




Tethered fortunes: The threat to charities from trouble in local government

An analysis of the VCSE Sector Barometer, in partnership with NTU National VCSE Data and Insights Observatory

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Summary

Across England, local government funding is in disarray. Councils are issuing section 114 notices – indicating unlawful expenditure or their equivalent of bankruptcy – at unprecedented rates. Cuts are following rapidly, with even more looming as local and national government tussle over responsibility for services such as social care.

These cuts are already hitting charities, because the fortunes of local councils and many charities are tethered together. Nine in 10 charities (87%) that work with councils state that relationship is “important”, and four in 10 (38%) go so far as to state their relationship with government is “critical”. And when one partner goes into difficulty, the other struggles too.

Local government is an important source of the charity sector’s income, providing around 13p in every £1 through grants and contracts. This funding has been in decline over the past decade, as austerity led to a 23% real terms drop in charity income from local government. That equates to a cumulative loss of £13.2 billion over that period.

The current difficulties in local government finance mean that loss will continue to grow. From funding cuts to a domestic abuse charity in Brighton to cuts to heritage organisations in Suffolk, and from total withdrawal of funding to many arts and culture charities in Birmingham to the closure of community transport services in Woking, these cuts are being announced at pace. And charities across the country are anticipating further escalation in the months ahead, warning of further decimation of grants to charities in locations as disparate as Nottingham and Hampshire. Overall, almost three in ten (28%) charities that work with local authorities expect their funding to fall over the next 12 months.

Impacts from local authority cuts to physical assets and maintenance of their estate will also cascade down to charities. Of the charities that responded to the VCSE Sector Barometer, 13% are local authority tenants. Many of these are warning that the current financial distress in local government will lead to them being evicted from their premises, or forced to reside in unsuitable buildings, where roofs are falling in and floors are deemed unsafe. This will generate extra costs and disruption to charities at a time they can ill afford it, and so to the people who rely upon them.

But the consequences of crumbling local authority provision are not limited simply to the financial. As councils withdraw from providing services, it will generate additional demand for charity services, now and in the future, as the knock-on effects of the unwinding of preventative services become realised. As a result, one-third (33%) of charities that derive

no income at all from local government but still work with councils are bracing themselves for the aftershocks of the challenges in local government financing, rating it as a moderate to high risk for their organisation. This additional demand arrives on the horizon at a time when a third (36%) of charities still say that they do not expect to be able to meet demand over the coming three months.

Additionally, relationships between councils and charities are expected to come under strain. Such connections have become more important in the wake of the pandemic, a crisis which threw the two sides together to good effect. Over three-quarters – as many as 78% – of charities that work with local government would describe the working relationship with their local authorities as “good”, “very good”, or “excellent”.

However, some charities are already warning that their relationships with local authorities are fraying, as redundancies and turnover leave councils with less experienced resource available to coordinate action with the charity sector. This is likely to lead to disconnection and, ultimately, both councils and charities working less effectively to solve the challenges that they share, be it their shared goal to reduce homelessness or joint ambitions to give every child in an area the best possible start in life. Once again, the people whom both charities and councils exist to serve will lose out.

Whether the impact they experience is the result of direct financial cuts, eviction, demand overspill, fracturing relationships, or a mixture of them all, 53% of charities that work with local government suggest that the financial situation in local authorities is a moderate to high risk for them. While charities will work hard to replace lost funding, to cope with increased need, and to continue fulfilling their missions, the further weakening of a charity sector only just recovering from the pandemic and cost of living crisis will impact people who rely on charities for their support.

As of 2020-21, local authorities had already cut funding to charities by

23%

since 2009-10

28%

of charities that work with local authorities predict their funding will fall over the next 12 months

53%

of charities say that the financial distress in local government is a moderate or high risk to them

If charity funding had stayed at 2010-11 levels between 2011-12 and 2020-21, charities would have had

£13.2 billion

extra to support local people over that period

Local councils are under financial strain like never before, with consequences for charities

The triple pressures of inflation driving up costs, reductions in funding from central government, and increasing demand¹ – with the addition in some cases of financial mismanagement – is taking its toll on local government. More section 114 notices, which highlight a council's spending is poised to breach unlawful limits and so the council is in financial distress, were issued in 2023 alone than in the 30 years before 2018.²

The situation is expected to continue worsening. One in five council chief executives and leaders surveyed at the end of 2023³ thought it likely that their council would need to issue a section 114 in this year or next.⁴ While central government has subsequently provided a £600 million 'support package' for councils across England, this figure must be set against the estimated £4 billion funding gap which is now thought to exist.⁵ Suffolk County Council, for example, will be able to access £7.2 million from central government's support package – but it estimates it still needs an extra £74 million to provide the services it is required to by law.⁶

As a result of this widespread financial difficulty, services are being cut while taxes and charges are increased. In Somerset, for example, the council has decided to put its council tax up by more than 7% on average, while cutting funds to its Citizens Advice Bureau, switching off CCTV cameras, and closing five recycling centres as well as public toilets.⁷ Meanwhile, Birmingham has proposed a litany of changes ranging from dimming streetlights to increasing the cost of burials, and from a £24 million cut to adult social care to a £100 million cut to children's services over the next two years – all alongside a 9.99% council tax increase this year and next.

