



Navigating a section 114 notice

Policy Report and Recommendations for Local and Central Government

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Introduction and Context

About this report

Counsel Ltd.¹ was commissioned by NAVCA and the Lloyds Bank Foundation for England and Wales to conduct cross sector consultation and engagement to understand how section 114 notices work in practice, and the changes to the local operating environment that they bring. Organisations from the local government sector and a range of voluntary community and social enterprise (VCSE) organisations including local infrastructure organisations (LIOs) were interviewed. The core purpose of this was to create actionable guidance for local and smaller VCSE organisations operating in areas experiencing a section 114 or that may be likely to in the future. In developing this project, we engaged with local authorities who are under (or have been under) a section 114 notice, those at risk of it and those where finances appear relatively strong but may enter into these phases in future.

This policy summary can be read alongside that guidance and is intended to provide additional information and context in relation to our key headline findings and recommendations for the VCSE sector, local government and central government.

What is a section 114 notice?

A 'section 114' (s114) is triggered by a local authority's lead finance officer, at any time when they believe the council will incur expenditure that, under the Local Government Finance Act (1988), is not lawful. The most common reason for this is an imbalanced (deficit) budget – where spending outstrips in year income. There are external resources available which explain more about these notices² but the key developments to expect include:

- **service reductions:** that quick and/or extensive spending cuts are very likely, with 'statutory' services likely to be prioritised or protected first.
- **the council may try to increase income:** council tax rates may rise, though central government can (rarely) provide direct financial support.
- **internal reorganisation:** councils may seek to combine capital and revenue budgets (requiring permission from central government to help with their revenue spending).
- **external intervention:** central government may directly intervene in a local area, for example in appointing commissioners. Local authorities may also seek to access emergency 'bailout' support.

How common are they?

There have been 13 s114s issued (by eight councils) in England since 2018, in some areas more than once. This pattern represents a marked increase. Prior to 2018 there had only ever been two issued, both of which nearly 25 years ago.

1 <https://www.counseltd.com/>

2 [Local government section 114 \(bankruptcy\) notices | Institute for Government, Councils vs financial crisis \(New Local\)](#). Resources are also available to NAVCA members: [NAVCA | Home](#)

Whilst we cannot say whether this trend will continue, increase further or even whether the specific processes will change (this guidance is being written in the early months of the incoming Labour government), we can expect local government finances to remain challenging for the foreseeable future.

What happens?

Events can move very quickly and the ability to control those processes or influence outcomes can feel limited, even for those in senior roles in local government, let alone those outside of the council. Clear information may be lacking, and processes might feel complex and unclear. Budget cuts, including grants and contracts with external organisations are common. That said, developing your understanding as far as possible and building a picture of good practice, even in the most challenging circumstances, is still useful. This report and the accompanying VCSE Guidance were developed to support this objective.

Services that are classed as 'non-statutory' are likely to be particularly vulnerable to cuts in funding, but this is not always a straightforward picture. What is 'statutory' and what comprises minimum service levels has been contested.³ A statutory service is one that a council is legally obliged to provide and covers essential services in areas like social care, education, waste collection and libraries.

How can I use the VCSE guidance?

The [accompanying VCSE guidance document](#) identifies six broad stages in the s114 process – three dealing with the formal phases of an s114 and three preceding stages, which may offer an indication that an s114 is coming. **We say 'may offer' as this is not an exact science and there is no fixed, linear relationship between stages.** Some areas experience aspects of more than one stage, bypass others entirely, or remain in the early stages. The experience of cuts is not (of course) exclusive to an s114 – many local people and external organisations may well have experienced levels of cuts as 'business as usual' in recent years.

We conceived this model as a way of segmenting those we interviewed and, having now tested it in the field, we have confidence that it represents a realistic taxonomy of experience.

VCSE organisations are invited to use this approach to identify the stage closest to their current local context, branching out to neighbouring stages as appropriate. Each stage offers something of a composite case study, drawn from the testimony of a range of local stakeholders from both the VCSE and statutory sectors.

³ [Kent and Hampshire County Councils write to central government to request flexibility in statutory services, November 2022](#)

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



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Voices from local government

In addition to the information received from local VCSE leaders and stakeholders, used primarily to inform the VCSE Guidance, we also spoke with a range of individuals within local authorities – leaders, former leaders, portfolio holders, senior officers and commissioners appointed by central government during the formal stages of an s114.

