

Grants for Good:

Exploring local authority
grant-making to the VCSE sector

2023

Rhiannon Doherty
Chester Howarth
Jay Kennedy

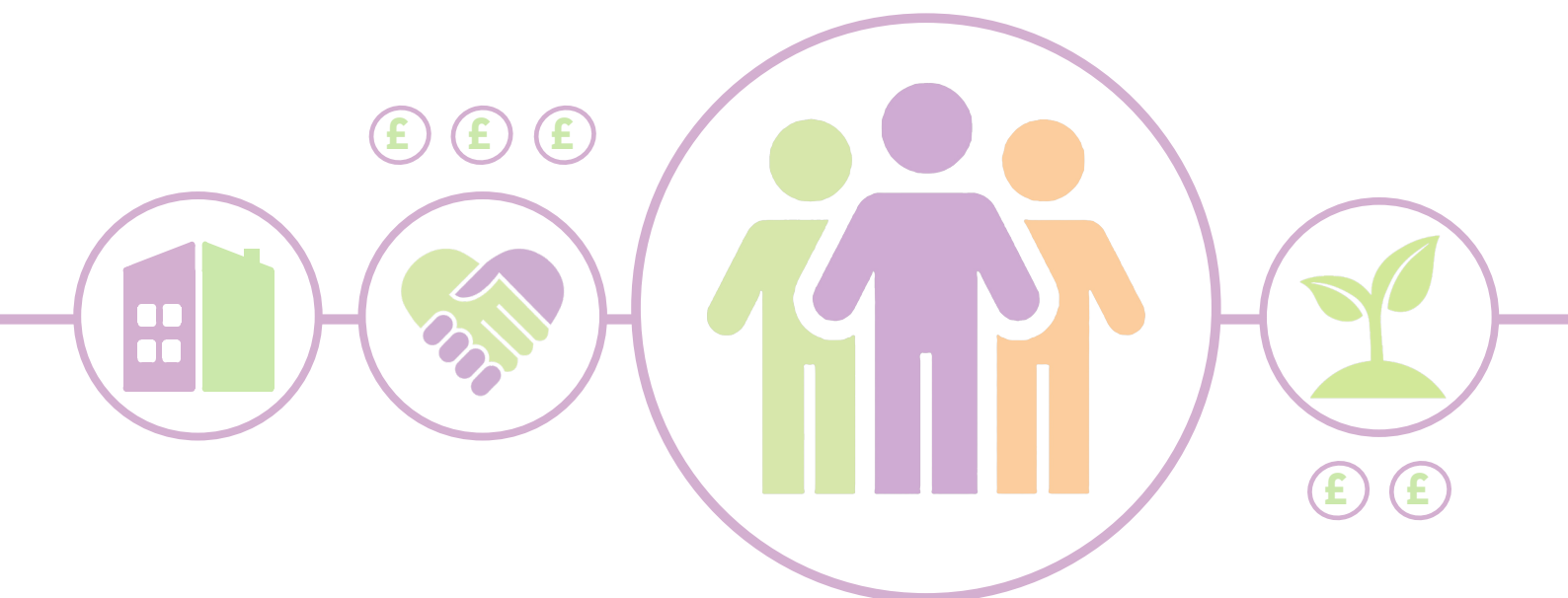


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Contents

	Executive summary	iv
Chapter 1:	Introduction	1
1.1	About the project	1
1.2	Research objectives and methodology	5
Chapter 2:	Data analysis	7
2.1.	Introduction	7
2.2.	How many local authorities responded?	7
2.3	How many grants were made in each year?	10
2.4	What was the total value of the grants made in each year?	13
2.5	What was the typical size of grants made?	17
2.6	To what extent are local authority grants accessible?	21
2.7	Have local authority grants been subject to legal challenge?	22
Chapter 3:	Key findings and recommendations	24
3.1.	Key findings about local authority grants	24
3.2.	Recommendations	26
	Appendix one	29
	Appendix two	30
	About the Directory of Social Change	31
	About DSC's research	31
	About the authors	32
	Acknowledgements	33

Executive summary

ABOUT THIS REPORT

This report analyses data gathered from local authorities in response to freedom of information (FOI) requests the Directory of Social Change (DSC) sent to all UK local authorities (N=397) in 2022. It presents new insights into local government grant-making across the UK for the voluntary, community and social enterprise (VCSE) sector between 2018/19 and 2020/21.

KEY FINDINGS

- **UK local authorities award in the region of £600 million in grant funding to the VCSE sector annually.** The councils that responded to the FOI requests awarded 40,223 grants in the most recent financial year (2020/21), worth £333.2 million. When we take non-respondents into account, the actual total value of the grants awarded is likely to be over £600 million.
- **Among the local authorities that responded, half made grants totalling less than £340,000 annually and the average individual grant was worth around £12,000.** Both the total number and total value of reported local authority grants increased each year between 2018/19 and 2020/21.
- **Over three-quarters (75.7–81.0%) of local authority grants are awarded via open or competitive processes (as opposed to closed processes).** Although this question on the FOI had the lowest response rate, this is still strong evidence that the majority of council grants are open to new applicants.
- **Out of all the respondents, just two local authorities reported that they received formal complaints regarding their grant-making practices.** This represents a tiny 0.7% of all councils that responded to this question.
- **Zero respondents reported legal proceedings arising from councils' grant-making processes or decisions.** This confirms that there is no evidence to give basis for any perceived legal risk of councils that make grants running afoul of, for example, procurement regulations.
- **Local authority transparency about grant-making practices remains poor and information about grants is not standardised.** Around one-fifth (19.4%) of local authorities either failed to respond to DSC's FOI requests (12.1%) or denied the request (7.3%). The quality and comprehensiveness of the data returned to DSC was also inconsistent.

RECOMMENDATIONS

- **Local authority commissioners and legal departments need to be aware that they can legitimately make grants to VCSE sector organisations.** There is no evidence that grants involve a greater risk of legal challenges than contracts, and this lack of understanding is not a valid reason for avoiding grants programmes or for using contracts by default in commissioning.
- **Local authorities need to comply with the spirit and the letter of the Freedom of Information Act 2000.** Not all councils are providing transparent data on their grant-making even when they

claim to be. Many councils responded to FOI requests long after the legal requirement of 20 working days, while others responded with inaccessible data or denied the request.

- **Information about local authority grants for the VCSE sector needs to be clearly accessible and provided in a standardised format.** Many councils are still failing to meet the guidance set out in the Local Authority Transparency Code 2015.
- **Further research is needed to explore how local authorities' grant-making practices have changed in response to shifts in commissioning, the COVID-19 pandemic and the cost-of-living crisis.** Currently, these funding relationships are not well understood at scale, partly due to a lack of available data.

CHAPTER ONE

Introduction

1.1 ABOUT THE PROJECT

For decades, grant funding from local government has been a key part of the funding mix for charities and community groups across the UK. As part of the financial support which enables their work, charities, voluntary organisations and social enterprises providing every type of service in communities have relied on grants from councils alongside contracts for service delivery, public donations, trading activity and grants from other sources such as foundations or corporates.

The impact of public policy changes on public sector grants

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

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

The effects of public services reform under the New Labour and Coalition governments are reflected in trend data about VCSE sector income. Income from government rose from £11.4 billion in 2000/01 to £17.9 billion in 2009/10, when it made up 37% of all sector income. Much of this growth was due to an increase in income from statutory contracts, but it was also influenced by an initial increase in grants income during the early 2000s, with income from government grants reaching £7 billion in 2003/04. A decade later, grants income had decreased to a low point of £2.9 billion in 2012/13, after

¹ Rob Macmillan, *The Third Sector Delivering Public Services: An evidence review* [PDF], Third Sector Research Centre, 2010, www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/tsrc/working-papers/working-paper-20.pdf, accessed 2 June 2023.

² 'Social Value Act: Information and resources' [web page], Gov.uk, 2021, www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources, accessed 2 June 2023.

which it has fluctuated. Overall, in the decade after 2010, income from government (including both grants and contracts) fell consistently in value and as a percentage of all VCSE sector income.³

The most recent data shows that the VCSE sector now receives most of its income from the public. Statutory income remains an important but generally shrinking part of the mix. For the latest year where data is available, the statutory sector was the source of £15.4 billion in income to the VCSE sector, including £3.8 billion in grant income.⁴ Although income from statutory sources has declined compared to ten years ago, this funding remains substantial, providing a quarter of all sector income.⁵

As VCSE sector income from statutory sources grew between the early 2000s and 2010, it was accompanied by an increased use of contracting and procurement when commissioning public services.⁶ Public sector procurement processes were often inaccessible to VCSE sector organisations, including at the local level, particularly for smaller organisations or those without the scale to deliver large programmes or the capacity to navigate complex and bureaucratic tendering procedures. Private sector organisations with vastly greater resources and market power not only won much of the business but also developed subcontracting arrangements with VCSE sector organisations. Some labelled such arrangements ‘bid candy’ because they were so financially unviable.⁷ The allegation was that private companies included VCSE subcontractors in bids not because of their specialist skills or delivery expertise but to convince commissioners of their own social bona fides.

A second factor impacting the trends on VCSE sector income involved the huge changes to the public finances, and particularly to local government finances, that the Coalition government instigated after 2010, following the 2008/09 financial crash and subsequent recession in the UK. An overriding feature of the so-called age of austerity was the rapid cancellation of many funding schemes that had previously supported the financial security and provision of services such as health, housing and economic development in many local authority areas. Between 1997 and 2010, the New Labour government, alongside the European Union, had ploughed funding into areas which had lagged behind in terms of stagnating economic development and social deprivation.⁸ In England, this was co-ordinated via a network of Regional Development Agencies and Government Offices for the Regions. Under the Coalition government, these were scrapped in favour of a more localised approach, and much of the related funding rapidly disappeared after 2010.

³ The data on VCSE sector income is derived from successive versions of the UK Civil Society Almanac, produced annually by NCVO (see www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2022).

⁴ See NCVO’s UK Civil Society Almanac 2022 (www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2022). The latest analysis from the UK Civil Society Almanac 2022, based on data going up to 2019/20, concludes that ‘income from both central and local government, which make up a quarter (26%) of all sector income, has declined by 3% and 9% respectively from the previous year.’ (Nayara Tabassum, ‘Five Insights About the State of Voluntary Sector’ [web article], NCVO, www.ncvo.org.uk/news-and-insights/news-index/five-insights-voluntary-sector-civil-society-almanac-2022, 17 October 2022.) We are yet to see the impact of the COVID-19 pandemic and cost-of-living crisis, which should become apparent as data starts to feed through in 2023 and 2024.

⁵ Nayara Tabassum, ‘Five Insights About the State of Voluntary Sector’ [web article], NCVO, www.ncvo.org.uk/news-and-insights/news-index/five-insights-voluntary-sector-civil-society-almanac-2022, 17 October 2022.

⁶ In the context of this report, ‘contracting’ refers to one organisation paying another to deliver a service according to the specific conditions outlined in a contract; ‘procurement’ refers to public authorities purchasing work, goods or services; and ‘commissioning’ refers to identifying needs, allocating necessary resources and selecting a service provider to meet those needs using the resources available.

⁷ Patrick Butler ‘Charities: Corporate “bid candy” for the big society?’ [web article], *The Guardian*, www.theguardian.com/society/patrick-butler-cuts-blog/2011/jun/22/bid-candy-charities-carved-out-of-work-programme, 22 June 2011.

⁸ See, for example, Ruth Lupton, Alex Fenton and Amanda Fitzgerald, *Labour’s Record on Neighbourhood Renewal in England: Policy, spending and outcomes 1997–2010* [PDF], Centre for Analysis of Social Exclusion/The London School of Economics and Political Science, 2013, <https://sticerd.lse.ac.uk/dps/case/spcc/wp06.pdf>, accessed 2 June 2023.

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

Central government grants – including retained business rates – were cut 37% in real-terms between 2009/10 and 2019/20, from £41.0bn to £26.0bn in 2019/20 prices. While grants from central government were cut, rates of council tax were increased. Local authorities raised 25% more council tax, in real terms, in 2019/20 compared to 2009/10.⁹

The COVID-19 pandemic and unusually high inflation in 2022/23 have only added to these massive financial pressures on local authorities. Many local authorities are struggling just to maintain services which they have a statutory duty to provide, and some may even be at risk of insolvency, including in relatively prosperous areas with Conservative-controlled councils.¹⁰ VCSE sector organisations contracted to local government are struggling to deliver contracts whose real-terms value has decreased drastically over the period of high inflation. More recent initiatives such as the Levelling Up agenda on face value are intended to provide more support to less prosperous areas, but they don't solve the long-term problems with local government finances or put them on a sustainable footing. In fact, putting councils in competition with each other for funding administered by HM Treasury may be exacerbating the problems, with the Local Government Association arguing that 'competitive funds should be replaced by a single pot of capital funding allocated according to a robust evidence base'.¹¹

In this context, maintaining the argument for grant funding to support the local VCSE sector has been challenging, yet the evidence in this report suggests that many councils have maintained and potentially increased their use of grants more recently. From the VCSE sector's point of view, this is very positive news and indicates the value councils place on continuing to support partners in their communities, particularly during the COVID-19 pandemic and cost-of-living crisis.