Concerningly, even these large cutbacks may still not be enough in some areas of the country. Over a quarter of councils are not very confident or not at all confident that they will have enough funding to deliver their statutory duties.⁸ Some are even questioning whether they should be responsible

¹ House of Commons Levelling Up, Housing and Communities Committee, Financial distress in local authorities, January 2024.

² S Hoddinott, The local government finance settlement is unlikely to end council 'bankruptcies', Institute for Government, December 2023.

³ This survey did take place in advance of the support package from central government.

⁴ Local Government Association, Post-Autumn Statement temperature check, November 2023.

⁵ House of Commons Levelling Up, Housing and Communities Committee, Financial distress in local authorities, January 2024.

⁶ Suffolk County Council, Council to propose new funding for arts & heritage in Suffolk, January 2024.

⁷ A Forsyth, The tough choices facing cash-strapped councils, BBC News, January 2024.

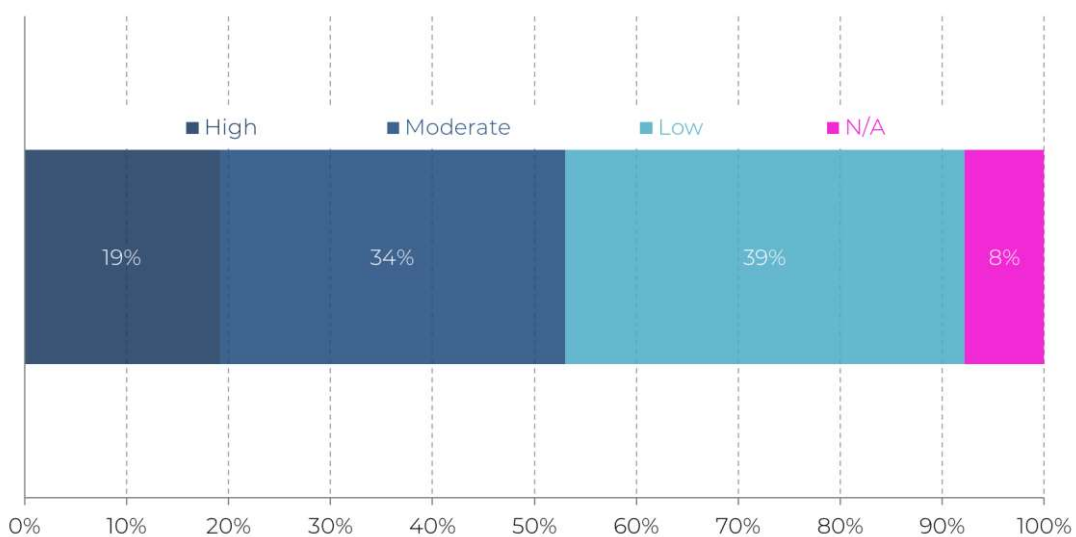
⁸ Local Government Association, Post-Autumn Statement temperature check, November 2023.

for providing some types of services at all, with Winchester City Council arguing for legislative change to relieve councils of their statutory duties to provide social care.⁹

One of the ways these financial challenges will be felt by residents in affected areas is through the consequences for the charity sector. The futures of local government and local charities are deeply entwined, as three in five charities (60%) report working in some form with at least one local authority, with many working with multiple local authorities. As a result of that close connection, over half (53%) of charities suggest that the financial situation in local authorities is a moderate to high risk for them. Some councils are now expected to withdraw funding for charities, jeopardising the services charities provide.

Figure 1. More than half of charities that work with local government think the council's current financial situation poses a moderate or high risk to them

Perceived level of risk posed by local government finances to charities working with local authorities



Notes: Online survey conducted 17 Jan – 7 Feb 2024, N=345 charities with working links to local authority

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, VCSE Sector Barometer, Wave 5.

Through the awarding of grants and contracts, local government is an important income source for many charities. Indeed, 13p in every £1 of charity income comes from local government.¹⁰ This funding supports a range of vital services and initiatives, from groups tackling loneliness to

⁹ Kent County Council, County council leaders press for urgent Government action to help avert financial crisis, November 2022.