This section summarises their broad views and insights, as presented to us. VCSE readers may wish to familiarise themselves with these points to gain a wider statutory perspective, before considering the guidance.

An s114 doesn't mean the council's purpose has changed

- The mission remains the same – **delivering what the public needs** (some told us that this is not necessarily always what the public 'wants'). These needs are dynamic and shifting, subject to things beyond local authority control, and almost always messy. The **challenge of austerity and tightened public finances is just one of a number of current challenges** (albeit a rather large and difficult one).
- **Councils still spend significant money on service delivery**, supplemented by resources from public health, housing associations, the private sector, foundations, and other tiers of government. Councils are interested in how to collectively direct this.
- **Agreeing on a common picture of public need** is easier than ever thanks to data and technology, though councils still struggle to present it. Without a model rooted in an evidence base built on collective delivery and partner alignment, it is impossible.
- Local authorities take a **long-term view and are committed to place-based delivery**. Whilst there is universal recognition that many others share a commitment to place and people, there is still a feeling that 'councils know best' – this needs to be challenged.

There is no one 'the council'

- **Councils are large, complicated bodies where individuals don't generally have sole discretion.** Officers, politicians and cabinet members disagree, departments fight, and the frontline might have a different view from the senior management. The VCSE sector may not be a coherent or homogeneous organism, but neither is a council.



- **Statutory and regulatory responsibilities lead departments and senior leaders to focus on a range of distinct priorities**, which can crowd out others. For example, an Executive Director for Housing may be simultaneously working on fire safety, damp and mould issues, temporary accommodation, building new homes and energy efficiency of existing stock. That may not leave a lot of time for VCSE engagement.
- **There are multiple cultures within departments, each with different appetites for partnership.** These can grow (for example through progressive new senior appointments) or equally regress after a bad experience. Even where it looks progressive, be aware that teams can get comfortable with their partners and sometimes can 'close up shop' to new entrants.
- **Some departments have longer histories of commissioning external providers**, valuing impact, working in partnership, co-producing strategy or involving service users in delivery. Adult services and public health are generally the most advanced, which can help to grow a partnership mindset across the council.
- **Internal capacity is very stretched**, with staff increasingly facing a range of crises, with less bandwidth for other agendas or transitions to new ways of working.

The wider context of austerity, budget cuts and the s114 experience

- **There are always resource allocation tensions and inherent trade-offs:** to pay down debt, invest to save, early intervention, as well as service delivery. Prioritisation is often determined by immediate risk of harm, focusing on services on the brink of collapse.
- **Since the austerity era most councils have experienced cuts of between 20–40%**¹, coinciding with the aftermath of the 2008 financial crisis, underinvestment in other public sector bodies, inflation, interest rate rises, the cost-of-living crisis, COVID-19, Brexit and increasing demand for housing and social care.
- **Carrying multiple high magnitude risks has made 'doing things differently' even harder**, increasing demands for clarity, evidencing of outcomes, impact and value for money. This is the same for officers internally as it is for external providers.
- **Admitting service failure or poor budgetary management can be very difficult – and was described as "traumatic" by some consultees**, with real impacts on staff, officers and politicians. No one sets out to do these things, so partners need to recognise crisis mindset before throwing brickbats.
- While acknowledging that change is hard in such circumstances, **the s114 can provide the kickstart a council needs to revise its operating model.** A council that hasn't reformed this is more likely to find itself in financial difficulty.

¹ [English Council Funding 2010–24 \(IFS\)](#)

New operating models and transformation

- **Every council should have a commitment to continuous improvement**, reflecting the changing nature of society, the economy and public need. Many are already on this journey. The Wigan Deal² or Lambeth's Cooperative Council³ models were responses developed during austerity, but driven by the desire to deliver better for residents.



- **The VCSE sector may also need to change to participate in this transformation** – older relationships, based around financial dependency, may quickly become outdated. The 'new world' is more likely to be framed around partnerships – by place and by sector. Here the council may be only a convenor, no longer the main player, supporting others to define priorities, harness funding and collectively deliver. This may create new opportunities for stakeholders as Anchor Institutions⁴ within 'Cultural Partnerships'.⁵
- **Councils focused on mission and outcome** may be more open and less hostile to external providers or different ways of working. Trying to do more for less becomes a conversation about capacity and capabilities for resolving problems.