The grants data gap

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

For example, in the early 2000s, the Labour government conducted an investigation, led by HM Treasury, into the role of the VCSE sector in public service delivery. This in-depth and now largely forgotten report was the genesis of programmes such as Futurebuilders and Capacitybuilders, which sought to boost investment and infrastructure in the VCSE sector to allow organisations to compete in the market to provide commissioned services. This report also made recommendations around

⁹ Graham Atkins and Stuart Hoddinott, 'Local government funding in England' [web article], Institute for Government, www.instituteforgovernment.org.uk/explainer/local-government-funding-england, 10 March 2010.

¹⁰ *Financial Crisis in Local Government* [PDF], Hampshire County Council, 2022, <https://dmscdn.vuelio.co.uk/publicitem/6aa6294c-8f7d-4e4b-8f69-b52454788db6>, accessed 2 June 2023.

¹¹ 'Levelling Up Locally inquiry report' [web article], Local Government Association, www.local.gov.uk/publications/levelling-locally-inquiry-report, 20 February 2023.

funding and data, including that ‘Government should establish a unified information system for data collection and analysis on government funding for the VCS.’¹²

As part of its mission to improve accountability around public spending, the Coalition government introduced measures which required statutory bodies to be more transparent about their spending, including the Local Government Transparency Code 2015. The code requires that all spending transactions over £500 must be published on a quarterly basis. It explicitly lists ‘grants’, ‘grant payments’ and ‘grant-in-aid’ as examples, and it includes a dedicated section on what kind of data should be published on grants to the VCSE sector (see appendix two for more detail). Similar requirements exist for contracts valued at £5,000 or greater, which also require information on ‘whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation’.¹³

More recently, the Conservative government of Prime Minister Theresa May produced a Civil Society Strategy in 2018. The strategy talked about ‘ensuring collaborative commissioning’, including ‘a revival of grant-making – “Grants 2.0” – to reflect the fact that grants can combine flexibility with the accountability and performance rigour of a contract, and also bring “additionality”, such as philanthropic or in-kind investment.’¹⁴ Some outcomes from this policy agenda have been the development of a search engine for government grants and a ‘Grants Centre of Excellence’ with tools for officials involved in central government grant-making.¹⁵

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

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

The Grants for Good campaign

The wider trends and policies described in previous sections matter because they have real impacts on people’s lives. VCSE sector organisations often are integral to providing effective and trusted support in communities. Many do provide services on behalf of councils, but narrowly conceiving of their role as service providers misses the full picture. VCSE sector organisations are much more than a delivery option: they help strengthen communities by bringing people together, for example with volunteers, by bringing the needs of people to the attention of decision-makers, and by providing innovative solutions to problems, often developed by people in the community and for the

¹² The Role of the Voluntary and Community Sector in Service Delivery: A cross cutting review [PDF], HM Treasury, 2002, www.oneeastmidlands.org.uk/sites/default/files/library/RoleofVCSinServiceDelivery-CrossCuttingReview.pdf, accessed 2 June 2023.

¹³ *Local Government Transparency Code 2015* [PDF], Department for Communities and Local Government, 2015, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408386/150227_PUBLICATION_Final_LGTC_2015.pdf, accessed 2 June 2023.

¹⁴ *Civil Society Strategy: Building a future that works for everyone* [PDF], HM Government, 2018, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/732765/Civil_Society_Strategy_-_building_a_future_that_works_for_everyone.pdf, pp. 105 and 111, accessed 2 June 2023.

¹⁵ See www.gov.uk/government/collections/grants-management-function and <https://grantshub.civilservice.gov.uk/s>.

community. These are all strong reasons to provide local grant support to VCSE sector organisations, which don't always easily fit into the existing logic or processes of procurement.

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

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

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

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

1.2 RESEARCH OBJECTIVES AND METHODOLOGY

To better understand the grant-making behaviours of local authorities, DSC sent FOI requests to all UK councils. The requests asked a series of questions about each local authority's grant-making practices to the VCSE sector between the financial years 2018/19 and 2020/21. This report analyses the data provided by the councils in response. DSC's researchers wanted to find out answers to the following questions:

- **What was the total annual financial value of grants councils made to the VCSE sector over the past three years?** (to establish the total value of local authority grant-making in recent years);
- **How many grants did councils make to the VCSE sector over the past three years?** (to establish the total number of local authority grants made in recent years);
- **What was the breakdown between grants awarded via competitive processes** (such as an open application form) **and grants-in-aid** (that is, grants to an organisation to support its overall work, often without an open process)? (to examine the degree to which grants are awarded competitively);
- **Did councils receive any formal challenges to their grant decisions, and if so, did any of those challenges lead to legal proceedings?** (to investigate whether there is any evidence to support the argument that grants cannot be made because of legal risks – for example, suggesting that

procurement regulations don't allow it or that grant funding violates state aid rules (called UK subsidy control post-Brexit).¹⁶

The questions were carefully developed in consultation with commissioners at local authorities and piloted with a small sample. A full transcript of the FOI requests, including the precise question wording and sequence, can be found in appendix one.

During the initial pilot phase of the project in spring 2022, DSC sent FOI requests to a sample of ten local authorities in England via email. The sample cohort featured a representative mix of different devolved nations, regions and council sizes. Of the ten councils in the pilot cohort, seven responded with data, one denied the request and two failed to respond.

Following the successful response rate to the pilot study, on 29 June 2022, DSC's researchers sent FOI requests to all remaining councils in the UK via email (this included 322 councils in England, 32 in Scotland, 22 in Wales and 11 in Northern Ireland).

Email addresses were sourced from the FOI Directory, a free online database of contact details for councils' freedom of information teams, which is compiled and maintained by journalist Matthew Burgess.¹⁷ DSC's researchers updated and refined the FOI Directory contact list to account for councils that had closed and merged with others since the database was published. New contact information was also added where necessary, for example where email addresses were no longer in service. Where email addresses were unavailable, councils were contacted via webform.

FOI regulations stipulate that public bodies should respond within 20 working days to an FOI requests.¹⁸ However, initial responses acknowledging receipt of the request or requesting clarifications can reset the clock – and, in many cases, councils did ask for more time. Public bodies can also refuse the request if they deem it is too expensive to answer, and some councils did so. DSC allowed 14 weeks for responses to be received and entered responses into a database, with researchers also responding to queries and providing clarifications during this period.

DSC's data-collection period was over three times as long as the 20 working days over which councils are required to respond by law. Still, a substantial minority of councils refused the request or simply didn't respond at all. In early September 2022, DSC's researchers sent a final reminder email to councils that had not yet responded to DSC's FOI requests.

In total, 315 councils responded with data in response to DSC's FOI requests by the close of data collection in October 2022, which represents a 79.3% overall response rate. However, the comprehensiveness and quality of the data returned varied significantly. Section 2.1 in chapter two provides an in-depth overview of how councils responded to DSC's FOI requests.

¹⁶ 'State aid' refers to state spending that has the potential to affect competition and trade between EU member states.

¹⁷ 'FOI Emails for City, Borough and District Councils' [web page], FOI Directory, www.foi.directory/councils-city-borough-district-foi, accessed 2 June 2023.

¹⁸ *The Guide to Freedom of Information* [PDF], Information Commissioner's Office, 2017, <https://ico.org.uk/media/for-organisations/guide-to-freedom-of-information-4-9.pdf>, p. 27, accessed 2 June 2023.

CHAPTER TWO

Data analysis

2.1. INTRODUCTION

This chapter presents an analysis of local authorities' responses to the Directory of Social Change (DSC)'s freedom of information (FOI) requests and aims to answer the following questions:

- How many local authorities responded?
- How many grants were made in each year between the financial years 2018/19 and 2020/21?
- What was the total value of grants made in each year?
- What was the typical size of the grants made?
- To what extent are local authority grants accessible?
- Have local authority grants been subject to legal challenge?

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

2.2. HOW MANY LOCAL AUTHORITIES RESPONDED?

DSC sent FOI requests to all 397 local authorities across the UK. The Freedom of Information Act 2000 clearly stipulates that public authorities are legally required to respond to FOI requests within 20 working days. However, the extent to which local authorities complied with DSC's requests – in terms of both responding to the request and returning good-quality, comprehensive data – varied significantly.

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

Figure 2.1 provides an overview of how councils responded to DSC's requests. Figure 2.1 shows that just over half (54.9%) of all councils responded in full, answering all three questions set out in DSC's FOI requests (see appendix one). Around one-quarter (24.4%) provided a partial response, where they were unable to answer one or more questions. Where partial data was supplied, the remaining questions were typically denied on the basis that the data was not held, or it would exceed the appropriate time frame (usually 18 hours) to gather and collate the data.

In total, 12.1% (N=48) of councils did not respond to DSC's FOI requests and email reminders beyond an initial acknowledgement and a further 7.3% (N=29) of councils denied DSC's FOI requests in full. The most common reason given for denying the request (cited by 22 councils) was that gathering the data would exceed the appropriate 18-hour time limit and incur a cost, generally quoted at £450.

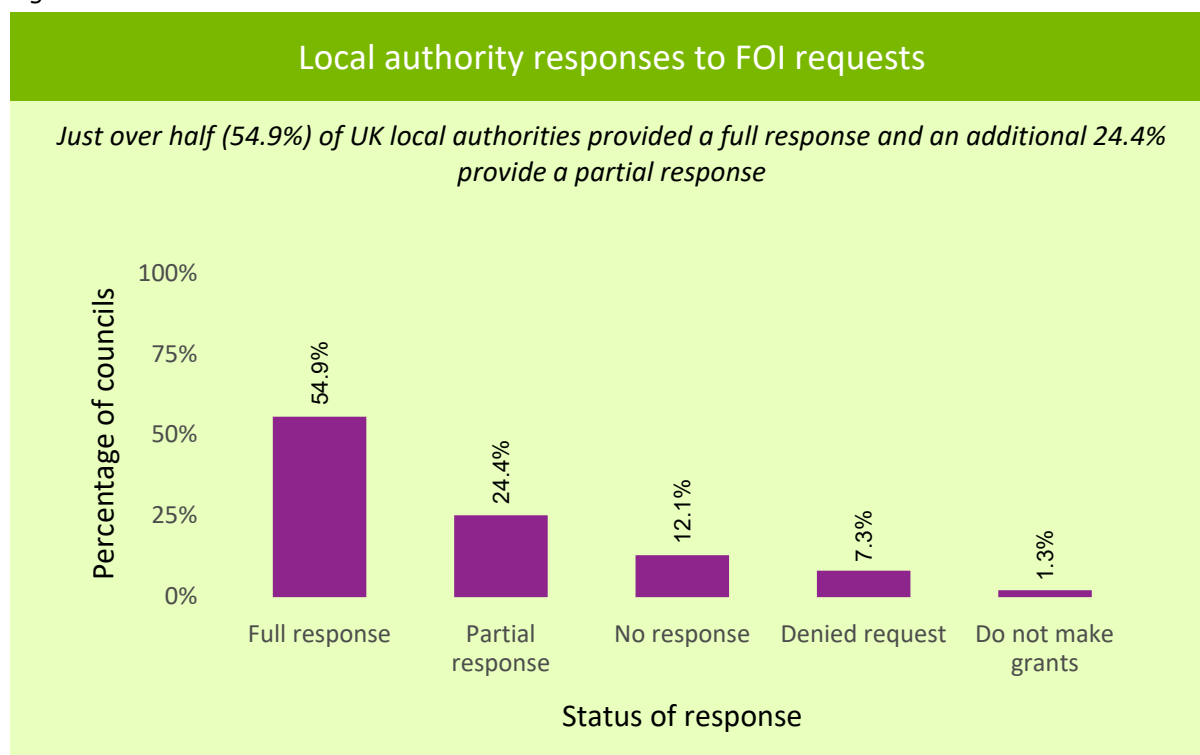
Finally, 1.3% of councils (N=5) replied and stated they did not make grants. On this basis, the councils stated that they could not proceed further with the FOI requests.

