



Navigating a section 114 notice Guidance for small and local VCSE organisations operating in local authority areas experiencing financial difficulties

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counsel-ltd

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Introduction and Context

What does this guidance cover?

This guidance will be of interest or use to any smaller or local voluntary, community or social enterprise (VCSE) organisations seeking to understand, identify or respond to:

- situations in which their local authority finds themselves in financial difficulties;
- the issuing of a section 114 notice itself – what it is, what it means and how it might affect your work, or the signalling that it could be issued;
- developing approaches and strategies for coping with or navigating these situations;
- learning from others – in the VCSE and statutory sectors – who have been through such experiences.

Why are we talking about local authority funding and 'section 114s'?

An increasing number of local authorities of various types and sizes have experienced financial difficulties in recent years. Local authorities will often have to make savings across their budgets or – in more serious cases – issue a 'Section 114' notice.

A 'Section 114' (s114 notice) is triggered when a council believes they will incur unlawful expenditure – most commonly an imbalanced (deficit) budget where spending outstrips in year income. This typically leads quite quickly to service and funding reductions, attempts to raise new finance, internal reorganisation and external interventions by government. For a more detailed explanation please see the accompanying s114 policy report. Thirteen s114s have been issued to eight councils in England since 2018.

Funding available to the VCSE sector (grants and contracts) is likely to come under risk of cuts as any services or activities classed as 'non-statutory' (those which local authorities do not have to provide by law) are not prioritised for funding.

In addition to the financial challenges, s114s can create much uncertainty in the area. Existing ways of doing things and council decision makers are likely to change. Though it is a formal process, there are few fixed timetables or milestones. Central government commissioners appointed to oversee the process of s114 become responsible for taking decisions on how funding is allocated.

What happens when an s114 is issued?

Developments can move quickly, the ability to control or influence the process limited. Clear, regular information can be hard to obtain, the process often appearing complex or opaque. VCSE leaders

described the importance of having to learn to live with uncertainty. We have used their testimony to build a composite picture of the key stages of an s114 journey, providing clues as to what to expect and suggested approaches for navigating each.

Does the s114 process follow the same pattern in all areas?

No. This enquiry found much diversity of experience, with few fixed points for VCSE groups to anticipate. Be aware that the stages simply reflect the experiences we heard, meaning they describe a range of possible scenarios rather than a definitive set of experiences. We encourage readers to reflect on several stages – not just the one in which their area finds itself – noting wider possible outcomes (as well as potential solutions or mitigations).

At its most challenging, this may feel as if you have few concrete options or levers for influence. “We’ve just got to make savings – it doesn’t matter what you do or say” was a common message heard by VCSE leaders interviewed. If you’ve experienced an imbalance of power with the local authority at the best of times, that may feel even more acute now.

However, other local leaders struck a more optimistic note, describing the issuing of an s114 as something of a “relief”, offering the prospect of real change after years of financial fear and uncertainty, or of modernising and leaving behind old fashioned ways of working. Serious fiscal challenges are finally brought into the open, providing opportunities to work together in new and more productive ways.

Who is this guidance for?

Any local VCSE organisation, particularly smaller groups, working in areas where a local authority finds itself in financial difficulties. Many of the insights collected come from local infrastructure organisations (LIOs), from those working in areas with good transparency and clear strategies for navigation, to others in more challenging positions and coping with lower levels of access or influence. As there is no one prescribed approach, all experiences are useful in providing clues as to what to avoid as much as what to attempt.

How can I use this guidance?

The Stage Guide breaks down the s114 process into a pathway – a series of stages observed prior to, during and beyond the issuing of a s114. Readers are advised to identify the stage that best corresponds to their current position, working up and downstream from there to develop a rounded picture. This process may not be as neatly linear as presented here, and several stages may be in play together or others missed out entirely. Consequently, actions and activities to respond to these stages may need to happen quickly or will evolve in a different order to that presented here.

Further background and context of the s114 environment is provided in [our Policy Report](#), including voices from local government, policy implications and recommendations for VCSE organisations, local authorities and central government.

Stage Guide

To make this guidance as intuitive as possible, six stages have been identified around which to organise insights and guidance – six sets of circumstances and experiences in which different local areas might find themselves.