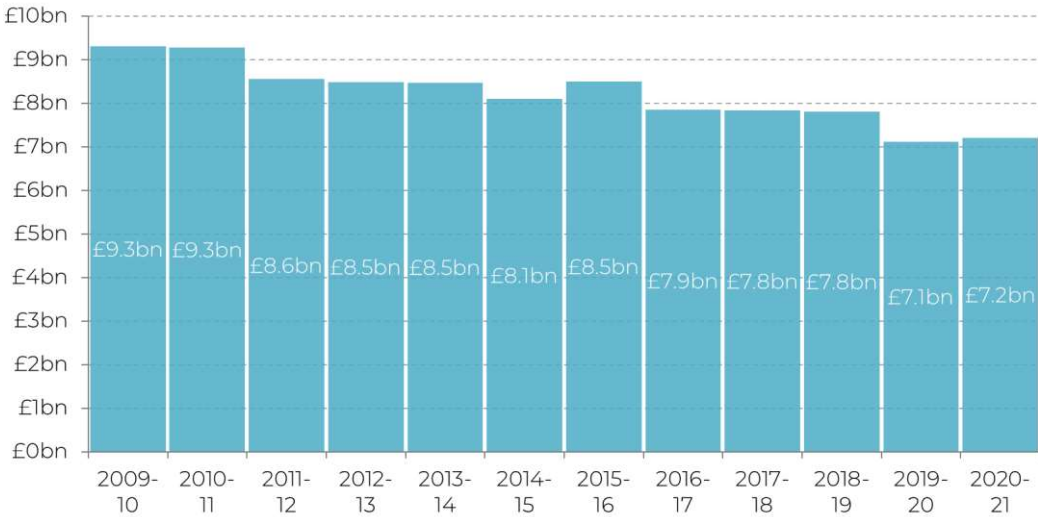
¹⁰ N Tabassum, UK Civil Society Almanac 2023, October 2023.

organisations delivering care, from village halls to adoption services. For example, between April 2016 and March 2020, VCSEs won 69% and 66% of the total value of contracts awarded to deliver domestic violence and homelessness services respectively.¹¹

But this financial support was in quiet long-term decline, even before the current council financing strain. As Figure 1 shows, the sector received £7.2 billion of its income in the year 2020/21 from local government contracts and grants. That compares to the equivalent of £9.3 billion in 2009/10 – a real terms cut of 23%. If charity funding by local government had stayed at 2010 levels, charities would have had £13.2 billion more over the following period with which to support local residents.

Figure 2. Charity income from local government has fallen by more than £2 billion since 2009-10

Real terms charity income from local government, 2009-10 to 2020-21, 2020-21 prices, UK



Source: PBE analysis of NCVO Civil Society Almanac, October 2023.

This decline is now expected to continue, and likely accelerate. Almost three in ten (28%) charities that work with local authorities expect their funding to fall over the next 12 months, as councils grapple with ever-tightening budget constraints. This has already been seen in many places across the country, such as Woking, where the leader of the council has described how it “gave lots of money to charitable groups, they did great stuff with it, but it was all money that we’d borrowed and we couldn’t really afford.”¹² Among its cuts are day centres and community transport services, such as the grant to Woking Community Transport. Similarly, numerous

¹¹ N Sykes, Understanding the ecosystem: charities and public services, Pro Bono Economics, May 2022.

¹² The Guardian, ‘We’d be stuck without it’: elderly Woking residents face loss of key transport, January 2024.

Birmingham charities which had been receiving money from the city council to deliver support to children or provide a home for arts and culture are now anticipating cuts to funding of between 50% and 100%.

Charities expect more to follow. Responding to the VCSE Sector Barometer, charities in Nottingham shared that, following the section 114 it issued in November last year, they expect Nottingham City Council to significantly cut grant aid to charities from April this year onwards, including bringing to an end a financial relationship with one organisation that has relied on them for the past 30 years. Charities in Hampshire also expect the county council there to cut most of its discretionary grant funds by as much as 100% in 2025, as well as to reduce its support for VCSE infrastructure, and contracts to support community transport and sexual therapies.

The real consequences of these cuts are already being felt by charitable organisations, and therefore by the people who rely on them. In the first instance, charities hit by reduced funding from one source turn to other sources of financing in an attempt to keep providing the services that people need. Most commonly in these situations, charities bid for funds from grant-making trusts and foundations, or make appeals to the public, major donors, and even corporate partners.

But applications to grant-makers usually take time and considerable resource, and the cost of living crisis has diminished the ability of the public to donate.¹³ Public donation levels have still not recovered to pre-pandemic levels, and between April and December 2022, one-quarter (24%) of people reported that they had made, or were considering making, changes to their charitable behaviours, to cope with the rising cost of living.¹⁴ As a result, many charities that have had their local government funding reduced have not been able to find alternative sources, and already report being forced to reduce staff size, site costs, and services. Others, such as one charity-run library which has been informed of a 60% cut to its annual grant, will have to turn to their reserves.