A significant number of councils issued a partial denial on the basis that the information for question 1 (which asked about the number and value of grants awarded to the VCSE sector each year) was already publicly available. However, it is also worth noting that in the vast majority of these cases, councils directed DSC’s researchers to web pages or shared documents containing data on historical grant-making. This enabled DSC’s researchers to manually collate the relevant data. Such examples have therefore been labelled as ‘returned in full’ or ‘returned partially’ to reflect the fact that the data was provided indirectly.

However, this points to the problems described above about the lack of consistency and comparability in how the information on government grant-making is published, because the additional manual collection of data presented challenges. Often the data returned by councils was in an inaccessible format, for example spread across a series of PDFs or Word documents that were not easily searchable and also required a time-consuming process of converting data into Excel in order to accurately interpret and calculate total figures. This lack of accessibility casts doubts on whether all councils are upholding their responsibility to provide transparent data on their grant-making practices.

Occasionally, councils forwarded data that DSC’s researchers were unable to decipher, for example council budget documents in which grants were not clearly labelled. In these instances, DSC’s researchers corresponded further with the councils by email or telephone to request clarification and seek help interpreting the data. In most cases, this was successfully clarified, but a handful of councils did not respond to clarification requests and their data had to be excluded from analysis.

Figure 2.1



Note: percentages are calculated out of the total number of councils in the UK (N=397).

Figure 2.2 shows a breakdown of response rates by UK devolved nations. The pattern of response statuses was broadly similar, but Wales had the lowest response rate and a significantly higher rate of denied requests and non-responses, with nearly 40% of Welsh councils either denying the request or

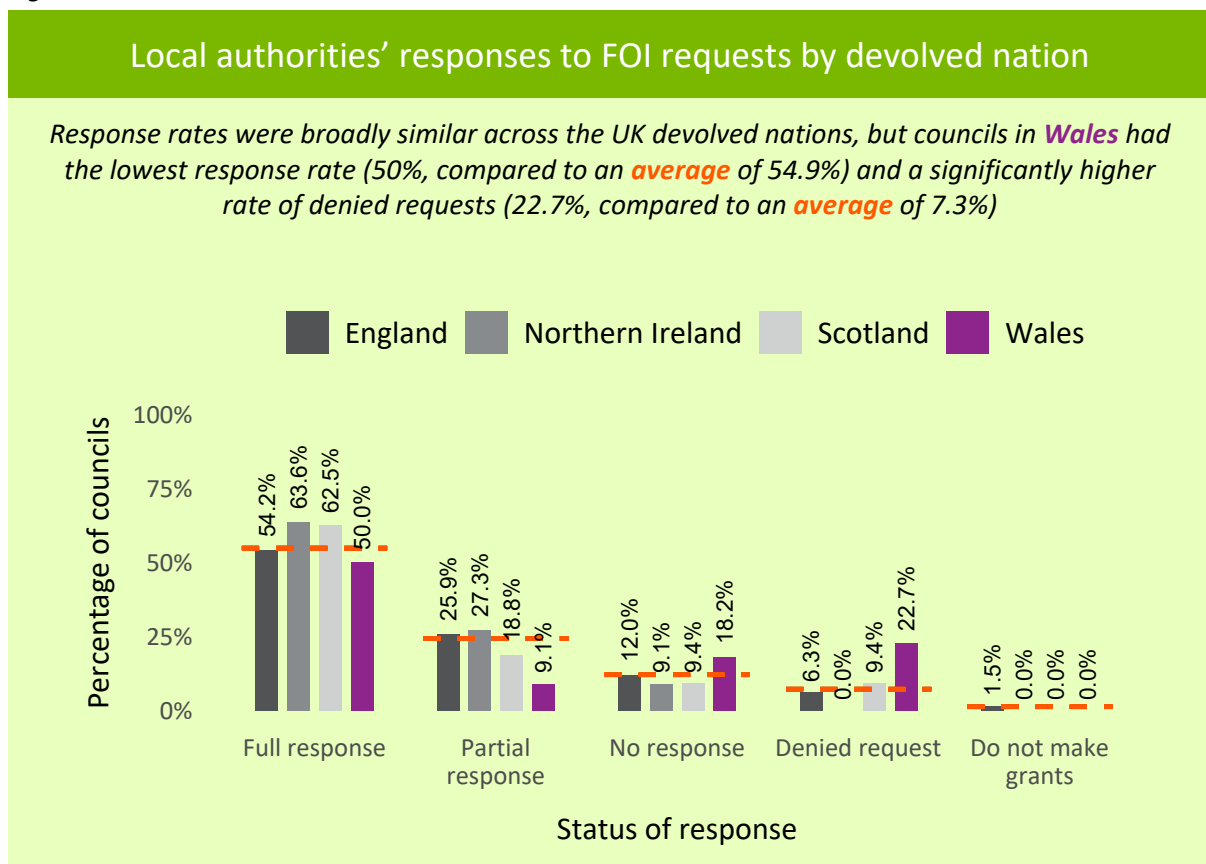
providing no response. Local authorities in Northern Ireland provided the highest rates of both full and partial responses, with no councils denying the request and the lowest percentage providing no response.

Within the different parts of the UK there are also different types of local authority. For example, in England there are five types: district councils, county councils, London boroughs, metropolitan boroughs and unitary authorities. Some geographical areas of England have one council, which has responsibility for all local government functions. These are commonly referred to as ‘single tier councils’.

Other areas have two councils, typically consisting of one smaller district council and one larger county council, which split government functions between them. These are known as ‘two-tier councils’. County councils are responsible for services across the whole of a county, including education, social care, planning, transport, libraries, waste management, trading standards, and fire and public safety. District councils cover a smaller area than county councils. They are typically responsible for services such as rubbish and recycling, planning applications, housing and council tax.

Within England only (where this data was available), district councils were more likely to respond in full compared to other types of council, with roughly three-fifths (60.3%) of all district councils answering all three questions in DSC’s FOI requests.

Figure 2.2



Note: percentages are calculated out of the total number of councils in England (N=332), Northern Ireland (N=11), Scotland (N=32) and Wales (N=22).

2.3 HOW MANY GRANTS WERE MADE IN EACH YEAR?

How many grants were made in total?

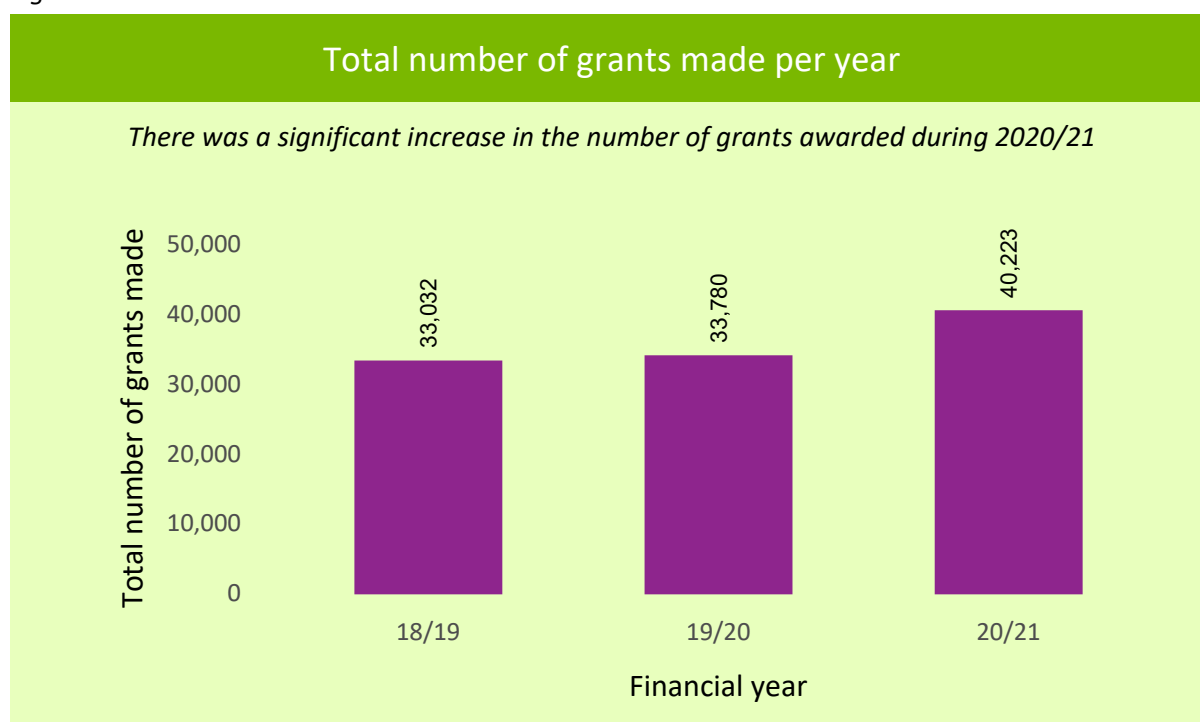
The first question in DSC's FOI requests asked for information about both the total number and financial value of grants made to the VCSE sector in financial years 2018/19, 2019/20 and 2020/21. In total, 303 out of 397 local authorities wholly or partially responded to this question (not all provided data for each of the three years or for both parts of the question).

Figure 2.3 shows the total number of grants awarded by local authorities to VCSE sector organisations in each year. Collectively, the councils that responded to DSC's FOI requests awarded 33,032 grants in 2018/19, 33,780 grants in 2019/20, and 40,223 grants in 2020/21.

Notably, there was a sharp increase in the number of grants awarded in 2020/21: at 40,223, this represents a 19.1% increase on the previous year. By comparison, the total number of grants increased by just 2.3% between 2018/19 and 2019/20. The larger increase in 2020/21 could be due to councils awarding more COVID-19-related grants to voluntary and community organisations and social enterprises during the height of the pandemic.

However, with the information available to DSC, it is not possible to be certain about the reasons for the increases in the number of grants made. Some councils did volunteer additional information about COVID-19-related grants – particularly for 2020/21 – but this was not directly asked within DSC's FOI requests. Moreover, councils may adopt different methodologies to determine whether or not a grant is related to COVID-19. This means the available data is limited in scope and cannot be consistently categorised to determine if this increase is related to COVID-19 or not.

Figure 2.3



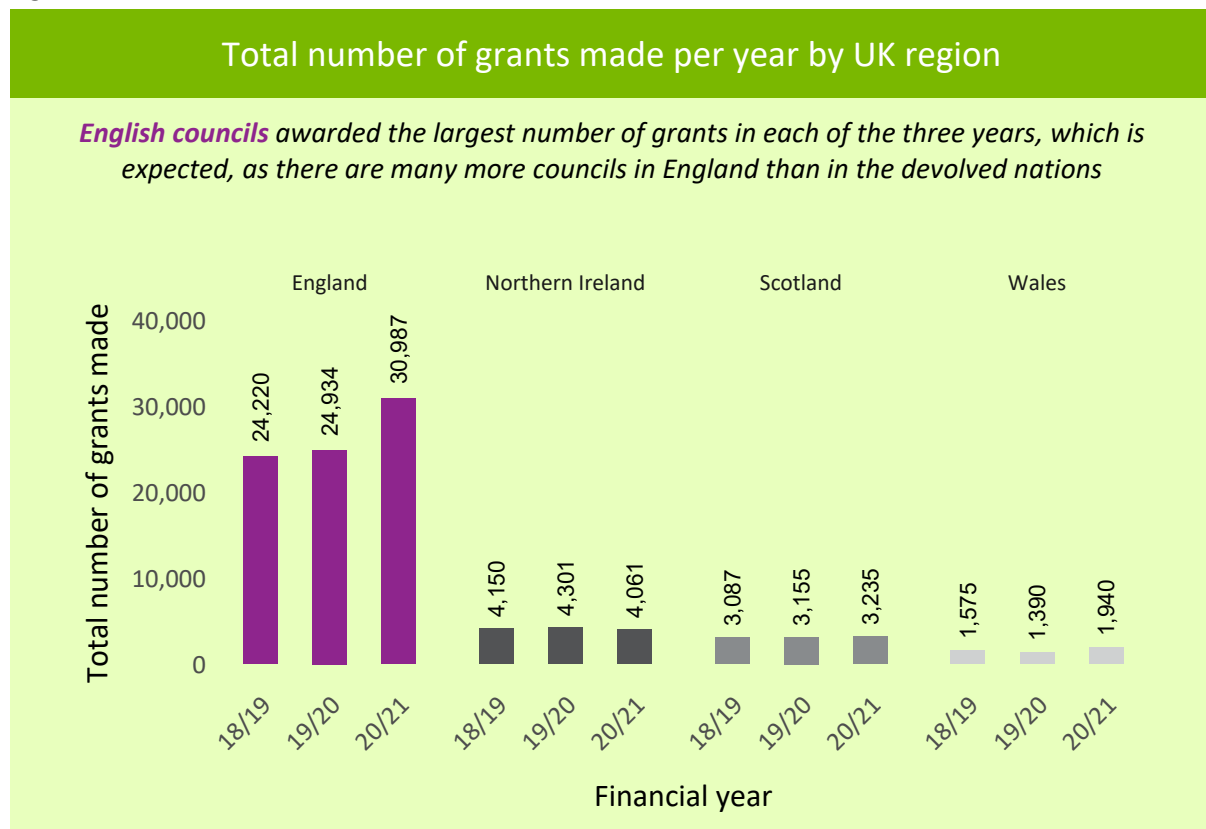
Note: not all councils responded, and responses also varied slightly for each year – 270 provided data for 2018/19, 274 provided data for 2019/20, and 275 provided data for 2020/21.