- **The earlier stages, prior to an s114:** VCSE funding reduced, VCSE cuts possible, VCSE cuts implemented – in these stages a local authority is likely to display signs of financial vulnerabilities, or may even be formally consulting on service and / or VCSE cuts;
- **The latter, formal s114 stages:** at risk of s114, s114 declared, s114 ongoing – covering everything from the moment an authority declares themselves at risk, through to circumstances where the area has been operating under an s114 for some time.

Are these stages linear? Does one always follow the former?

No. If your area finds itself consulting on service or grants cuts (one of the earlier stages) it does not mean that the council will definitely end up in an s114. Some areas have reported long, drawn out consultation processes that seem to go nowhere or fizzle out, whereas others seem to have entered into an s114 almost without warning.

What these stages do offer is an informal planning framework, a way to consider where your area currently finds itself and to learn how other VCSE organisations have reacted or adapted in such circumstances. You may find several stages apply to your current situation; perhaps you've experienced repeated years of cuts and are also in an area declared at risk. In this case, the guidance listed in both stages may be relevant to you.

What does the stage guide cover?

Each stage gives guidance on what to expect (circumstances you're likely to encounter) and *suggested tactics* (what to try – and what to avoid), anonymised feedback from VCSE infrastructure leaders, frontline groups, local authority officers and central government Commissioners. Quotes in italics are generally drawn from VCSE interviewees, corresponding to experiences described at each stage.

Stage Guide Infographic

This guidance is framed around a number of 'stages' in which local areas might find themselves, each characterised by observations made by the VCSE organisations and statutory colleagues interviewed.

Stages 1–3 are loosely defined and may overlap to some degree. Stages 4–6 relate to more formal stages of the s114 process. Though stages escalate in severity they do not necessarily progress in a linear manner.

Navigating a section 114 notice

Guidance for small and local VCSE organisations whose areas find themselves in financial difficulties

1

Stage one: VCSE funding reduced

- May also affect wider services, usually non-statutory ones first
- For some, this may feel like 'business as usual'

"If you have a feeling something is happening, act on it..."

2

Stage two: VCSE cuts possible

- Service or funding consultations may be underway, but stay alert for deeper warning signs
- Build a picture of your wider value, beyond services

"Partnerships seem to be replaced by command and control when things get tough"

3

Stage three: VCSE cuts implemented

- Focus on showing how cuts will affect beneficiaries and local communities, ahead of your own survival
- Check and clarify your funding's legal status

"The letter came out of nowhere. We assumed they would still need us"

4

Stage four: At risk of an s114

- A clear signal, likely to prompt significant change
- A serious test of relations with the local authority, where local politics is often a factor

"The s114 has been used as an excuse, making it hard to have a grown up discussion"

5

Stage five: s114 declared

- Central government commissioners appointed
- Statutory services under pressure, a range of scenarios from 'transformation' to 'chaos'

"like a carpet removed from under us... swept away decades of good practice"

6

Stage six: s114 ongoing

- A new world - transformation processes underway, but may be taking time to embed
- Learning to live with uncertainty

"an opportunity to reset to some degree, but one that comes out of carnage"

Commissioned by



We spoke to VCSE organisations affected by section 114 notices, and identified six stages that might occur in the process. The quotes are from interviews.

Produced by



Stage one: VCSE funding reduced

1

Stage one: VCSE funding reduced

- May also affect wider services, usually non-statutory ones first
- For some, this may feel like 'business as usual'

"If you have a feeling something is happening, act on it..."

Expect to see

This first stage may feel more like 'business as usual' than a financial crisis. Austerity has brought year on year service and funding reductions to many areas, with stakeholders frequently describing repeated 'salami slicing' and the feeling of 'death by a thousand cuts.' However, increasing numbers of s114s suggests local groups should avoid complacency – clearly many local areas are at or close to a financial breaking point.

Suggested Approaches

- **Be alert to early warning signs** – looking back, many interviewees were able to identify these – consultations on service reductions, multiple restructures, reorganisations or strange patterns of recruitment, formal moves from grants to contracts, senior staff becoming less visible/available, even local hospitals in special measures. Other signs of financial distress may be evident within the annual budget, external audit reports, sale of assets, cutting non-statutory services or increasing thresholds for care. Such awareness can also be useful for identifying service challenges that may be coming down the track.
- **Foster an honest conversation about 'disinvestment budgets.'** Even without definitive cuts, to not increase funding in line with inflation or rising demand is effectively a real terms cut. Try to find non-confrontational ways to help the local authority understand the impact on beneficiaries and residents, for example through standardised equality impact assessments, or illustrating how cuts in one area might have a knock on effect in areas of statutory service. Such individuals may well be high intensity users of council services, underlining your importance in helping to manage frontline pressures.