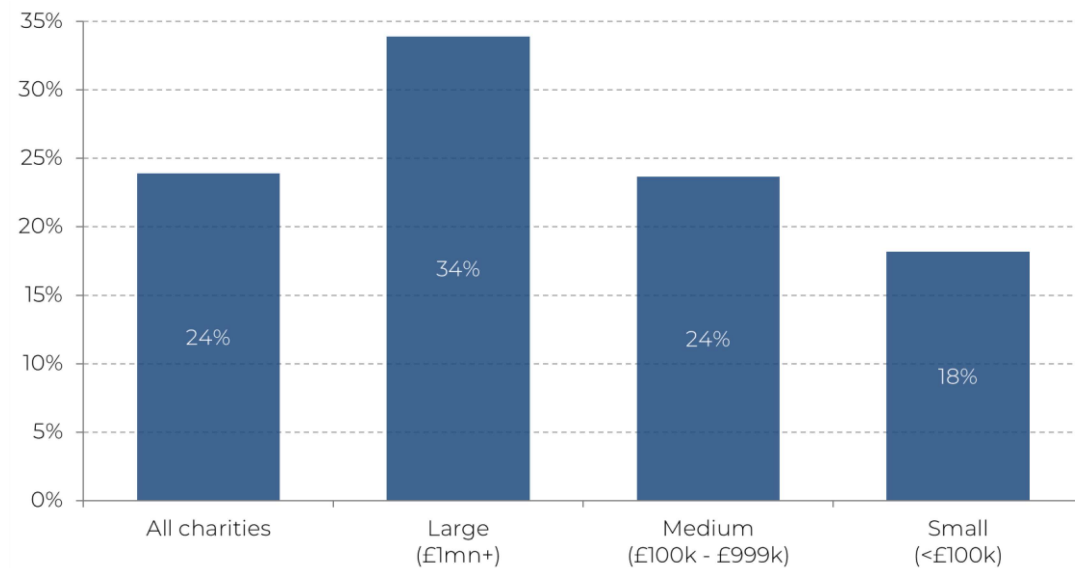
Across the sector overall, two-thirds (66%) of charities report that they have experienced a deterioration in finances as a result of rising costs. Of those charities experiencing a deterioration, over one-quarter (26%) have already reduced the number of services they provide. For many charities in areas of the country pressured by local government's financial turmoil, this number is likely to increase.

¹³ H Barnard, C Fiennes, G Bull & S Sandford, [Giving pains: the cost of grant-making](#), Giving Evidence for the Law Family Commission on Civil Society, July 2022.

¹⁴ Charities Aid Foundation, [UK Giving Report 2023](#), April 2023.

Figure 3. Almost one in four of charities struggling with rising costs have had to cut services in response

Proportion of charities reporting that their finances are deteriorating due to rising costs who have reduced the level or number of their services



Notes: Online survey conducted 17 Jan – 7 Feb 2024, All charities N=381, Large N=62, Medium N=131, Small N=165

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, VCSE Sector Barometer, Wave 5

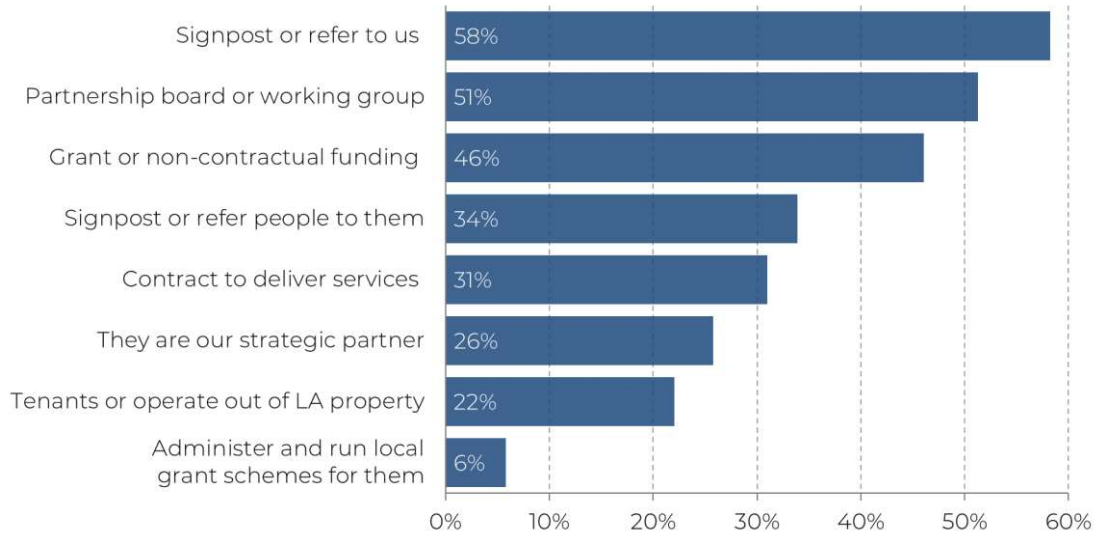
The financial distress in local government has consequences that reach far beyond the provision of grants and contracts

The impact of the relationship between local authorities and charities is far more than that of a funder with a beneficiary, or contractor with a supplier. As shown in Figure 4, the fortunes of local authorities and charities are entwined in a multitude of ways. While nearly half (46%) of charities responding to the survey had a financial relationship with one or more local authorities, almost six in 10 (58%) received clients, service users, or members as a result of the council signposting or making referrals to them.

This begins to scratch at the surface of another critical element of the relationship between charities and local government: that of the demand each can generate for the other. Figure 4 highlights the reciprocal relationship of referrals, with over a third (31%) of charities signposting or making referrals in the other direction. But when local government retreats from an area of work – by cutting funding for organisations in that area, by reducing internal resource committed to that area, or by deprioritising that area – the need from the public in that area does not diminish. Instead, that demand from the public spills over onto charities.