How many grants were made in each devolved nation?

Figure 2.4 shows the *number* of grants awarded to the VCSE sector per year by geographical location. English councils that responded to DSC's FOI requests awarded 24,220 grants in 2018/19, 24,934 grants in 2019/20 and 30,987 grants in 2020/21. Consistently across all three years, grants awarded by English councils accounted for roughly three-quarters of all grants made by UK local authorities (73.3%, 73.8% and 77% respectively). That English councils made the vast majority of all grants is unsurprising: as English councils make up 83.6% of all councils across the UK, it could be expected that they might make in the region of 80% of all grants, all else being equal.

Northern Irish councils that responded to DSC's FOI requests gave over 4,000 grants in each year, which accounted for over 10% of all grants awarded in each of the three years (12.6% in 2018/19, 12.7% in 2019/20 and 10.1% in 2020/21). Local authorities in Northern Ireland awarded a higher number of grants than those in Scotland or those in Wales, despite the fact that Northern Ireland's 11 councils make up only 2.8% all UK councils and the country has a significantly smaller population than the other devolved nations.

Figure 2.4



Note: not all councils responded, and responses also varied slightly for each year – 270 provided data for 2018/19, 274 provided data for 2019/20, and 275 provided data for 2020/21.

How many grants were made by different types of English council?

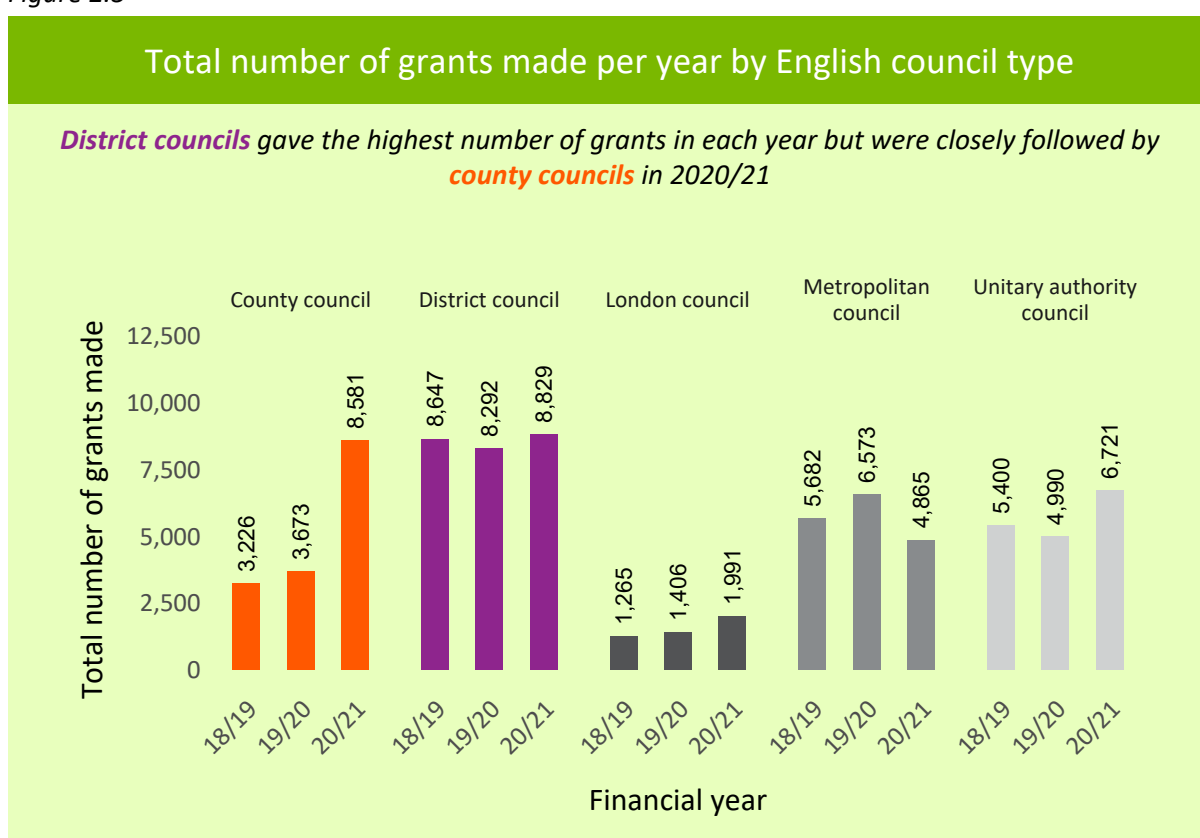
Figure 2.5 shows the number of grants awarded per year by council type in England only by councils that responded to DSC's FOI requests. During 2018/19 and 2020/21, district councils gave the highest number of grants, awarding over 8,000 in each year, which accounted for approximately one-third of the total grants awarded by English councils during these two years (35.7% and 28.5% respectively).

Metropolitan councils and unitary authorities each awarded around one-fifth of all grants during the same period: metropolitan councils were responsible for 23.5% of grants in 2018/19 and 26.4% in 2019/20, while unitary authorities were responsible for 22.3% and 19.8% respectively.

London (including the City of London and its boroughs) awarded the smallest number of grants, accounting for around 5% of total grants from English councils in 2018/19 and 2019/20.

In 2020/21, the number of grants awarded by county councils more than doubled to 8,581 from just 3,673 awarded in 2019/20. During 2020/21, county councils awarded almost as many grants as district councils, each accounting for around one-quarter (27.7% and 28.5% respectively) of all grants awarded by English councils that year. It is possible this sudden increase may be attributed to county councils' response to the COVID-19 pandemic; however, more research is needed to investigate this trend further.

Figure 2.5

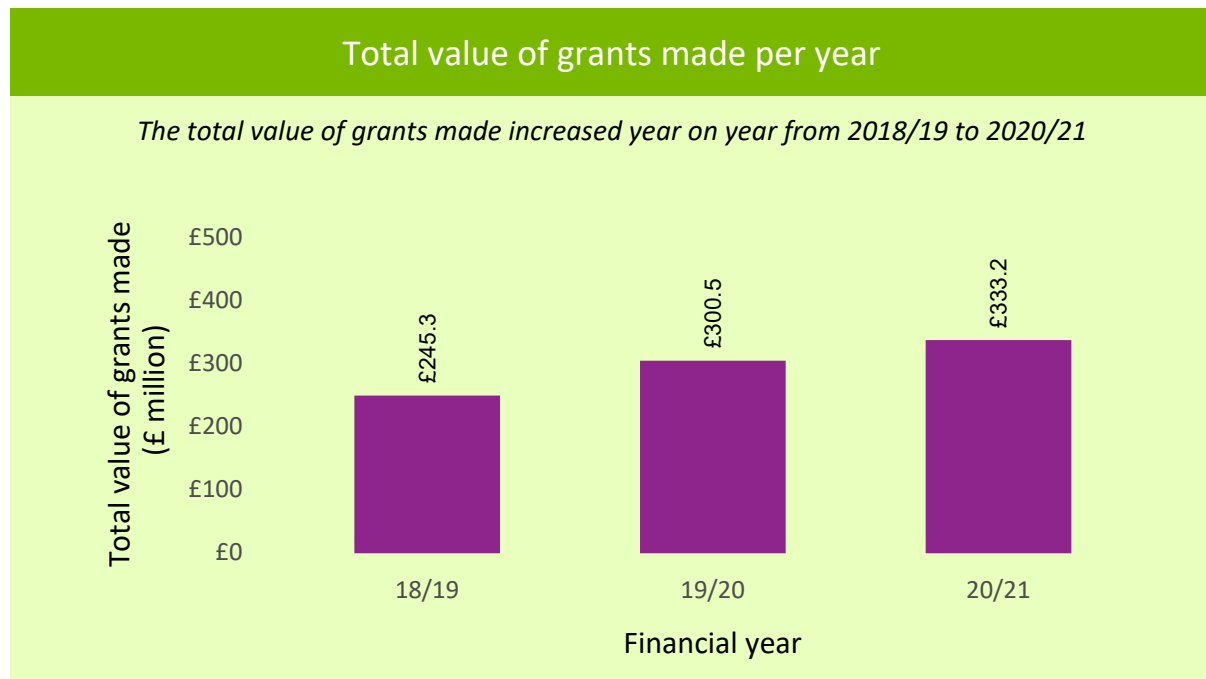


Note: not all councils responded, and responses also varied slightly for each year – 270 provided data for 2018/19, 274 provided data for 2019/20, and 275 provided data for 2020/21.

2.4 WHAT WAS THE TOTAL VALUE OF THE GRANTS MADE IN EACH YEAR?

As shown in figure 2.6, the total amount of grants made to VCSE sector organisations, as reported by the respondent councils, increased each year: beginning at £245.3 million in 2018/19, rising to £300.5 million in 2019/20 and reaching £333.2 million in 2020/21.¹⁹

Figure 2.6



Note: not all councils responded, and responses also varied slightly for each year – 206 provided data for 2018/19, 211 provided data for 2019/20, and 207 provided data for 2020/21.

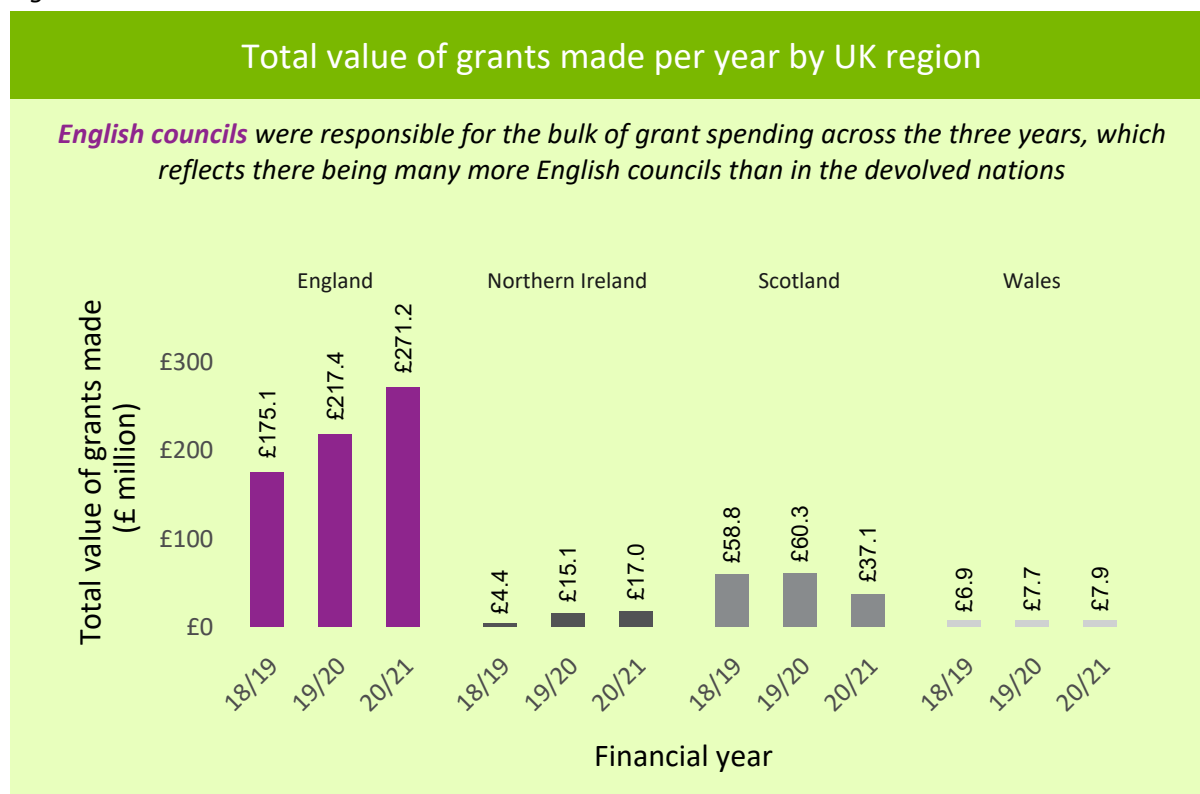
How much total value did each devolved nation award?