Local government perspectives on the VCSE sector

- **Recognition of the need for a strong local VCSE sector is widespread**, with appreciation for community reach and trust, history in the area, institutional knowledge and, in some instances, potential for much better value for money than in-house council services. Councils also realise that once something is gone it's very difficult to get back. That said, there are still, rightly or wrongly, doubts about the ability of some VCSEs to deliver, the extent to which they have truly modernised and perceptions of a 'right to exist' mentality. The quality of VCSE relations can vary hugely across a council, which may undermine expectations for a consistent approach.
- **Generally, senior politicians expressed more favourable and holistic views**, distinguishing between higher and lower performing organisations, though as such views can be challenged or dismissed by officers be aware that getting politicians on side may not always be enough, and might sometimes even be counterproductive.

² [The Wigan Deal](#)

³ [Lambeth Cooperative Council](#)

⁴ [Birmingham Anchor Network report](#)

⁵ [Local Cultural Education Partnerships \(LCEPs\) | Arts Council England](#)

- **Officers' views are more characterised by the functional relationship** they personally (or departmentally) experienced. Council commissioners (not s114 commissioners) dealing with the performance management of contracts will likely have different views to Executive Directors, informed by more difficult conversations with VCSE groups 'occupying' their assets.
- **Trust and relationships need to be built over time, and at many levels:** why is it only politicians that get invited on walkabouts? Why are returns only ever sent to the named council commissioner responsible for the contract? VCSEs could consider how their 'whole story' can be shared with the right audiences, so that advocacy is married with transparency, and reporting good performance helps to build wider trust. Targeting individual decision makers is labour intensive and perceived as less effective at strengthening existing relationships.
- Finally, there was a widespread question about whether the VCSE sector could **embrace and leverage the skills and competencies necessary for the future.** IT systems, performance reporting, data insight and mapping will all be critical going forward, but this may be too much to expect organisations to adopt individually. Common VCSE approaches to modernisation, such as consolidating back-office functions, is also now commonly expected within councils. Could the VCSE look at these approaches across bigger economies of scale – across places, thematically perhaps, to save money, share knowledge and bring consistency of reporting?

Recommendations for the VCSE sector

Headline findings

As an overarching recommendation, we suggest VCSE stakeholders build approaches to navigating an s114 (and related financial issues in their area) around these core components:

- **evidencing your role and contribution** – through engagement, output, outcome and impact data, and why this would be missed, is more important than ever.
- **building your council relationships at multiple levels** – political leadership, portfolio holders, elected members, commissioners, senior managers and officers. Maintain relationships and channels of communication wherever you can – the testimony we've heard suggests good relationships and regular dialogue are the factors that most impact on your chances of a successful s114 navigation.
- where they have not already done so, we also encourage readers to consider **reframing their external narrative** (role and purpose) around the impact of cuts on beneficiaries, highlighting the impact and linking it to their fundamental purpose – their 'why we exist'.

All s114 (and related) experiences, expressed by our stage-based model, can be challenging for all concerned. However, the testimony we've heard suggests it is possible to navigate them, and even mitigate some of the worst consequences. Such events can also provide a useful stimulus to ask ourselves searching questions – about our operating models and whether there can be new or even better ways, involving greater collaboration, efficiency and responsiveness to local challenges. For additional context, these recommendations can be considered alongside the accompanying VCSE Guidance, which frames key messages within the different 'stages' of experience identified.

Below we present a summary of findings that we believe are relevant and applicable to all VCSE local organisations, regardless of the 'stage' in which your area finds itself.

1. There is no common blueprint – every area is different

- Whilst an understanding of different stages can be a helpful starting point, our investigations lead us to believe that **looking to other areas for a template is of limited help**. Even within individual local authorities, approaches to dealing with an s114 may vary considerably. Each area will likely need to find its own path.



- s114 is **often seen as a sign of a loss of control** by local government – meaning some areas will go to great lengths to avoid it. Where it does happen, many refer to the situation as ‘chaos’, accompanied by high levels of stress and uncertainty.
- **The way that cuts are applied, whether in s114 or not, is highly inconsistent** – from those applied equally across the board to the stopping of whole service areas. Some councils are responding by ‘in sourcing’ – taking contracts back in house.
- **There can appear to be a significant lack of transparency.** In some areas stakeholders questioned whether due process was always followed.
- **Relationships can become very strained**, even where they have been strong before.
- **Central government guidance has been minimal**, meaning application is inconsistent.
- **Context is everything** – where s114 notices have been navigated more successfully, the VCSE sector was able to use not only its own bespoke evidence base but its understanding of local political relationships and dynamics, often needing to work at a significant pace.