Figure 4. Local authorities and charities have complex operational, financial, and strategic relationships

Types of relationships that charities report having with local authorities, of those that have a working relationship with local government



Notes: Online survey conducted 17 Jan – 7 Feb 2024, N=345

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, VCSE Sector Barometer, Wave 5

Some of that demand will and has spilled over immediately. But it is likely that there will be long-term increases in demand too, especially as unmet public need today causes further deterioration in the challenges they present tomorrow. Over the last decade, this has been seen clearly in children's services, where council-funded early intervention measures focused on preventing youth violence or supporting families during the early years have been rolled back. Demand for late intervention measures has spiralled as a result, including for charities working with children in care and with children in the youth justice system.¹⁵

As a result, even charities that derive none of their income from local government are bracing themselves for the aftershocks of the challenges in local government financing. One-third (33%) of charities which do not receive grant or contracts from local authorities but work with them in some form state that the financial situation in local government is a moderate to high risk for their organisation. When councils are forced to turn away groups and individuals who they used to serve, charities will be met with increased demand. In Woking, for example, the closure of council day centres has meant that one charity which offers social events, outings, and one-to-one visits for elderly members of the community has seen

¹⁵ J Franklin, J Larkham & M Mansoor, The well-worn path: children's services spending 2010-11 to 2021-22, September 2023.

demand rise at such a pace that it is fearful that it will not be able to keep up.

“[Our] funding [from government] is low and therefore likely to stay the same even though it is under budgeting pressure. However, the impact on our clients, and therefore demand for our services... will be felt significantly.”

- A medium-sized charity in Cardiff
- “It's low risk to us financially, but the huge concern is that the council is so short of funding itself that its services are already very stretched and that they may well collapse, creating huge and very real issues for people in our communities.”
 - A small healthcare charity

Some charities' buildings will be disrupted by the financial situation in local government

Local authorities are landlords to 13% of charities. But with few viable options open for local councils as they attempt to balance their budgets beyond reducing services and raising council tax, many are now selling off assets or property. This will create disruption for organisations that will have to seek new premises, and likely further hit charities' finances as a result of relocation costs and the potential of higher rental costs. The eviction of charities from local government properties will therefore also likely hit service users, at least temporarily, as charitable resources are diverted to relocation. This also risks being a snap sudden event, with many charities on insecure 'tenancies at will', which means landlords can evict them with little notice.¹⁶

Where council-owned buildings are not being sold off, some councils are nevertheless unable to afford the upkeep of the buildings. Multiple charities described their council as landlords unable (or “unwilling”) to carry out maintenance works. One charity that provides social spaces for recreation in the local community described an impasse, as its trustees were unable to sign off on its strategy while its council-owned site is without a functioning roof. Another organisation is now being forced to close its site, as the council deem its floor to be “beyond economic repair”. This will result in the closure of a lunch and social club, “depriving over 100 members of the ability to have lunch with company.”

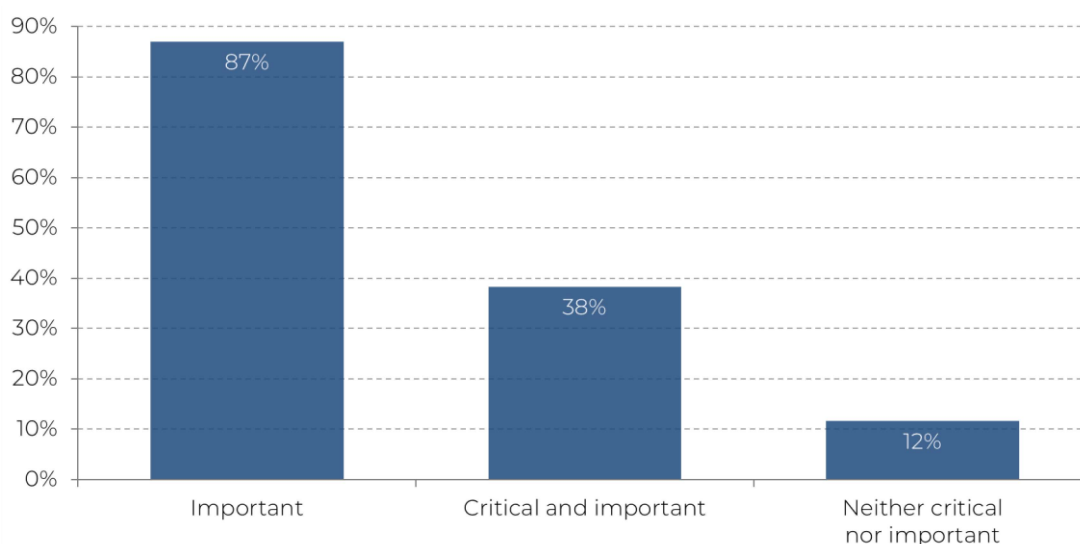
¹⁶ Rena Papatheofilou, Thousands of charities at risk of eviction this Christmas, Ethical Property Foundation, December 2023.

Hard-won partnerships between local authorities and charities are at risk

Beyond the transactional relationships and the see-saw of demand, charities and local government – at their best – work together to solve the problems affecting their local areas. Some elements of this relationship are very formal: at 51%, being part of a partnership board or working group was the second most common form of relationship reported by charities with a relationship with their local authority. Many of these relationships are informal however, such that around nine in 10 charities (87%) said that working with local councils is important to achieving their organisation's objectives.