Figure 2.7 shows the total annual grant value contributed by each UK region. Out of those that responded, English local authorities were responsible for the bulk of grant spending directed to the VCSE sector across the three years, contributing £175.1 million (or 71.4% of all grant spending) in 2018/19, £217.4 million (or 72.3% of all grant spending) in 2019/20 and £271.2 million (or 81.4% of all grant spending) in 2020/21.

Scottish councils awarded £58.8 million in 2018/19 and £60.3 million the subsequent year. However, in 2020/21, Scottish grants fell sharply to £37.1 million. Grant awards from Northern Irish councils jumped from £4.4 million in 2018/19 to £15.1 million in 2019/20 to a peak of £17.0 million in 2020/21. Welsh councils' grants remained relatively consistent across the three years, totalling £6.9 million in 2018/19, £7.7 million in 2019/20 and £7.9 million in 2020/21.

¹⁹ Throughout this report, DSC's researchers use nominal monetary values (that is, reported values are not adjusted for inflation). During the period under study, according to the Office for National Statistics, inflation was typically below 2% and is therefore not expected to substantially alter the conclusions drawn from this research (see 'Consumer price inflation, UK: March 2023' [web page], Office for National Statistics, www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/march2023, accessed 2 June 2023).

Figure 2.7

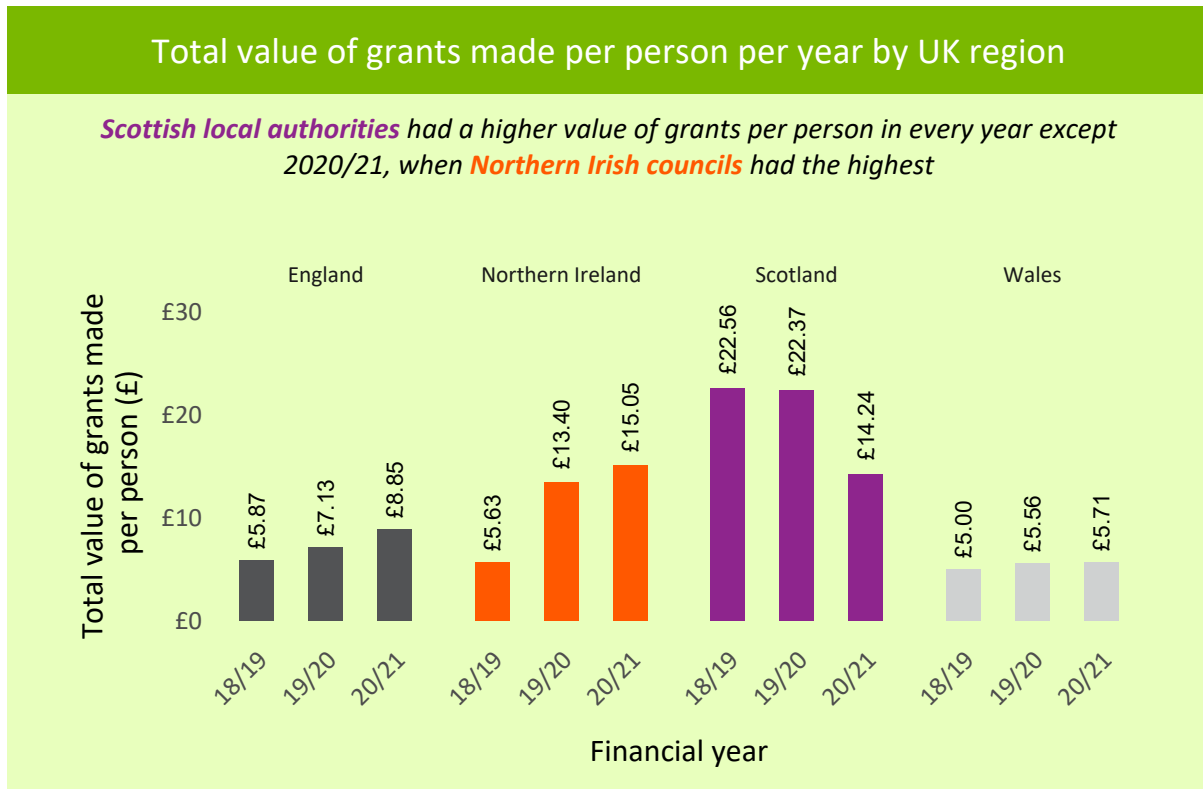


Note: not all councils responded, and responses also varied slightly for each year – 206 provided data for 2018/19, 211 provided data for 2019/20, and 207 provided data for 2020/21. Figures across regions within each year do not always sum to the exact figures in figure 2.6 due to rounding.

It is, of course, important to keep in mind that the population size in England is comparatively much larger than in the other devolved nations of Wales, Scotland and Northern Ireland. Therefore, it is also relevant to look at the total value of grants made *per person* per year, in each region, to take into account differences in population size. In other words, within each region, the amount each person living there would receive if the grant total was split equally among the population.

As shown in figure 2.8 below, looking at the total value of grants per person per year provides a different perspective to when the total value of grants is not adjusted for population size. While councils in England were responsible for the bulk of grant spending across the three years (see figure 2.7), Scottish local authorities had a higher value of grants per person in 2018/19 (£22.56 per person) and 2019/20 (£22.37 per person). Following a drop (to £14.24 per person) for Scottish councils in the last year studied, Northern Irish councils had the highest value of grants per person in 2020/21 (£15.05 per person).

Figure 2.8



Note: not all councils responded, and responses also varied slightly for each year – 206 provided data for 2018/19, 211 provided data for 2019/20, and 207 provided data for 2020/21. Population data is sourced from the Office for National Statistics and is based on mid-2021 population statistics, as data consistent with 2021 local authority boundaries was not available for previous years for county councils.²⁰ It is therefore assumed that populations are stable over time.

How much total value did different types of English council contribute?

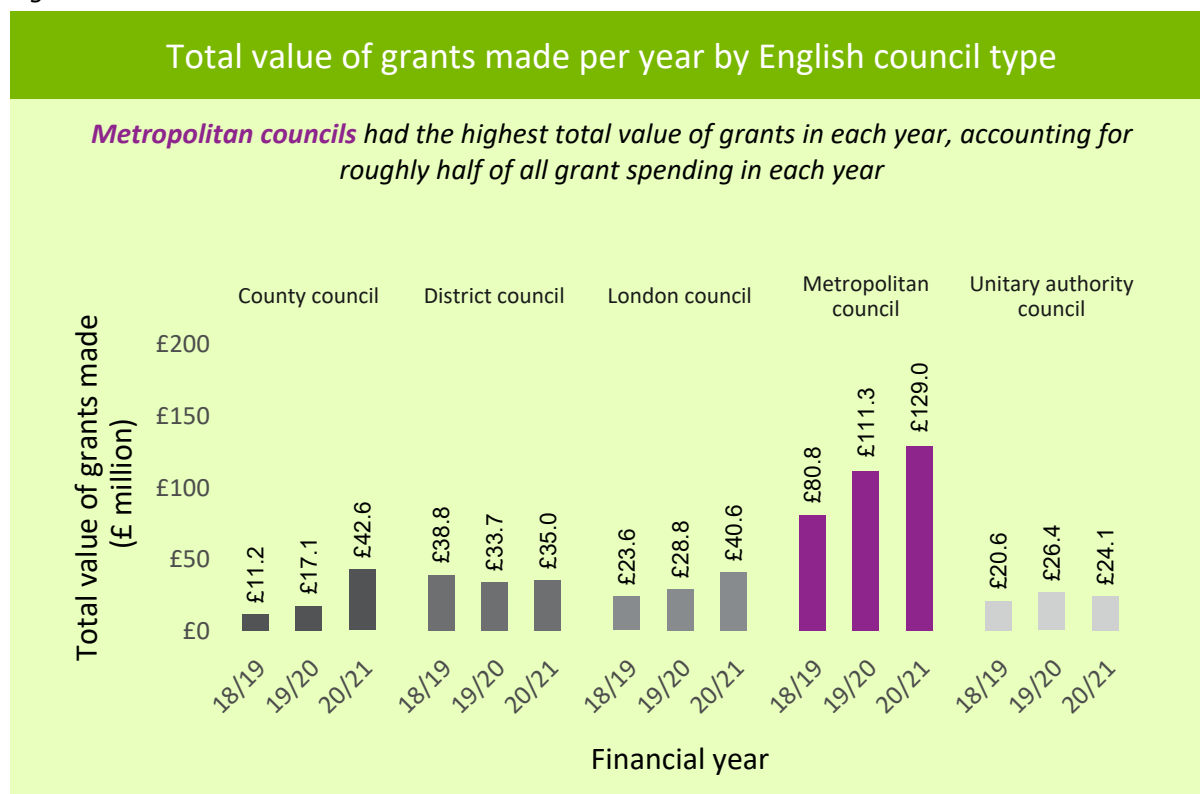
Figure 2.9 shows the total annual grant value awarded to VCSE sector organisations by council type. This data is available for England only and based on councils that responded to DSC's FOI requests. Metropolitan councils awarded £80.8 million in grants in 2018/19, with a further £111.3 million in 2019/20 and £129.0 million in 2020/21. Metropolitan councils accounted for roughly half of all grant spending throughout the three-year period (contributing 46.1%, 51.2% and 47.5% of grant awards across the three years respectively).

Although district councils awarded the highest number of grants across all three years, their total grant spend was significantly lower than metropolitan councils, with £38.6 million in 2018/19, £33.7 million in 2019/20 and £35.0 million awarded in 2020/21.

In 2020/21, the value of grants awarded from county councils more than doubled to £42.6 million from £17.1 million the previous year. This coincides with the trend observed previously, where the number of grants awarded from county councils more than doubled during the same year.

²⁰ 'Estimates of the population for the UK, England, Wales, Scotland and Northern Ireland' [web page], Office for National Statistics, 2022, www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesandscotlandandnorthernireland, accessed 2 June 2023.

Figure 2.9

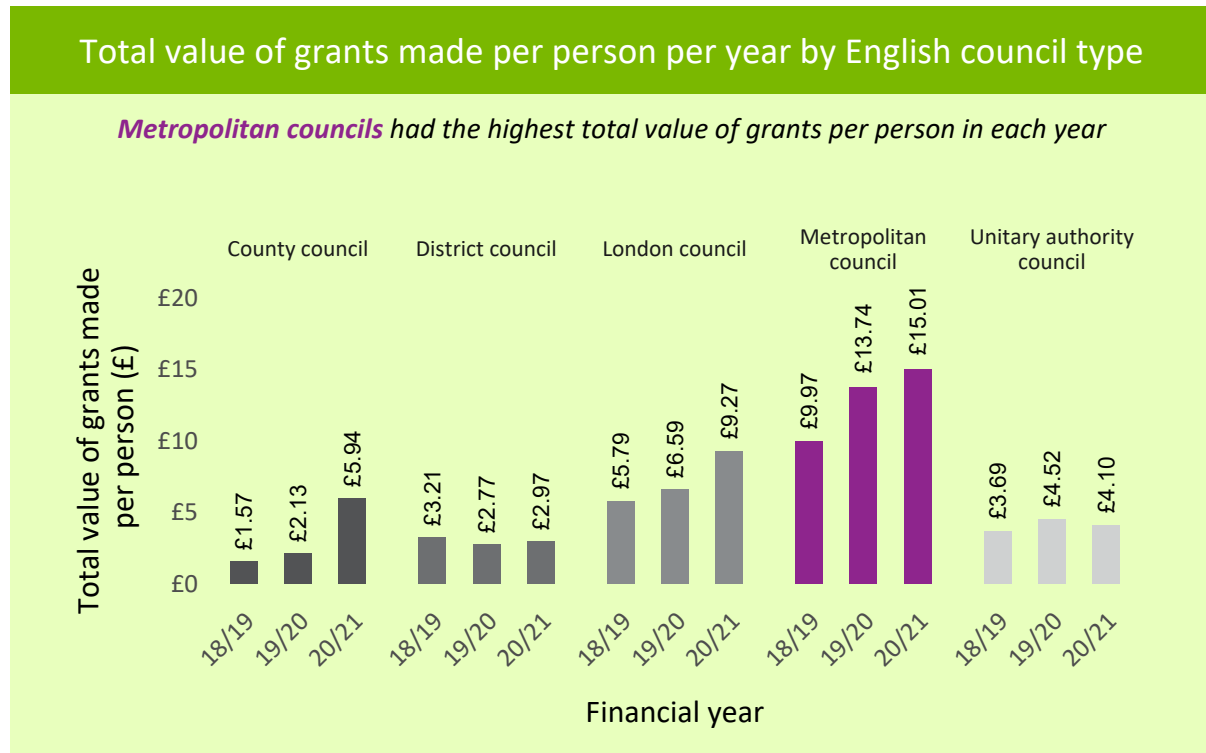


Note: not all councils responded, and responses also varied slightly for each year – 175 provided data for 2018/19, 178 provided data for 2019/20, and 175 provided data for 2020/21. Figures across council types within each year do not always sum to the exact figures in figure 2.7 due to rounding.