"Some years and in some areas we have been able to resist cuts, but there's no real pattern to it that I can see"

- **Formalise your grant agreements or contracts, ensuring you fully understand terms.** Break clauses offer opportunities for the council to withdraw, even if this is unexpected. Be prepared for formal renegotiations, avoiding discretionary or verbal agreements. Even longstanding informal arrangements are unlikely to stand up to s114 pressures.

- **Renew or reinvigorate your participation in VCSE sector-wide forums or networks** – collective strength and voice may be required, even more so in the future. Developing common data protocols (using the same data categories as each other) may help strengthen your collective voice and impact picture. Where these networks engage with the statutory sector, encourage those leading them to develop formal terms of reference or memorandums of understanding, guaranteeing engagement if times get tougher, or staff move on. This can also help keep relationships on a ‘partner’ level – beyond service providers or grant recipients.



Stage two: VCSE cuts possible

2

Stage two: VCSE cuts possible

- Service or funding consultations may be underway, but stay alert for deeper warning signs
- Build a picture of your wider value, beyond services

“Partnerships seem to be replaced by command and control when things get tough”

Expect to see

Consultation on cuts, perhaps to VCSE funding and/or services more broadly. Cuts to non-statutory services first are most likely, but with observable knock-on impacts on core services. Councils may take services 'back in house', embark on efficiency drives or even start to instigate new transformation processes. At this stage, some even begin to start warning of harder times ahead.

This is potentially a dangerous moment, especially if the council is not offering much detail: in one area, a local infrastructure organisation (LIO) had good reason to believe the level of cuts coming was much higher than the published figure. However, we also heard of much better practices – councils actively partnering with their LIO on meaningful consultations with clear proposals and plenty of lead in time, making reductions to date (and their impact) much more manageable.

Suggested Approaches

- **Encourage the council to be open with you about what it is facing or provide more detail.** What assumptions or impact assessments have been made? Have more radical models of service been considered – some groups have suggested that it is better for councils to “cut once and cut big,” moving to “better ways of working” at the earliest point. Some



LIOs working with the local VCSE sector have adopted a ‘problem solver’ approach, seeking to support the council in helping to find solutions and managing pressures, rather than jump straight into campaigning mode (which testimony suggests should be a last resort).

“It’s frankly a mess... We are repeatedly told that they are at crisis... starting to cut significantly with significant risk [as] VCSE services that try to juggle an extremely complex caseload as an impact of [the council’s] internal cuts.”

- **Draw attention to disparities in cuts by putting them in percentages against previous levels, and/or highlighting the complementary nature of VCSE services.** One area did this to highlight reductions in VCSE funding (20%) compared to internal council savings (5%). This helped to reframe the arguments around how VCSE work “props up” statutory services, including in ‘statutory’ areas.

“I think people hide behind the word ‘statutory’ as an excuse to not make better decisions”

- **Talk about the baby and the bathwater – capture your added value to the area by highlighting additional resources your council funding helps you to leverage.** One VCSE organisation calculated that their core grant from the council enabled four times as much funding to come into their organisation from other sources. Another frontline group led work to measure the local VCSE sector’s turnover, which was shown to be about half of the size of the council’s total budget, bringing the impact of losses into sharper focus.

Stage three: VCSE cuts implemented

3

Stage three: VCSE cuts implemented

- Focus on showing how cuts will affect beneficiaries and local communities, ahead of your own survival
- Check and clarify your funding's legal status

"The letter came out of nowhere. We assumed they would still need us"

Expect to see

Despite reaching a clear point of action, there may still be little clarity or transparency, a lack of evidence behind proposals, or perceived 'dumbing down' of contracts (meaning giving a false impression of the extent to which a service had been protected, where the headlines of the service changes seem more substantive than the reality). Some consultations may fizzle out entirely before completion, with councils finding it simpler to wait for break clauses or contracts to expire. Neighbouring local authorities already in an s114 can also send shockwaves through your area.

The tangible impacts of cuts may be evident – on service delivery, staffing levels and wider capacity. Some report contradictory processes underway within councils, service cuts combined with transformation programmes and new rounds of staff hires. This stage can reveal the significant pressures that some local infrastructure organisations (LIOs) and VCSE organisations closer to internal council discussion than frontline organisations, may have been working under.