Figure 5. Charities working with local government say that their relationship with them are important to achieving their aims

Importance of working relationships with local government to achieving charity objectives, of those who have a working relationship with local government



Notes: Online survey conducted 17 Jan – 7 Feb 2024, N=345

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, VCSE Sector Barometer, Wave 5.

Indeed, four in 10 charities (38%) said that working with their local authority is “critical”. As one respondent explained, their:

- “[Our] excellent relationship with the city council is central to the services we deliver for rough sleepers... We work in close partnership and meet weekly to monitor demand and delivery.”
– A small poverty relief charity

Another respondent explained that their involvement on a multi-agency committee meant the committee was able to hear ‘on the ground’ feedback on its work to support residents with dementia, due to the organisation’s close community ties. Both organisations emphasised that they feel trusted and valued in their collaborative work, while simultaneously valuing the work of their local authority.

The relationship between local government and charities had been improving

In recent years, the relationships between local authorities and charities have been deepening, with the pandemic driving change. Covid reframed the context in which local authorities and the sector did (and did not) work together to serve their communities. In order to respond at speed and scale to a crisis that needed a localised response, it has been argued that “flattened power structures, shared decision-making and permission to act” alongside “organisational cultural change through removing bureaucratic barriers” enabled effective collaboration.¹⁷

As a result, around half of organisations that worked with local authorities said that their relationship improved during the pandemic.¹⁸ In an evaluation of the role of the sector in delivering health and social care to Greater Manchester, one organisation went as far as to say that the pandemic had meant they had “‘achieved more in a year than we had in a decade’, necessitating increased information sharing and collaboration.”¹⁹

Almost four years on from the joint emergency response which catalysed this deepening, it appears that the quality of this relationship has continued to go from strength to strength in many areas. Over three-quarters (78%) of charities working with local authorities would describe their relationship as “good”, “very good”, or “excellent”. In fact, just under half (49%) would describe the relationship as “very good” or “excellent”.

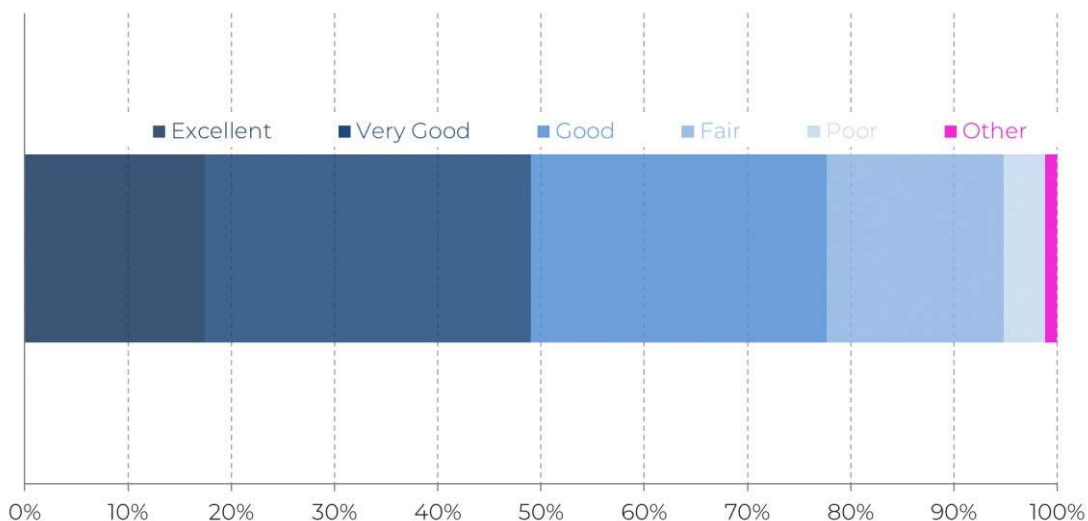
¹⁷ J Cook, H Thiery & J Burchell, No longer “waiting for the great leap forwards”? Advances in local state-voluntary and community sector relationships during Covid-19, *Journal of Social Policy*, February 2023

¹⁸ The Centre of People, Work and Organisational Practice (Nottingham Trent), Voluntary Action Research Group (Sheffield Hallam) & National Council for Voluntary Organisations, Respond, recover, rest: the voluntary sector and Covid-19, April 2021.

¹⁹ Greater Manchester Centre for Voluntary Organisation on behalf of Greater Manchester VCSE Leadership Group & Greater Manchester Health and Social Care Partnership, Evaluation of the VCSE Health and Social Care Engagement Programme, March 2021.

Figure 6. Relationships between charities and local councils are in good health

Charities' perception of the quality of relationships they have with local government, of those charities who have a working relationship with local government



Notes: Online survey conducted 17 Jan – 7 Feb 2024, N=345

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, VCSE Sector Barometer, Wave 5

For one social justice charity, this improved relationship has expressed itself through “heightened engagement from both parties in multi-agency meetings” which has led to “enhanced interpersonal connections, along with a clear understanding of each other’s roles, the services we provide, and our respective areas of expertise.” The effort this has taken is significant, as partnership working requires sustained dedication and resource, with a disability charity noting they “have had to work very hard to develop the relationship – three years so far to get to a place of trust.”