As discussed above in relation to the different devolved nations within the UK, there are also population differences between different types of councils within England. As a result, it is again important to consider the total value of grants made per person per year, within each type of council, to take into account differences in population size. In other words, the amount each person living in the vicinity of each council type would receive if the grant total was split equally.

As shown in figure 2.10, looking at the total value of grants per person per year provides a slightly different perspective to when the total value of grants is not adjusted for population size. Metropolitan councils gave the highest total value of grants per year compared to other council types (see figure 2.9) and they also consistently had the highest total grant value per person per year (ranging between £9.97 in 2018/19 and £15.01 in 2020/21). Notably, London had the next highest total value of grants per person (ranging from £5.79 in 2018/19 to £9.27 in 2020/21) despite having the fourth highest grants value when not adjusted for population size.

Figure 2.10



Note: not all councils responded, and responses also varied slightly for each year – 175 provided data for 2018/19, 178 provided data for 2019/20, and 175 provided data for 2020/21. Population data is sourced from the Office for National Statistics, and is based on mid-2021 population statistics as data consistent with 2021 local authority boundaries was not available for previous years for county councils.²¹ It is therefore assumed that populations are stable over time.

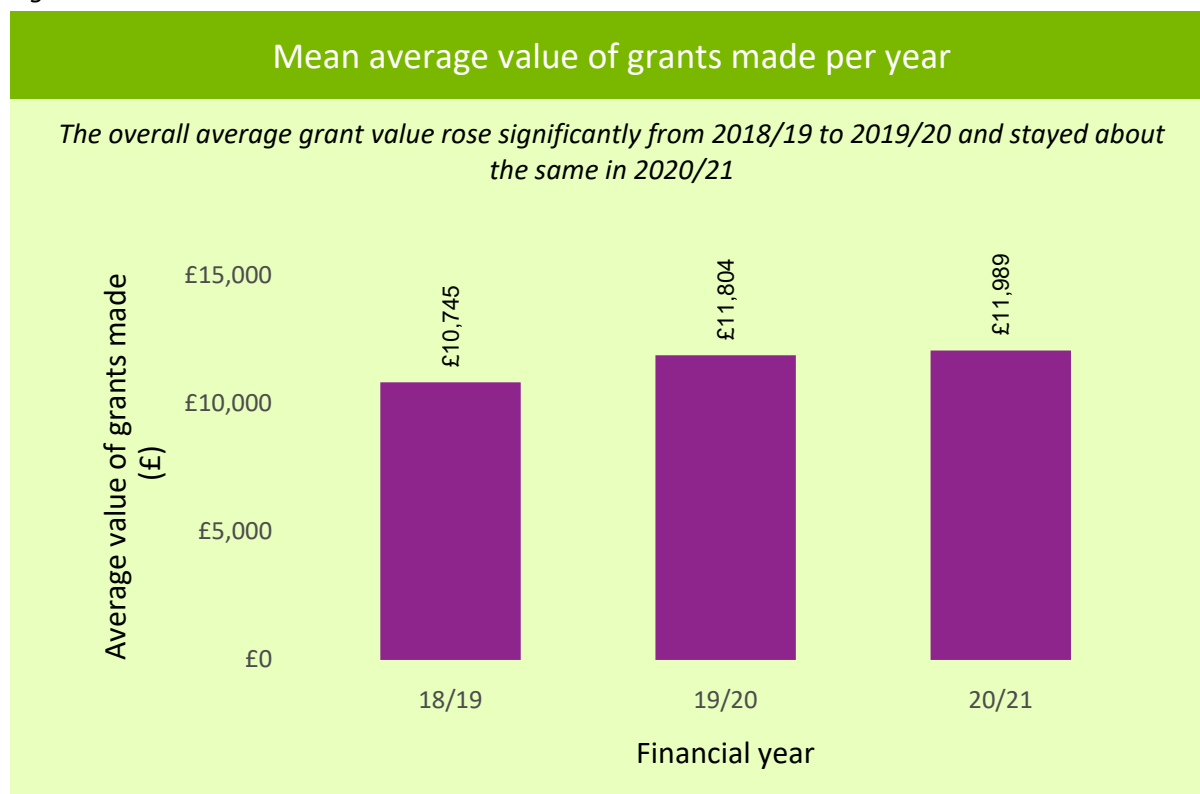
2.5 WHAT WAS THE TYPICAL SIZE OF GRANTS MADE?

What was the average size of a grant overall?

As shown in figure 2.11, the overall average (the mean) grant made by local authorities to VCSE sector organisations was lowest in 2018/19 at £10,745. The overall average grant value rose notably in 2019/20 to £11,804 and remained relatively constant in 2020/21 at £11,989. It is important to note that, as discussed in the following section, the mean can be skewed by extremely high or low values that are outliers (that is, atypical of the general distribution). As data on individual grants made by councils was not a focus of this research, it was not possible to investigate the effects of any outliers on the average value.

²¹Estimates of the population for the UK, England, Wales, Scotland and Northern Ireland' [web page], Office for National Statistics, 2022, www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesandscotlandandnorthernireland, accessed 2 June 2023.

Figure 2.11



Note: not all councils responded, and responses also varied slightly for each year – 206 provided data for 2018/19, 211 provided data for 2019/20, and 207 provided data for 2020/21.

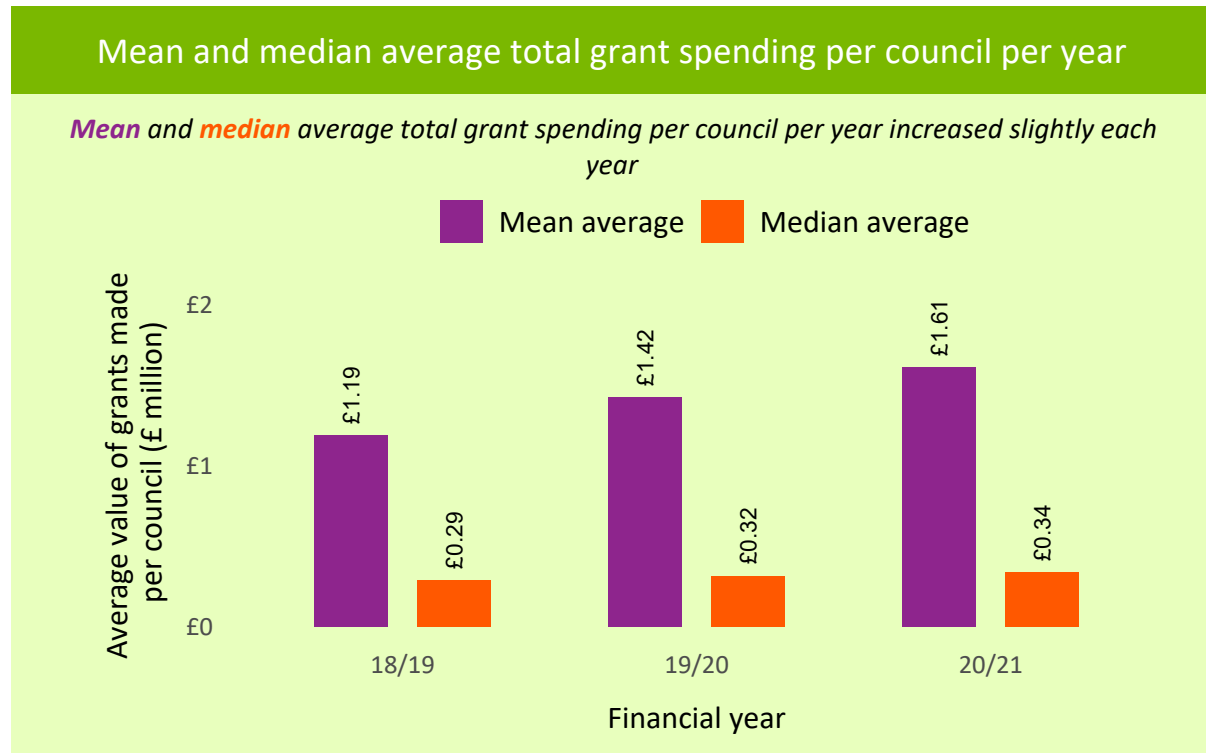
What was the average total grant spending per council?

As shown in figure 2.12, the mean average total grant spending per local authority increased slightly each year. Local authorities, on average, spent around £1.6 million on grants to VCSE sector organisations in 2020/21, which was slightly higher than the average grant spending in 2019/20 (£1.4 million) and 2018/19 (£1.2 million).

However, relatively few councils have very large total grant spending, and this inflates the average figures described above. An alternative approach, using the median average grant total spending per council, shows the same upwards trend but much lower figures, which more closely reflects what the 'typical' or average local authority was spending. Accordingly, the average local authority spent around £0.34 million on grants in 2020/21. In other words, in 2020/21 half (50%) of local authorities spent less than £0.34 million. This was slightly higher than grant spending by the average local authority in 2019/20 (£0.32 million) and 2018/19 (£0.29 million).

DSC's researchers undertook additional analysis to understand the value of councils' grant expenditure to the VCSE sector at other points in the distribution. This analysis showed that, in 2018/19, 75% of local authorities spent less than £0.87 million; in 2019/20, 75% of local authorities spent less than £0.85 million; and in 2020/21, 75% of local authorities spent less than £0.91 million.

Figure 2.12



Note: not all councils responded, and responses also varied slightly for each year – 206 provided data for 2018/19, 211 provided data for 2019/20, and 207 provided data for 2020/21.

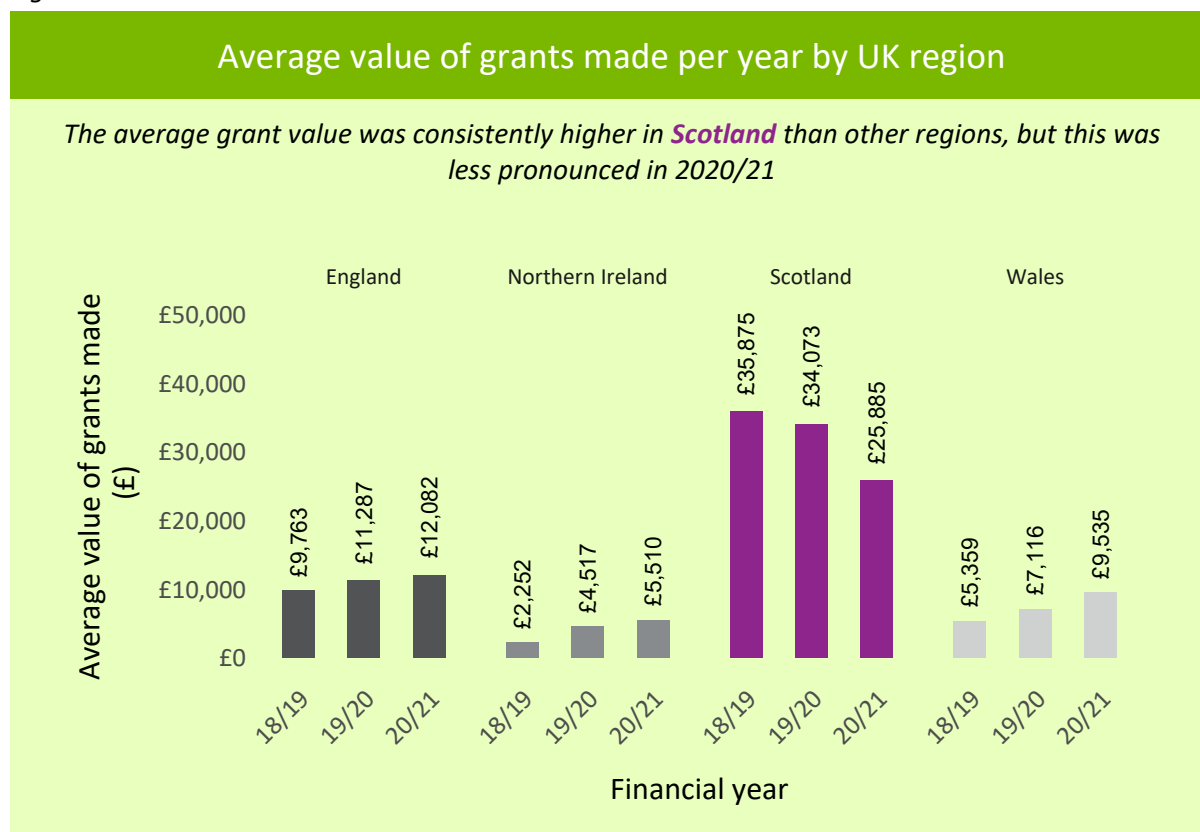
What was the average size of a grant across each devolved nation?