Implications for the VCSE sector

1. Relationship management will likely become more important than ever – including understanding and navigating often complex local political relationships.
2. Build as comprehensive (and clear) an evidence base as possible.
3. Be prepared to work very quickly.

2. The legal status of grants and contracts can be unclear, or at least the understanding of them is not consistent

- Depending on the nature of the agreements, different approaches are taken. We found very little evidence that contracts are simply cancelled – though there can be pressure to deliver more, to see a ‘squeeze’ from commissioners, an expectation to do more to secure a contract renewal.
- Rather than cancellation mid-term, there was more evidence to suggest that contracts are simply not renewed once they expire, even where this has happened previously and often over long periods of time. Not all VCSE organisations appear to fully understand all the implications of their contracts, and the rights and protections emanating from them.
- Grants (and any discretionary or unwritten agreements) are not always honoured.

Implications for the VCSE sector

1. Prepare to renegotiate and make sure you have everything in writing, avoiding discretionary and verbal agreements as far as you can. Satisfy yourselves that you fully understand the implications of what you are signing.
2. Emergency central government 'bailout' funding (where available) is likely to be swallowed up and allocated to statutory services. If you are delivering on a statutory service area, make sure this is acknowledged. Where you provide a service that supports a statutory function, even if beyond the strict statutory definition, use this link to strengthen your case.

3. Good relationships are crucial to your prospects of coping with an s114

- We know **relationship management with councils can be intensive**, particularly in times of crisis. The quality of relationships with commissioners and officers was the single biggest variable that we found in how an s114 situation can be navigated. Good relations at senior, strategic levels may not lead to instant change, but evidence suggests there is often a long-term pay off in keeping a good dialogue open.
- Emergency central government 'bailout' funding (where available) is likely to be swallowed up and allocated to statutory services. If you are delivering on a statutory service area, make sure this is acknowledged. Where you provide a service that supports a statutory function, even if beyond the strict statutory definition, use this link to strengthen your case. **Good relationships within the VCSE sector can be crucial too**, especially where they galvanise the collective voice and evidence base. Working together makes it far harder for individual organisations to be 'picked off', or lose visibility and influence.
- These can be very strained situations for all – **try to consider the impact on local authority staff**, working empathetically and sympathetically where possible. They will likely still have pride in their work and a public service ethos – work with this and with them when you can.
- **Where cuts are unavoidable there can be a role for public campaigning**, but the evidence we have seen suggests this should be a last resort.



Implications for the VCSE sector

1. Protect and develop relationships wherever you can.
2. Work empathetically, remembering the impact on local authority staff.
3. Use public campaigning sparingly, and with a specific plan and 'end goal' in mind.

4. Though s114 affects the council, don't forget the Integrated Care System (ICS) and Public Health

Regardless of the extent to which the ICS footprint mirrors or includes that of the local authority, relations between the two can become significant during an s114 process. Many 's114 areas' also experience significant ICS deficits, meaning the climate may be favourable for a closer alignment of their strategies moving forward or that the impact on the VCSE becomes even more severe.

Some saw this as a positive move, a stronger focus on preventative interventions, closer to the holistic value of VCSE services. That said, a heightening of tensions between the local authority and ICS during an s114 process has also been observed, fuelling new levels of stress or exposing existing tensions.

Regardless of the financial health of the council, ICSs have significant funding and commissioning authority, seeking to engage with communities to understand how best to improve health. There is potential for a key VCSE role here, which may not only help to diversify funding, but also cement your status as a valued partner.

Implications for the VCSE sector

1. **Cultivate relationships with the ICS, as well as the local authority.** The VCSE Alliance within your ICS area or your local infrastructure organisation (LIO) in areas where these operate will have more information on this.
2. If the local authority is ringfencing funding for statutory duty services only, **consider whether the ICS strategy offers you more favourable ground to demonstrate your value.** Anything you are doing that offers the potential to reduce pressures on front line services (primary, acute and social care) is likely to be viewed positively.
3. **Look for areas of strategic alignment between the ICS and local authority as fresh opportunities for the VCSE sector.** In the most successful examples of this, VCSE bodies were seen as trusted, neutral partners of both entities, bringing influence and even convening power.