Financial distress in local government puts partnerships between councils and charities under additional pressure

Despite the hard work put in by both council and charity employees, there are signs that the ties between organisations are fraying as a result of the financial pressures at work. The heightened engagement described above is declining in many places as councils’ focus turns inward. One charity stated “there is no ‘working together’ and everything has become very transactional”, which the charity “feel is a risk for us... We are concerned about the relationship going forward as a result.” Another charity similarly describes a shift towards a more distanced, transactional approach, which is putting pressure on the charity, stating that “relationships are strong,

however, the budget for the council is compromised and means there are higher expectations... with more evidence of outcome required.”

The internal restructuring of council departments and teams has also had knock-on consequences on charities. In some parts of the country, the loss of council staff due to redundancies has led to a loss of meaningful engagement and a “lack of understanding of the work [charities] do.” One charity in Liverpool describes how, as experienced and knowledgeable council staff’s priorities are forced elsewhere, charities are left to provide the “vision, ideas and plans” as well as deliver the service itself, without the partnership they had before and all the benefits that brings.

This experience is not universal. In some parts of the country, financial distress has forced councils to think differently about how they approach their relationship with charities. Instead of supporting individual organisations, some councils – like Croydon – are looking to support the infrastructure of the charity sector, such as organisations which boost volunteering across a borough. This allows local authorities to provide help to multiple charities at once.

- “Funding has decreased from the council and contact has decreased due to their financial situation, but there is still a willingness to support us where they can.”
 - A small charity in Kent

However, any deterioration of the working relationship between local government and charities should be of concern, as both bring their unique strengths to solving issues in their location. Councils, for example, have connections, breadth, and a strategic oversight of their area. Charities, meanwhile, have the trust of and deep links into communities, specificity, and agility. Local residents are often best served by partnership between the two.

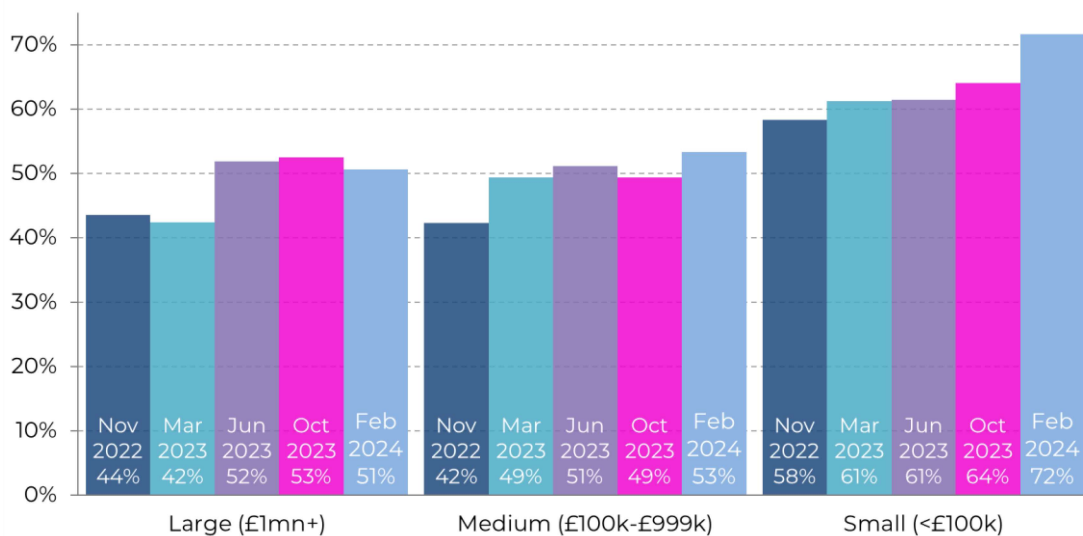
Local council challenges may weaken charities' recovery in parts of the country

The pandemic and cost of living crisis both posed serious issues to the UK's charities, dampening fundraising and income generation, driving up demand, and creating challenges for delivery. Charities are only now emerging from this period of difficulty – and the financial distress in local government appears to have hit just as the recovery is picking up pace.

Charities of all sizes have begun to feel more confident that they can handle the current levels of demand they are experiencing. This is even true of small charities, which have grown steadily more confident in their ability to meet demand since November 2022, as seen in Figure 7.

Figure 7. Small charities in particular are increasingly confident about being able to meet the needs of their beneficiaries

Proportion of charities who expect to be able to meet demand over the next three months, by charity size, survey waves 1 to 5



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small. Wave 2 conducted 6-20 February 2023, N=125 large, 219 medium, 129 small. Wave 3 conducted 9-23 May 2023, N=131 large, 346 medium, 618 small. Wave 4 conducted 13-27 September 2023, N=80 large, 170 medium, 245 small. Wave 5 conducted 17 Jan–7 Feb 2024, N=62 large, 131 medium, 165 small.