The overall average size of a grant made by the local authorities that responded to DSC's FOI requests is informative but masks some important differences between councils. As shown in figure 2.13, across all three years, local authorities in Scotland had the largest average grant value of the four UK regions. The average value of grants awarded by Scottish councils to VCSE sector organisations was in the region of £35,000 in 2018/19 and 2019/20 but dropped to around £26,000 in 2020/21.

As highlighted previously, the total *number* of grants awarded by English councils in 2018/19 and 2019/20 was significantly – in fact, around eight times – higher than Scottish councils. However, Scottish council's average grant value was more than double the value of English councils during this period. This indicates that Scotland gave a smaller number of higher-value grants compared to England, as reflected in figure 2.13.

While the average grant value was higher in Scotland for each year, this was much more pronounced prior to the COVID-19 pandemic. Indeed, in other regions the average grant value grew slightly over the years studied, whereas in Scotland the average grant value declined, most notably in 2020/21. This reflects the fact that the total number of grants Scottish councils collectively awarded remained relatively stable (ranging from 3,087 in 2018/19 to 3,235 in 2020/21) while the total value dropped notably between 2019/20 and 2020/21 (from £60.3 million to £37.1 million). This may be a response to budgetary pressures resulting from the COVID-19 pandemic, but as mentioned previously, it's unknown whether the councils that responded to DSC's FOI requests included or excluded COVID-19-related grants in the figures that they submitted.

Figure 2.13



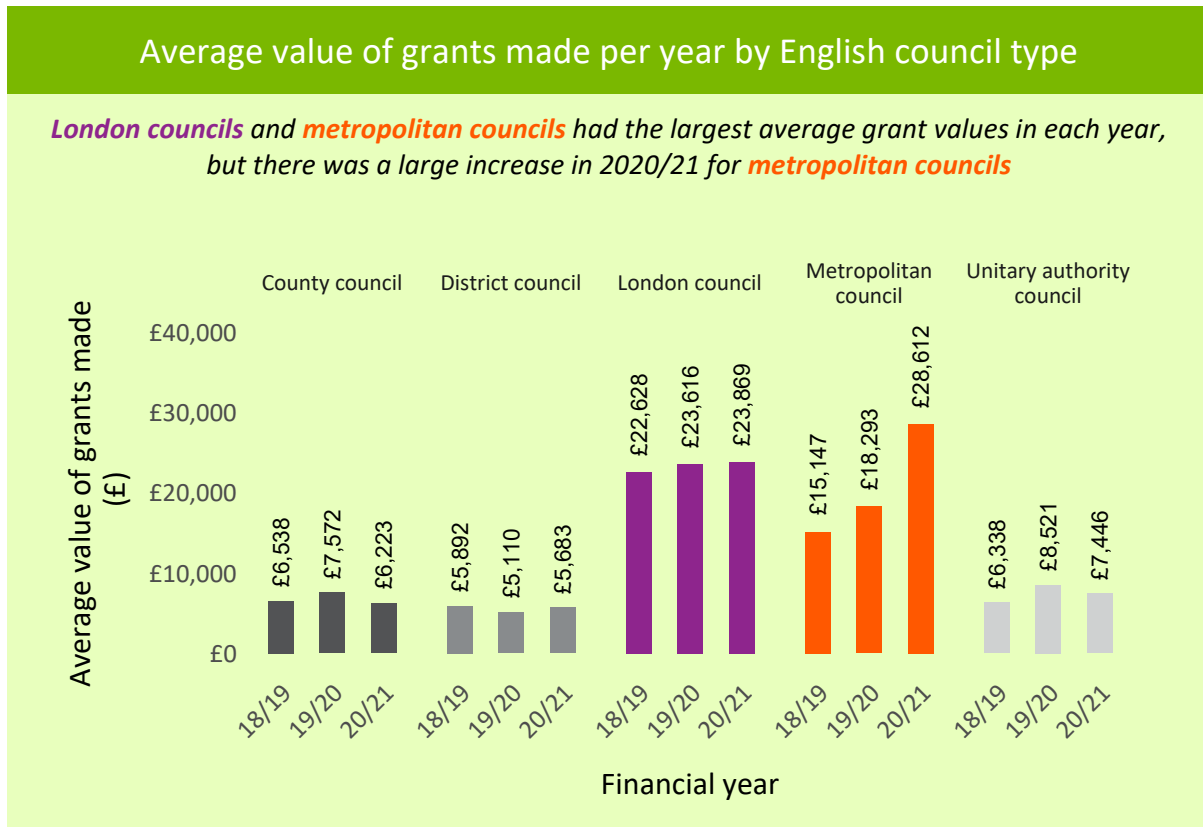
Note: not all councils responded, and responses also varied slightly for each year – 206 provided data for 2018/19, 211 provided data for 2019/20, and 207 provided data for 2020/21.

What was the average size of a grant across each type of English council?

As was the case for the different regions of the UK, the overall average size of a grant made by the local authorities to VCSE sector organisations masks some important differences between types of council across England.

As shown in figure 2.14, London boroughs and metropolitan councils had the largest average grant spend across the three-year period. The size of the average grant made by metropolitan councils increased over the period studied, starting at £15,147 in 2018/19 and rising to £28,612 by 2020/21 – an increase of 88.9% over this period. Meanwhile, the average grant made by London boroughs remained relatively constant at close to £24,000 in 2019/20 and 2020/21.

Figure 2.14



Note: not all councils responded, and responses also varied slightly for each year – 175 provided data for 2018/19, 178 provided data for 2019/20, and 175 provided data for 2020/21.

As highlighted in figure 2.5, district councils awarded the largest numbers of grants consistently across all three years. However, the average value of the grants they awarded was the lowest among the different council types, ranging between £5,110 and £5,683. Similarly, county councils and unitary authorities made grants that were, on average, much lower than those in London or metropolitan districts.

2.6 TO WHAT EXTENT ARE LOCAL AUTHORITY GRANTS ACCESSIBLE?

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

The second question in the FOI requests asked for information about the total number of grants awarded through a competitive/open grants process, as grants-in-aid or ‘unknown’, for each year. In total, 236 local authorities replied with data in response to question 2, with 232 providing data for all three years.

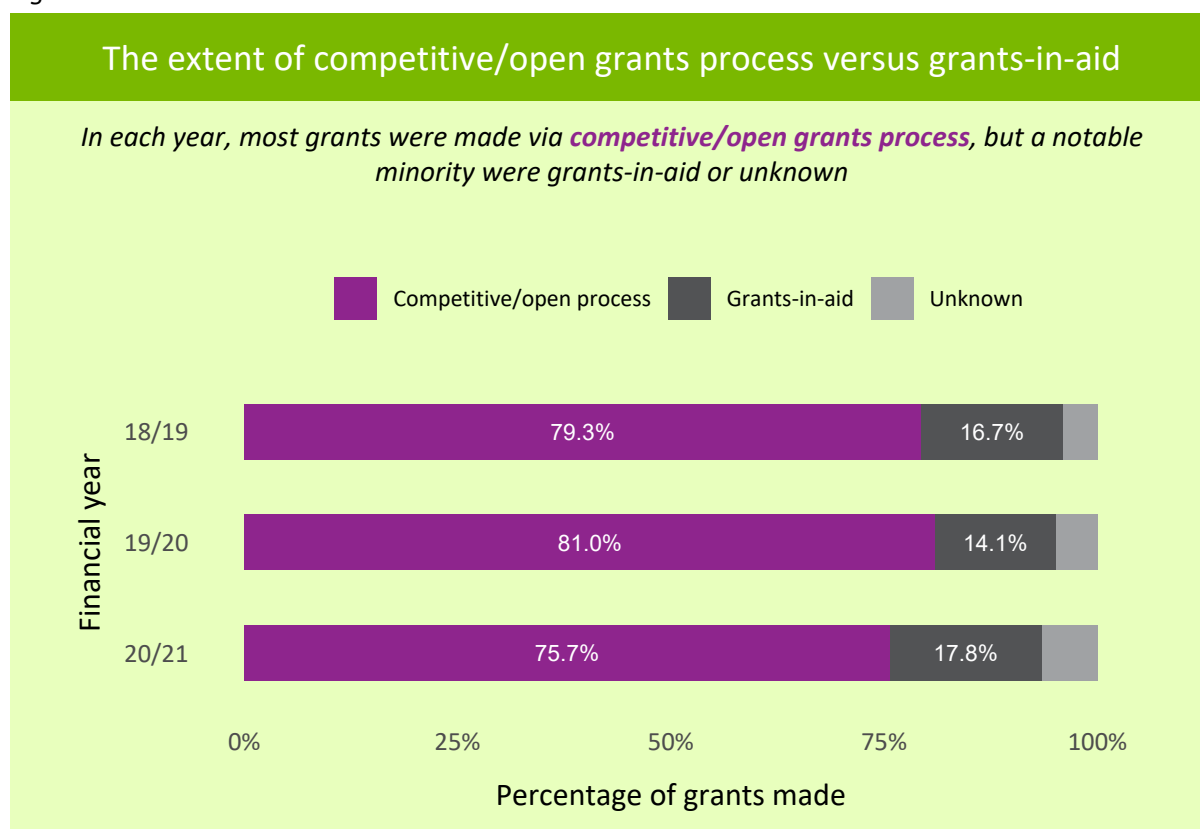
Figure 2.15 shows that the majority of local authority grants to the VCSE sector were described by the respondents as being awarded through a ‘competitive/open’ grants process. Altogether, 79.3% of

2018/19 grants were awarded through an open process, 16.7% were awarded as grants-in-aid and 4.0% were 'unknown'.

Respondents reported similar percentages across the three-year period. In 2019/20, 81.0% of grants were awarded through an open process, 14.1% were awarded as grants-in-aid and 4.9% were 'unknown'. In 2020/21, 75.7% of grants were awarded through an open process, 17.8% as grants-in-aid and 6.5% were 'unknown'.

This data indicates that the vast majority – between three quarters and four-fifths – of grants awarded by local authorities to VCSE sector organisations are via processes that can be described as open or competitive.

Figure 2.15



Note: based on data from 232 councils which provided data for all three years. Percentages below ten are not shown for reasons of space.

2.7 HAVE LOCAL AUTHORITY GRANTS BEEN SUBJECT TO LEGAL CHALLENGE?

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

DSC's researchers asked this question because there can be some confusion in local authority commissioning circles or legal teams around the legitimacy and appropriateness of councils awarding grants (for example, whether procurement regulations allow it or whether grant funding violates state

aid rules).²² The data received in response shows this not to be the case, and that formal challenges or legal proceedings involving grant decisions or processes are extremely rare.

Of the 274 local authorities that responded to this question, only two councils received formal challenges, representing just 0.7% of all councils which responded. Furthermore, none of these challenges resulted in legal proceedings.

It is worth noting that although the replies DSC's researchers received indicate that it is extremely rare for councils to receive formal complaints and challenges regarding their grant-giving practices, 123 local authorities didn't reply to this question.

²² See, for example, *Stronger Charities for a Stronger Society* [PDF], House of Lords Select Committee on Charities, 2017, <https://publications.parliament.uk/pa/ld201617/ldselect/ldchar/133/133.pdf>, pp. 41–57, accessed 2 June 2023.

CHAPTER THREE

Key findings and recommendations

This report used the information gathered via freedom of information (FOI) requests sent to all local authorities in the UK to provide new insights into their grant-making practices. It provided unique evidence about how much grant funding councils gave to voluntary, community and social enterprise (VCSE) sector organisations and how this funding was typically awarded (whether via competitive/open process or as grants-in-aid). It also investigated the degree to which local authorities experienced formal challenges and legal proceedings arising from their grant-making practices.

3.1. KEY FINDINGS ABOUT LOCAL AUTHORITY GRANTS

Local authorities in the UK provide in the region of £600 million in grant funding to the VCSE sector annually.