"Holding on this information for so long and not being able to share it with the [VCSE] sector, knowing the impact it will have on them, has been nothing short of traumatic"

Suggested Approaches

- **Don't assume your funding is safe, even if you've received assurances.** If you haven't already made moves to further diversify your income, now is the time to do so. Even some VCSE organisations that had planned ahead were still forced to consider a merger. Equally, don't assume that central government (bailout) funding will save your service, we heard from areas pressing ahead with significant VCSE cuts despite receiving such funds.
- **LIOs should be conscious of the impact internally.** Some talked of merger processes in VCSE organisations putting a lot of emotional strain on staff and trustees, another leader discussed their fears for frontline staff who hadn't yet understood the implications of cuts, meaning they would have to turn away members or service users in the future.

"We haven't seen any contracts cancelled, but we're worried about what I call dumbing down and a dilution of quality."

- **This stage is important for capturing the impact of cuts.** Some LIOs had done Equality Impact Assessments on behalf of the local sector, others were actively quantifying their collective, area-based social value. At this time, messages about the sector's longer term role in preventative interventions may be helpful to stress. If you deliver something that supports a statutory service or function, use this to make your case. Evidence suggests some parts of the council (or health and care systems) do recognise this value on some level, keeping useful doors open in the longer term.



“The flipside of demonstrating the impact you make is being able to confidently demonstrate the impact of cuts, in particular on the most vulnerable who may well then need additional statutory support. Make the case for keeping people out of statutory service need.”

Stage four: at risk of s114

4

Stage four: At risk of an s114

- A clear signal, likely to prompt significant change
- A serious test of relations with the local authority, where local politics is often a factor

"The s114 has been used as an excuse, making it hard to have a grown up discussion"

Expect to see

The first of the formal stages, stakeholders suggested this is a definitive gear change where high levels of change and volatility should be expected, and at pace. If cuts were already in the pipeline, expect these to be part of the discussion as the council moves quickly to try and balance its books. Non-statutory services may already have experienced significant reductions.

Cuts made quickly may feel rapid, brutal and unstrategic. Whether VCSE sector funding is primarily in grants, contracts, a mix or something else, all options for change may be on the table at this stage. Some VCSEs have struggled with how best to respond to enforced changes, feeling caught between trying to maintain services and turning service users away where they no longer have the resource to support them, or in some case may not even be allowed to under new qualifying criteria. Others said their monitoring and reporting demands had become more data driven, requiring rigorous beneficiary assessments before any support could be offered.

"It happened very suddenly"

"Communication is king... but we found out through reading the paper"

At this point, the s114 process may also become more political. We heard from areas where the ruling party considered avoiding issuing a s114 as a badge of honour, or its presence as a stick with which to beat central government. Some told us the s114 process accelerated considerably after local elections. In more settled areas, VCSEs have been able to play a valuable supportive role for newly elected councillors in helping them to 'find their feet' (meaning to get to know their local communities, groups and their historic issues and challenges).

"We reached out to newly elected councillors, telling them, 'What's important to you is important to us.'"

Day to day council engagement with the VCSE sector is likely to be affected. Some suggested councils may 'down tools', 'withdraw' or fail to provide clarity on the future as funding agreements come to an end, making staff retention or service wind down difficult to plan. Additional stresses at governance, service and workforce levels should be anticipated.

"Staff morale in the council has been awful. We have tried to be empathetic and have to remind people it's not the fault of those we are working with."

Central government bailout money may be a feature of this stage. [19 local authorities](#) have received such funds to date, eight of which have declared themselves at risk or have gone as far as to issue a s114 notice. We found little to suggest that bailouts offered any immediate relief for the VCSE sector. Some talked about their council using bailout funds to help “kick their usual budget process down the road.”

Suggested Approaches

- **Robust approaches may be required** if your grant or contract is coming to an end and the future status is unclear, or your organisation is subject to cuts part way through a grant or contract term. Tactics included demonstrating the impact of the cuts for beneficiaries and communities, citing the statutory notice periods of staff to demand a clearer timetable, and bringing trustees into the council’s meetings with you to highlight your legal obligations and governance risks.
- If discussions have been underway on planned future funding or activity with the council, now is the time to try and **formalise this understanding** in writing.



“Virtually all funding now is through contracts – either for statutory or semi statutory services.”