5. Advocate for and serve communities, building evidence

Whilst we heard from some areas where strong evidence alone proved insufficient to challenge proposals or decisions relating to cuts, many stakeholders still felt the **importance of capturing the impact of cuts on beneficiaries** – as opposed to VCSE organisations – cannot be overstated. Even if you cannot use this evidence now it may be relevant in future. Beyond this, refocusing the narrative on residents is part of a wider approach that can bring successes in navigating an s114.



- COVID 19 demonstrated that the ability to work with communities directly on their terms is critical to improving outcomes. Any council **following a preventative, co-productive or community wealth building approach needs partners who can reach communities effectively.**
- The best prepared organisations we spoke with had **high quality, forensic data** about the ‘real world’ impact of funding cuts – such as mapping the rapid escalations to crisis point for some service users.

Implications for the VCSE sector

1. Build as detailed an evidence base as possible around what you do – and what the impact on communities would be if you were not there. We have seen evidence of the value of describing the role VCSE organisations play beyond service delivery – for example, providing community voice or insight, where this is articulated clearly and consistently. Your LIO may be able to play a role in creating common approaches to data gathering, amplifying your collective impact.

2. Consider whether you can reset your current operating model in some areas – could you gear up for bigger contracts or develop a more agile approach, with potential to pick up new areas quickly? Smaller organisations for whom this is challenging might consider partnering or co-tendering with others. We also heard from local infrastructure organisations who had taken on contract holding roles for some services, sub-contracting to smaller, specialist providers. Joining up with others in place-based models¹ to access funding and deliver holistically for local authority and health partners may also be an option.² Think about the specific role that you can play in avoiding (or at least delaying) the escalation to acute need and crisis.

¹ [Building Young Brixton | inspiring & empowering young people](#)

² [‘My Ends’ programme | London City Hall](#)

6. In some ways, the triggering of an s114 has brought relief or offered a welcome opportunity to reset

- **The eventual triggering of the s114 has been viewed as something of a relief** for some, especially those living under year on year 'salami slicing' or even perceived internal council dysfunction or mismanagement. The pressures of living under the speculation of s114 was mentioned by several, including areas where s114 was used as a threat or political football. In others, the prospect of s114 had been perceived to prevent progress, or cause delays in decision-making.
- Once triggered, we found **some evidence of more honesty, opportunities for change and to build new relationships and tackle shared challenges** together, but we know that this is not always the case.
- **On balance, s114 was seen as a more positive outcome than a central government bailout.** As the s114 triggering sometimes coincides (or is prompted by) a change in local political administration, many VCSEs also used this moment to develop their relations with elected members but warned that though they can also play a crucial role, the calibre of councillors may vary, and local political dynamics may still impede shared progress.

Implications for the VCSE sector

1. Whilst a worrying time, **the triggering of the s114 is not the 'end' of the process** and does not mean that all opportunities for dialogue are lost. Identify opportunities to form new relationships where you can.
2. **Use this moment to make a case for how you can be part of the solution** – how can you help communicate the council's message to your members or beneficiaries? Are there new service areas you can take on? Do you have particular community insights valuable to commissioners? And most crucially, can you help them shape the transformation that they will be going through?

7. Outside events have an impact

- **Whether or not a local authority is under a section 114 notice, or at risk of one, other factors can change the environment locally.** This can happen quickly and unpredictably, but it may be prudent to consider how you can respond.
- Such factors include **political change**, though there is little evidence that the nature of the party in control makes much difference. Political change may be unconnected to an s114 process – elections, internal party issues or defections, other changes to administrations, leadership and changes to the composition of the authority can all play a role.
- Whether in s114 or not, **financial issues are not the sole agenda on which a council will focus:** the reality of local political life, with all its interests, opportunities and challenges, will continue.

Implications for the VCSE sector?

1. Your ability to influence these externalities may well be limited, but this reality further underlines the importance of having good evidence, scenario planning and relationship management. Take time to plan for known outcomes – for example, elections and be prepared to act quickly when the unknown happens.

Policy implications

Below, we summarise implications of the s114 experience of relevance to policy makers – particularly thinking of those in a local authority context (officers, elected members and portfolio holders, senior managers and commissioners) but also those in other parts of government that have influence over the way that s114 processes work.

