voluntary, Community and Social Enterprise (VCSE) sector in the UK. It includes:

- An overview of public services reform policy and its effects on statutory grant-making
- The total value and number of local authority grants
- Trend analysis between 2021/22 and 2023/24
- Breakdowns by population size and regions of the UK
- Analysis of the effects of local authority financial distress on grant-making
- Data on legal challenges to local authority grant-making
- Recommendations to improve practice

This research will be of interest to local councillors and local government officials, especially in the context of designing or delivering services for the community or working with local charities, voluntary organisations, social enterprises and community groups. It should also be relevant to staff and volunteers from those organisations that receive local government funding or engage with local government about commissioning and provision of services.

This research underpins the Grants for Good campaign, which aims to support and increase the use of public sector grants for the VCSE sector in commissioning and more generally.

'There has long been a need for clearer and better data about government spending on the VCSE sector, especially for local government and particularly for grant funding, which this research helps to redress. This second edition of DSC's Grants for Good report provides an update to the first report plus additional analysis and findings. We hope this report and its recommendations will be read by commissioners and anyone in local government who works with local charities, voluntary organisations and social enterprises, to help improve and develop best practice.'

Jay Kennedy, Director of Policy and Research, Directory of Social Change