- A role of the local infrastructure organisation here may be to help to **bring the full extent of the impact of cuts to light as they affect service users** – to make it obvious to the authority what services they are paying for and where capacity to supply ends (i.e. the numbers of beneficiaries that can be supported, the criteria through which individuals are eligible). Some local infrastructure organisations (LIOs) combined this role with a supportive offer – providing regular VCSE sector intelligence (ongoing updates on the issues being raised or reported through their membership) and a willingness to take on ‘problem solving’ roles (helping the council to ‘fill the communication vacuum’, or design and implement timely and meaningful consultation or engagement) were cited.

“Communication has remained fairly good – if we do head into section 114, this absolutely needs to be protected.”

- Some organisations at this stage had **pursued or were actively considering mergers** as part of their strategy. These can be attractive to local authorities when they focus on economies of scale (reducing similar overheads the council may have been covering across multiple organisations), or where services might really benefit from the coordination gains enjoyed by a single or smaller number of providers (for example, in community transport). Weigh up this option against the risk of losing a distinct voice, presence or relationship, and if you go forward to tell your local authority at an early stage, keep them in the loop to build confidence and create new opportunities in their minds.
- If your area appears open to new ways of working and you have the opportunity, you might consider pushing an **ambitious VCSE / public sector partnership agenda** where you work with the council to collectively access wider national funding pots, for example in heritage or public health. We heard from areas with pockets of affluence alongside areas of deprivation, where the affluence was sufficient to dissuade them from trying such approaches, thinking 'we're too wealthy, our area will never get these funds.' Sponsorship opportunities with businesses were also under consideration, as well as work with Community Foundations to create investment pots.

Stage five: s114 declared

1

Stage one: VCSE funding reduced

- May also affect wider services, usually non-statutory ones first
- For some, this may feel like ‘business as usual’

“If you have a feeling something is happening, act on it...”

Expect to see

The first presence of commissioners (external overseers, appointed by the central government) characterises this stage. Their objective is to move the council to a balanced budget “as fast as possible” but a desire to move quickly may lead to “sobering” levels of change. This may be either part of long term transformation strategy or can feel unstrategic. The balanced budget appears to be the commissioners’ primary objective, rather than the robustness of the transformation strategy.

“Yes, statutory services are protected. What I would say though is that a lot of the things around it that make it work and make it of decent quality have been totally dismantled and there’s a lot of downgrading of services going on all over the place”

In terms of **service changes**, some areas have described large or national charities starting to hold contracts, using a subcontractor model at the frontline (often those previously delivering the service). New delivery stipulations may follow, which may feel like a “waste of time,” “undermining to local relationships” or “unsustainable”.

“We have external commissioners in place and they are scrutinising everything – every tiny expense and all operations. Maybe it’s easier to spend bigger sums but one thing that has happened is the council now seems to have a functioning PO [purchase order] system, which does beg the question about why this didn’t happen before.”

“External commissioners may well not see the value of smaller, local VCSE organisations like council staff or local politicians so being able to demonstrate credibility to get yourself heard is a really early and vital need.”

At this stage **even statutory services may be threatened** – local stakeholders described internal disagreement on interpretations of statutory duties. Even strategic moves towards more preventative interventions may have unintended consequences. Non-statutory crisis services, such as domestic violence, may become even more vulnerable.

“Statutory service – the mantra is used all the time, but the definition isn’t clear and agreed. Statutory services are still chipped away and gaps are filled formally and informally, often by the voluntary sector”

Though some areas have described the declaration of an s114 as something of a turning point, **in the short term VCSEs may continue to experience or observe dysfunction** in their council relations. Some leaders described heightened sensitivities, Officers feeling personally criticised. Others felt that the s114 had become politicised, used to destabilise power structures within the council, which was now playing out for staff at multiple levels.

Suggested Approaches

- New ways of working may prompt the creation of **new networks and forums** with which the council engages. Be selective over where you engage, some VCSE leaders expressed concern that multiple networks may leave the sector fractured, or unable to speak strongly with one voice when required.
- It was suggested that a **healthy place for relations to reach** would be one where the council has an appreciation of the sector whilst recognising that not all of it can be preserved. In turn, council officials welcomed developments where VCSE partners recognised a need to remodel and redraw some of its lines of engagement.
- The local infrastructure organisation (LIO) can play a role that's both useful to the council and helpful to the VCSE sector by helping to **fill the communications void**, even at times where there is little to say publicly. One LIO has worked hard to engage senior council figures in regular meetings with the sector, which has helped maintain long term faith in the process.