1. The s114 process can produce 'cliff edges' in some areas, often needlessly, and is seen to carry a stigma. We observed:

- a. Some councils go to enormous lengths to avoid an s114, even if it is the 'right' decision, resulting in more long-term damage to services and budgets.
- b. Relationships are sometimes sacrificed in order to avoid the public embarrassment that can be associated with an s114 (or related stages).

"The council is very proud of a balanced budget and will protect this at all costs. The amount of grants is small and shrinking and we're also seeing lots of people now not bothering to bid so the threat of it is having an impact"

2. Given the prevalence and acceleration in the issuing of these notices, it is surprising that structured or peer to peer learning across local authorities appears limited.

- a. The Local Government Association (LGA) provides support for councils when they need it and has developed peer learning for politicians in particular.
- b. Professional standing is at stake, so being honest about failure with peers (especially in the 'small world' of local government) makes transparency challenging.

"The LGA does a good job of providing experts to support councils when we get into trouble, but not taking advice or learning from others is one of the reasons that councils get into this problem in the first place."

3. s114 notices can be damaging both to place based working and attempts to get local finances onto a sustainable, strategic footing – particularly when it reduces the ability to invest in prevention and crisis escalation. Both are important, not only for social policy outcomes but also in saving money longer term. A poorly implemented s114 can therefore actually cost rather than save money.

"We are operating in an area of high deprivation... these arguments matter but the squeeze is still on. We see pockets of good practice in funding but it's not really strategic"

"The point about prevention and stopping escalation to crisis is well made... some in the council tell us that they get it but it makes no difference as the savings need to be made"

4. The ability to pool and share budgets to mitigate the impacts of s114 is limited across service areas. There is little evidence that s114 is part of a positive process of driving different approaches to

delivering high quality services or delivering better value long term.

5. Devolution of greater powers to city regions and other regional authorities offers the potential for a greater sharing of resources and efficiencies. How can this be used to enable a different approach to local finances, which in turn could allow a reduction in the number of s114 notices?

6. A very strict application of in year financial reporting can drive authorities toward s114 and also to perverse, short-term decision making.

7. Good communication has proved crucial to navigating these situations as successfully as possible. This could be more structured and strategic, and best practice could be shared more effectively.

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

8. Despite very real challenges, we have seen some exceptional practice across both the local government and VCSE sectors, and a strong focus on protecting people and communities with this, rather than self-preservation, as the driver. Some local infrastructure organisations have independently undertaken standardised Equality Impact Assessments on the impact of cuts on the most vulnerable beneficiaries. Birmingham Together Statement of Intent is another such example. These should be celebrated, but also captured and shared as best practice.

“Beneficiary impact is real – we all need to communicate with them too!”

9. The ‘real world’ definition of a statutory service is not universal. There have been many disagreements about what specifically is ‘statutory’, in particular whether a council can be considered to be genuinely delivering on its obligations if supporting or complementary services are removed, or if quality or coverage is reduced to a significant extent (even where contracts remain in place).

a. It is worth noting that the number of statutory duties is huge, scattered across many Acts of Parliament. This does not always support a focus on protecting the most vulnerable people or valued services.

b. A sharp distinction between statutory and non-statutory can be unhelpful. Non statutory rarely means ‘unimportant’ and, in addition, many non-statutory services (as strictly defined) are essential to making the statutory ones work.

“We haven’t seen any contracts cancelled, but we’re worried about what I call dumbing down and a dilution of quality”

10. The legislation that governs the administration of these notices is from the late 1980s. Given the huge changes in the world since, we question whether this remains fit for purpose, particularly given the huge acceleration in the issuing of these notices.

Policy recommendations

In responding to the findings throughout this report, particularly the implications of the stages model above, we offer the following recommendations:

To Local Government

Right now, local authorities are the main locus of place shaping, the holder of statutory responsibilities towards the public, and the organisation with a clear local political mandate. The relationships and partnerships at this level are crucial, so we have the following recommendations for local government:

1. Involve the VCSE sector earlier in budgeting and financial challenges, especially during the more formal s114 stages

- VCSEs can only act as helpful communicators if they are in the loop and understand the council position and challenges. If only engaged when it's about 'cuts affecting the voluntary sector', the relationship will be more adversarial.
- Like local government, the VCSE sector also needs to plan for the long term so multiyear contracting and long term delivery is more sustainable and gets better outcomes where this is possible.