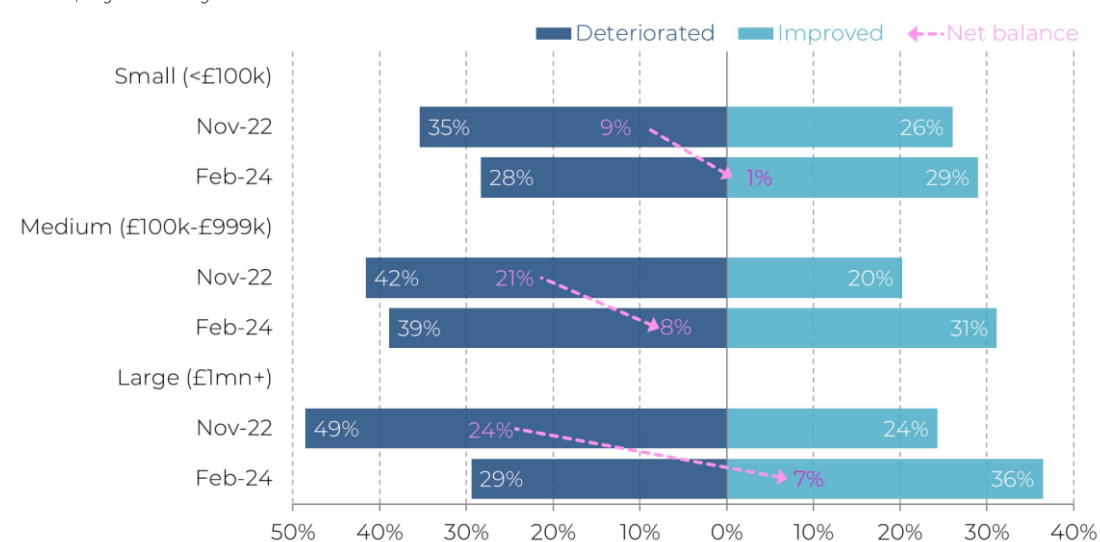
Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-5

However, any additional demand generated during this period by the withdrawal of local government will be very difficult to meet. While the majority of charities do expect to be able to meet demand, they are doing so with very little wiggle room. Concerningly, 47% of large, 50% of medium, and 57% of small charities only expect to meet demand over the next three

months with limited or no spare capacity. And more than a third (36%) of charities still say that they do not expect to be able to meet demand over the coming three months.

Similarly, there is not much breathing room in charities' finances. There has been some considerable improvement in charities' finances over the past quarter, with more large and small charities reporting that their financial state has improved in the last three months than saying it has deteriorated, as shown in Figure 8. However, income remains the top concern for charities of all sizes. The additional pressures to charity income created by the financial distress in local government are therefore not well timed.

Figure 8. Small and large charities are now more likely to say their finances have improved rather than deteriorated over the previous three months
Proportion of charities reporting an improvement or deterioration in their finances in the three months prior to the survey, November 2022 compared to February 2024, by charity size



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small
Wave 5 conducted 17 Jan-7 Feb 2024, N=62 large, 131 medium, 165 small

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-5

- “We are a smaller charity and therefore will feel the impact more acutely than larger organisations in the area which can be more flexible.”
- A small poverty relief charity

Fears surrounding local government will have a particular effect on the operations of small charities. Most of the very smallest charities do not receive income from local government, and only 1.6% of the funding the charity sector receives from local government is allocated to charities with

income of under £100,000.²⁰ It accounts for around 6% of the smallest charities' total income. However, the small charities that do receive funding will find it difficult to adapt to any withdrawal of income. Recovery has been slow for many small charities, and over half (56%) report having experienced a deterioration in their finances due to rising costs over the past three months. As a result of rising costs, more than one-third (36%) have increased the price of their services and dipped into their reserves unplanned. As these organisations typically have close links with the local communities and groups they serve, any income loss is likely to be keenly felt by residents through more expensive, less resilient services.

²⁰ N Tabassum, UK Civil Society Almanac 2023, October 2023.

Conclusion

Wobbles in local government can set off earthquakes in charities. The two are tethered together, through financial relationships, through property, and often through a shared cause to support residents in the areas that they care about. But with charities, the smaller partner in the relationship, they have much less power and must often adapt to the decisions made by and the circumstances of the councils they work with.

The current financial distress in local government creates much to adapt to. Fewer funds available means that, for some charities in some parts of the country, a repeat of the toxic combination of fewer funds and more demand is back on the cards, just as the sector has started to stabilise following the pandemic and the worst of the cost of living crisis. This time, the consequences will also include some charities losing their base of operations or having their base of operations fall into disrepair, and relationships between some councils and charities fraying as a result of reduced resource for partnership working. The latter is likely to occur despite recent post-pandemic improvements to the relationship.

Ultimately, funding cuts, relationship deterioration, and increased demands will land hardest on the people that charities and councils both serve. Charities will work hard to replace lost funding, and dip into reserves where necessary. They will continue to fulfil their missions, even without local government as a strong partner. But some will not be able to survive and some will only do so in a diminished form, perhaps less able to serve as many people, perhaps only able to do so to a lesser degree. Ultimately, people who need charities' services the most will, in some parts of the country, see them fall away as a result of the challenges unfolding in local government finances.

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