"A criticism between stages 5-6 [declaring a s114 and s114 ongoing] was that the council didn't move at enough pace. Arguably, commissioners slowed things down too – with additional hoops to jump through"

- If **public campaigning on or around issues of transformation is unavoidable, consider a focus on areas where there could be common ground with statutory partners**. One area has channelled their campaigning energy into the issue of asset transfer, which has led to meaningful engagement with the council on how it takes forward proposals in this area.
- On balance, **sector leaders felt that taking a long-term decision to 'stay friends' with the council, even through the darkest of times, was worth it**. Administrations and key personnel inevitably change, and we heard multiple stories of the sector's relationship improving over time. One VCSE leader advised others to take every opportunity to engage or influence anyone within your local authority that instinctively 'gets' the value of the VCSE sector – officers, senior management and elected members: "you never know when you'll need these relationships."

"The VCSE in our city was crucial in communicating what was happening, allaying fears and not creating panic. They didn't kick us when we were down, they helped and supported us which built huge amounts of goodwill and partnership."

Stage six: s114 ongoing

1

Stage one: VCSE funding reduced

- May also affect wider services, usually non-statutory ones first
- For some, this may feel like 'business as usual'

"If you have a feeling something is happening, act on it..."

Expect to see

For a small number of areas s114 has become an ongoing, working reality, with commissioners in place for extended periods of time. In one area multiple s114s were issued in less than one year, in others even the redrawing of boundaries and creation of new authorities has not yet solved the underlying issues. In another area (issuing an s114 more than once) stakeholders said council funding prospects were now a 'dead end' for them. Those on the ground talk about a growth in 'territoriality' – amongst both statutory partners and VCSE organisations.

In many such areas tranches of senior managers have moved on as commissioners got to work, leading to significant changes that have 'broken the heart' of VCSE partners and left relationships very fragile, even several years on. Once the changes start to come, stakeholders warn there's a limited window of time in which to 'prove their worth'.

"Being in s114 has been very difficult. It has made a very real difference and given the council full carte blanche to make wholesale cuts. All ringfenced VCS budgets have gone, lots of council assets are gone or been disposed of."

Hindsight is all very well, but another key theme uncovered was a general wish from VCSE groups that they have **done more earlier to prepare**. Those hoping to gain some kudos or hard earned resilience from 'hanging on' and managing declining budgets year on year have not generally found this approach to serve them well once deep into a s114, the cliff was steeper and more jagged than anything experienced previously.

Suggested Approaches

- Though the ideal moment to pivot may have passed, many VCSE stakeholders still advocate **changing your business model**. The timing is not ideal – change is here and you may have little choice (or less control) in how to respond – but it is never too late. One interviewee felt that even with one year's notice of the s114 they wouldn't have been ready.
- If rapid change is challenging for you, **look around your local area for examples of VCSEs working in new ways with the council**. Are these arrangements more progressive? Could they be amplified, to show the rest of the council that different models can bring results if given a try? Local authority colleagues may be interested in VCSE perceptions of working with other departments.

“Our fundamental shift to a more equal relationship with VCSE partners came from the great work being done in adult social care. They had moved forward, been more preventative and saved money where other departments and budgets hadn’t.”

- **If asked to do more with less, hold your ground.** In one area the phrase ‘disinvestment budget’ has entered the local lexicon. The tone needn’t be confrontational – try to hold an honest conversation with your local authority about a real or real terms cut. If they give you less, then (it is suggested) you should deliver less.
- **Build collective strength by speaking with one voice as a sector.** Though valuable in earlier stages too it seems particularly pertinent in an ongoing s114, helping individual organisations to avoid being ‘picked off’. If your area has a local infrastructure organisation (LIO) they may already be supporting the local VCSE sector to act in this way. Be conscious however that their resources may already be stretched, or they may be dealing with reductions in their own funding arrangements, alongside their members at the frontline. Many LIOs feeding into this project were working in these ways, but also suffering from similar kinds of financial pressures to those of their members.
- If your authority is still **struggling to engage meaningfully, try focusing on the Integrated Care System (ICS)**. Health systems have to have a VCSE Alliance (it’s part of their national guidance) and evidence heard in this enquiry suggests they appreciate and value a collective approach to engagement.
- This can be a very testing time for local VCSE partners but advice we heard included trying to **put emotion to one side**. In some cases the council may not have the answers but, having been in an s114 for a while, is more likely to know it doesn’t have them. This provides an opportunity for the VCSE sector to be helpful and reset relationships. Being helpful might simply mean giving the Authority a way to talk to the sector and somewhere to bring the issues they are facing. Their motivation may lie in a fear of making the same mistakes again.