2. Engage the VCSE at a strategic level in shaping new operating models

- Ensure the VCSE sector is present and understood at the right levels in local and sectoral partnerships, rather than being an afterthought.
- Develop shared commissioning frameworks and practice (with VCSEs and others such as public health), this will help ensure they are fit for purpose for all.
- Develop shared understanding and reporting of impact and social value, so the sector can do the hard work of aligning itself to a commonly understood and helpful process.

3. Recognise VCSE value holistically, not only through a contractual lens

- VCSE organisations deliver much wider social value than is often contracted for, supporting multiple objectives in its work.
- The VCSE sector often has higher levels of trust and reach with communities and those that the council is unable to. It can do more.
- Shared services and access to back office or IT support can be helpful – not only financially but also so the sector can be more seamlessly aligned to practice and process.

To Central Government

1. Provide far greater oversight of those in pre s114 stages

- It is possible to anticipate which areas could become vulnerable. Advice, support and where necessary, part funding can help in averting this situation and unnecessary damage to local services and negative impacts on local communities.

2. Urgently issue new/updated guidance

- Timescales and approaches vary considerably across areas – there is potential for far greater consistency and fairness. Mandatory guidance around transparency and communication, including to contracted out providers should be introduced.
- More specifically, driving far greater transparency when emergency bailout funds are provided. Often it is very unclear to VCSE organisations and to local organisations where money has gone, the criteria for its allocation and indeed what has changed locally as a result. Central government should provide a clear signal that it has been applied for and communicate to bring more clarity, useful guidance, and consistency around both the general approach and legal protections.

3. Build the evidence base

- Central government to act as the repository (sharing its methodology) of data around the impact of s114s on local areas.

4. Be more balanced in public comment around s114

- Central government has a key role to play in reducing stigma around the process. Whilst we fully expect government to champion prudent financial behaviour in local government, the commentary and use of language (e.g. 'bankrupt' councils), some of which has emanated directly from central government has reduced the opportunity for informed, intelligent dialogue.

5. Consider urgent amendments to, or replacement of, the Local Government Finance Act (1988) which may no longer be fit for purpose.

- Investigate more flexibility around financial reporting. Why does every authority budget need to balance in-year, every year, why not for example over 3–5 years? Central governments do not balance every year, and neither do many companies (or even charities). This has a particular impact when budgets and commissioning cycles are often fairly short term, e.g. yearly.

6. Review the definition of statutory services

- Focus more on outcomes and ensure a more consistent application of definitions, with a strong focus on social need and ensuring that the voices of those impacted are heard.

Appendix

We would like to thank [NAVCA](#), in particular Dr Jill Hopkinson, and the [Lloyds Bank Foundation for England and Wales](#) for their kind support for this project. We would also like to thank the members of the Advisory Group and all of those who have given generously their time and expertise in interviews and group discussions.

Methodology

The evidence to support this project was as follows:

- Desk research, media sources, existing s114 guidance;
- Semi-structured interviews conducted on a non-attributable basis with 28 individuals, drawn from a cross section of local government and local VCSE organisations;
- Two meetings with a cross sector Advisory Group to provide guidance, check and challenge on our findings and guidance;
- Further refinement of our guidance following input from senior external advisers from the VCSE sector and local government, provided on a confidential basis;
- The production of public guidance and this summary report.

Authors and Project Team

Project lead: James Allen

Founded by [James](#) in 2019, Counsel delivers services in public affairs, policy, research, communications, strategy and governance to clients in the sport, VCSE, statutory, trust and foundations and higher education sectors. James brings an acute understanding of the VCSE sector from previous senior roles at the Sport and Recreation Alliance and NCVO.

VCSE sector lead: Gethyn Williams

[Gethyn](#) has spent more than twenty years supporting the VCSE sector in England and Wales at local, regional and national levels, both in front-line delivery and more strategically with infrastructure bodies. Freelancing since 2020, Gethyn has led a range of policy, strategic and evaluation projects for local and national organisations in multiple sectors - designing and undertaking stakeholder interviews, distilling findings into compelling reports that help stakeholders grasp key issues and take appropriate action.

Local government lead: Jack Hopkins

[Jack](#) has worked at senior levels across local government for the last 20 years, including 12 as an elected member in the London Borough of Lambeth, serving both in Cabinet Roles (Regeneration, Neighbourhoods, HR, Economic Development, Strategic Partnerships) and as Leader of the Council between 2018-22.