- Councils that responded to the FOI requests awarded 40,223 grants in 2020/21 (the most recent year analysed), providing £333.2 million in total.
- Due to no response or only a partial response by some councils, the figure for the total is based on only around half (54.9%) of all local authorities (excluding those that said they didn't make grants).
- The actual total awarded is likely to be notably higher: the Directory of Social Change (DSC) estimates the overall total for 2020/21 to be £632.7 million. This estimate takes into account the characteristics of the councils that did not respond in terms of their location and council type where applicable and assumes that, like the respondent group, almost all of them make grants.²³

Half of all councils make grants totalling less than £340,000 annually, and the average individual grant is worth around £12,000.

- The value of the median grant awarded was £340,000 in 2020/21, meaning that half of all local authorities made grants totalling less than this value and half of all local authorities made grants totalling higher than this value. This median value was lower in 2019/20 (£320,000) and 2018/19 (£290,000). This showed the same trend as – but was notably lower than – the mean average because of the impact of a few councils with very large total grant spending.

²³ The estimate of £632.7 million is based on the known value (£333.2 million) and an estimate for the unknown value (£299.5 million). This estimate is based on three factors. First, the number of councils for which a 2020/21 figure was not available in each region (Scotland = 18, Wales = 10, Northern Ireland = 5) and, within England, in each council type (county = 16, district = 80, London = 16, metropolitan = 11, unitary authority = 28). Second, the (mean) average total value awarded by each local authority in each region (Scotland = £2.63 million, Wales = £0.65 million, Northern Ireland = £2.80 million) and each council type (county = £5.3 million, district = £0.3 million, London = £2.4 million, metropolitan = £5.4 million, unitary authority = £1 million). Third, the estimate assumes 98% of non-respondents make grants. This analysis excluded local authorities that did not provide a figure but reported that they do not make grants (N=5).

- Overall, in 2020/21 the (mean) average local authority grant was £11,989, similar to 2019/20, when it was £11,804, but higher than in 2018/19, when it was £10,745.
- However, the data showed notable differences between the devolved nations, with the average grant value being highest in Scotland (£26,000–£36,000, depending on the year), lower in England (£10,000–£12,000), and even lower in Wales (£5,500–£9,500) and Northern Ireland (£2,000–£5,500).
- The data also suggested important differences within England, with the average grant value being largest in metropolitan councils (£15,000–£28,500, depending on the year) and London-based councils (£22,500–£24,000), and smaller in county councils (£6,000–£7,500), unitary authorities (£6,500–£8,500) and district councils (£5,000–£6,000).

Both the total number and total value of reported local authority grants increased each year between 2018/19 and 2020/21.

- Overall, both the total number of grants and the amount awarded increased during the reporting period. The sharpest annual rise in the number of grants awarded occurred in 2020/21, with the number of grants increasing by 19.1% on the previous year. This may be due to councils issuing more COVID-19-related grants in response to the pandemic.
- However, the higher number and higher total value of grants made by English local authorities masked variations in the other UK regions, because over 75% of reported grants were from English councils. For example, the total value of grants made by Scottish local authorities dropped sharply in 2020/21, even though the number of reported grants stayed about the same.
- Total overall grant spending rose more dramatically between 2018/19 and 2019/20, when it increased by £55 million (or around 20%), than between 2019/20 and 2020/21, when it increased by £32.5 million (or around 10%).
- Further research is needed to unpick how far these general, aggregate trends are representative of individual councils. This research could look at the extent to which councils show different trends in the number and value of grants made over time and help to understand what factors are associated with these trends.

Most local authority grants are awarded via open or competitive processes.

- Depending on the year, around 75–80% of grants were described by respondents as being awarded via open or competitive processes. Although this question on the FOI requests had the lowest response rate, with just 236 councils providing a response and many not completing the full question, this is still strong evidence that local authority grants are predominantly open to new applicants and awarded using competition.

Zero councils reported that their grant-making practices led to legal proceedings.

- Respondents to the FOI requests reported just two instances of formal complaints regarding local authorities' grant-making practices, representing a tiny 0.7% of all councils that responded to the question. Further, zero respondents reported legal proceedings arising in relation to councils' grant-making processes or decisions. This confirms that there is no evidence to give basis for any perceived legal risk of councils that make grants running afoul of, for example, procurement regulations.

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

- The FOI requests asked for information about public spending, which should be readily available and not overly onerous or expensive to supply. While the majority of councils cooperated and responded within the legal time limit of 20 working days, 48 (12% of all local authorities) did not respond beyond an initial acknowledgement, despite DSC's researchers extending the deadline to 67 working days from their original FOI requests date, and despite sending multiple email reminders. A further 29 councils (7%) denied the FOI requests.
- The quality and comprehensiveness of reported data varied significantly, with 97 councils providing a partial rather than full response. The data also wasn't always in an accessible format, meaning that DSC's researchers had to liaise with councils to clarify responses, extract relevant information from web pages and other documents, and translate this data into a format that could be further analysed.

3.2. RECOMMENDATIONS

Local authority commissioners and legal departments need to be aware that they can legitimately make grants to VCSE sector organisations. There is no evidence that grants involve a greater risk of legal challenges than contracts, and this lack of understanding is not a valid reason for blocking grants programmes or for using contracts by default in commissioning.

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

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

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

Too many local authorities didn't respond to DSC's FOI requests at all, denied it on grounds of expense, provided incomplete responses or took far longer than the legally required 20 working days to supply the information. More than 20 councils provided responses many months after the FOI requests were made, which meant their data couldn't be included in the data set and subsequent analysis.

A significant number of councils did not respond to part of the request, claiming that the data was already publicly available when, in fact, this was not the case. While some councils signposted researchers to clear web pages providing historic grants data, others provided web links to poorly

labelled council budget documents or internal meeting notes, from which it wasn't possible to glean useable data. Such documents are not only nearly impossible for researchers or members of the public to find via online searches, but they're also not conducive to analysis. Therefore, not all councils are providing transparent data on their grant-making even when they claim to be.

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

The lack of transparency about government funding for the VCSE sector has been recognised for at least 20 years²⁴. Despite some improvements, particularly from central government departments, progress has been slow. Local authority grant funding remains arguably the least transparent and least standardised area, despite the existence of the Local Government Transparency Code 2015,²⁵ which requires that councils publish key information on all expenditure over £500, including on grants, grant payments and grants-in-aid.

DSC recommends that all local authorities should do the following:

- Gather, collate and store information on grant-making to the VCSE sector in a consistent format. This not only supports public enquiries and research about the funding environment nationally but also facilitates sharing knowledge and working in partnership between the sector locally.
- Publish information in an accessible format for research purposes, such as Excel or other databases that can be analysed, rather than linking to PDFs or Word files of budget documents or internal notes.
- Ensure that published data is easy to find via searches on the council's website and online search engines.
- Ensure that published data on their grant-making to voluntary organisations, community organisations and social enterprises, includes not just lists of grantees but key information about grantees, the value of individual grants, and the year the grant was made, as required by the Local Government Transparency Code 2015 (see appendix two).
- Respond to all FOI requests within the legal time frame of 20 working days. Better information management will facilitate quicker (and so less costly) responses.
- Consider publishing information about grants to the VCSE sector according to the 360 Giving Data Standard. This is the official government standard for publication of grants data and is used by all central government departments, and it meets the publication requirements of the Local Government Transparency Code. It is free to publish the data in this way, and free to access using 360 Giving's GrantNav platform.²⁶

Further research is needed to explore how local authorities' grant-making practices have changed in response to shifts in commissioning, the COVID-19 pandemic and the cost-of-living crisis.

²⁴ *The Role of the Voluntary and Community Sector in Service Delivery: A cross cutting review* [PDF], HM Treasury, 2002, www.oneeastmidlands.org.uk/sites/default/files/library/RoleofVCSinServiceDelivery-CrossCuttingReview.pdf, accessed 2 June 2023.

²⁵ 'Local government transparency code 2015' [web page], Gov.uk, 2015, www.gov.uk/government/publications/local-government-transparency-code-2015/local-government-transparency-code-2015, accessed 2 June 2023.

²⁶ See www.grantnav.threesixtygiving.org.

The changing funding relationship between the VCSE sector and local government remains critically important not just for VCSE sector organisations but for the communities that they serve. However, these funding relationships are not well understood at scale, partly due to a lack of available data. DSC's research indicates a sharp increase in the number of grants awarded in 2020/21, which may be reflective of councils awarding COVID-19-related grants to the VCSE sector in response to the pandemic, but this increase in total grants awarded is not reflected in the total value of grants awarded.

Further research is needed over subsequent years to identify longer-term trends, especially as both local government and VCSE sector organisations come under sustained financial pressures due to rising demand, budgetary demands and impact of the cost-of-living crisis.

Appendix one

Dear _____ Council

We're seeking data under FOI on your grant-making practice, specifically related to the voluntary, community and social enterprise sector.

We're producing a free legal guide to grant-making for public sector commissioners. There is currently no legal guide on grant-making, leading to uncertainty for commissioners about when they can and should use grants or contracts. Our guide intends to clarify the position. This FOI will help draw a picture of current grant-making practice, which we'll include in the guide to enable local authorities to benchmark their funding practice.

The report is co-authored by the [Directory of Social Change](#), the solicitor [Julian Blake](#) of Stone King LLP and Fiona Sheil at [Heard Consulting](#). We're doing this pro bono just because we believe in the effectiveness of grant-making.

Hope this context helps. The FOI request is for the following information:

1. Listing separately for each year, in the years 2018/19, 2019/20 and 2020/21 what was the
 - I. Total annual financial value of grants given to the voluntary, community and social enterprise sector by your authority?
 - II. Total number of grants given to the voluntary, community and social enterprise sector by your authority?
2. Listing separately for each year, in the years 2018/19, 2019/20 and 2020/21 of the above grants (question 1) what total number were awarded through:
 - I. Competitive/open grants processes?
 - II. Awarded as grants-in-aid?
 - III. Unknown?
3. Listing separately for each year, in the years 2018/19, 2019/20 and 2020/21 what was/were the:
 - I. Total number of formal challenges you received around your grant processes and decisions on the basis of alleged non-compliance with: state aid, subsidy control or public procurement regulations?
 - II. And of these, what number resulted in legal proceedings?

Thanks for all your help. We appreciate this takes time to do.

Best wishes,

Directory of Social Change

Appendix two

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

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

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

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

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

About the Directory of Social Change

At the Directory of Social Change (DSC), we believe that the world is made better by people coming together to serve their communities and each other. For us, an independent voluntary sector is at the heart of that social change, and we exist to support charities, voluntary organisations and community groups in the work they do. Our role is to:

- **provide practical information** on a range of topics from fundraising to project management in both our printed publications and our e-books;
- **offer training** through public courses, events and in-house services;
- **research funders** and maintain a subscription database, *Funds Online*, with details on funding from grant-making charities, companies and government sources.
- **offer bespoke research** to voluntary sector organisations in order to evaluate projects, identify new opportunities and help make sense of existing data;
- **stimulate debate and campaign** on key issues that affect the voluntary sector, particularly to champion the concerns of smaller charities.

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

About DSC's research

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

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

Our bespoke and commissioned research is led by the needs of our clients, but our policy work also informs our research for the benefit of the wider voluntary sector. This policy work includes campaigns such as Everybody Benefits, which raises awareness of the benefit of charities and the voluntary sector, and the #NeverMoreNeeded campaign, which highlighted the vital work of charities during the COVID-19 pandemic and the crucial support they themselves needed during the crisis.

About the authors

Rhiannon Doherty

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

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

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

Chester Howarth

Chester joined DSC in 2020 and works as a Senior Researcher, primarily on DSC's bespoke research projects.

He was the lead author on several publications, including on topics ranging from the impact of the COVID-19 pandemic on voluntary and community sector organisations to the scope and nature of funding and other types of support for beneficiaries. Chester has also led the development of DSC's online interactive resources, which provide a new way of disseminating the latest charity sector data.

Prior to joining DSC, Chester worked as a research assistant, supporting projects on child poverty and well-being and co-authoring articles for academic journals. He also has experience working as a freelance consultant to a group of children's charities and undertaking research with a statutory health organisation.

Jay Kennedy

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

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

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

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Grants for Good:

Exploring local authority grant-making to the VCSE sector

This report provides the clearest picture to date of the level of local authority grant-making to the voluntary, community and social enterprise (VCSE) sector in the UK. It includes:

- An overview of public services reform policy and its effects on statutory grant-making
- The total value and number of local authority grants
- Trend analysis between 2019/20 and 2021/22
- Breakdowns by local authority type and the nations of the UK
- Original data on legal challenges to local authority grant-making
- Recommendations to improve practice

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

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

‘There has long been a need for clearer and better data about government spending on the VCSE sector, especially for local government and particularly for grant funding, which this research helps to redress. We hope this report and its recommendations will be read by commissioners and anyone in local government who works with local charities, voluntary organisations and social enterprises to help improve and develop best practice.’

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