“In some positive senses, it has led to a re-set of the LA/VCS relationship to “get out of the hole... the biggest hole we’ve ever been in”

- Whilst losing VCSE organisations to closure is always regrettable, some local partners felt **the opportunity for consolidation was also valuable**, where there had been some duplication of effort in the past. Groups concerned about their survival might consider partnership work with others in their field – especially if together you can service local communities more cost effectively. Merger may also be an option to consider, as highlighted by a number of groups contributing to stage four above (at risk of s114).
- This can be a demoralising time for many local organisations, and separating the impact on your group from the wider impacts in the community may be challenging. One stakeholder encouraged readers to try to put personal views to one side and remember that *'the local authority doesn't care about you, it cares about communities.'* Another used the Covid-era for motivation, a time when all partners managed to forget about the 'territory' and focus on the needs of individuals in front of them. A similar spirit may serve those involved in a s114 process well.

VCSE Recommendations

As an overarching recommendation, we suggest VCSE stakeholders build their approach to navigating an s114 (and related financial difficulties of the area) around two core components:

- **evidencing your role and contribution** through engagement, outputs, outcomes and impact data, and why this would be missed, is more important than ever;
- **building your council relationships at multiple levels** including political leadership, portfolio holders, elected members, commissioners, senior managers and officers. We recommend maintaining communication wherever you can – testimony suggests good relationships and regular dialogue are the factors most likely to influence your chances of a successful s114 navigation.

Remember also that **there is no one, holistic version of ‘the council’** – they are large, complicated bodies where even key individuals don’t generally have sole discretion. We cover this point in more detail within the ‘Voices from Local Government’ section of the Policy Report.

We also encourage readers to consider, where they have not already done so, reframing their external narrative (their role and purpose) around the impact of cuts on beneficiaries (rather than on their own organisation) and their fundamental purpose – their ‘why we exist’.

The s114 process (and related experiences), expressed by our stage-based taxonomy, can be challenging for all concerned. However, the testimony we’ve heard suggests it is possible to navigate them well enough, and even mitigate some of the worst consequences. Such events can also provide the stimulus for VCSEs to ask themselves searching questions – about their operating models and whether there can be new or even better ways, involving greater collaboration, efficiency and responsiveness to local challenges.

Recommendations for VCSE organisations

Here are seven recommendations for VCSE organisations drawn from the experiences of those interviewed for this project. You can read more detail behind each within the Policy Report, but each expresses a theme we consider relevant to all VCSE groups, regardless of the ‘stage’ in which an area finds itself. Local infrastructure organisations could also use these themes as a framework for building an area wide response to financial challenges.

1. There is no common blueprint to follow – every area will require its own approach.
2. Be aware the legal status of grants and contracts may be unclear within formal s114 stages (4–6), or at least the understanding of them may not be consistent.
3. Building or maintaining good relationships with statutory partners are crucial to your

prospects of coping well with a s114 experience.

4. Though formally the s114 affects the council, don't forget to engage with, or consider the implications for other statutory partners, like the health systems.
5. Advocate for communities ahead of your own organisational interests, building evidence to support this.
6. Consider that, for some at least, the triggering of an s114 can offer relief, or a welcome opportunity to reset relationships or practices.
7. And finally, remember that outside events such as local political changes can have a dramatic impact on your area, shifting or accelerating changes in stages.

Appendix

Who wrote this guidance and what is it based on?

This project was jointly commissioned by [NAVCA](#) and [Lloyds Bank Foundation for England and Wales](#), designed as a resource for VCSE organisations and NAVCA members. The guidance and its accompanying products were produced, following an open tender process, by Counsel Ltd. – a specialist consultancy working across the nonprofit, public and small business sectors.

Content is based on consultation and engagement carried out in June and July 2024, including desk-based research, analysis of publicly available information and data, and a series of semi-structured interviews with 28 VCSE and local government representatives in 18 local areas in England, all at various stages of the section 114 process. VCSE representatives were primarily drawn from local infrastructure organisations (LIOs).

To support the project, NAVCA and Lloyds Bank Foundation for England and Wales also convened a cross-sector Advisory Group, who acted as an important sounding board in its development and delivery.