LOCAL AUTHORITY BRIEFING
August 2026

The False Economy of Reducing Investment in the Voluntary and Community Sector

Helping local authorities to make informed decisions

Based on a 5-year modelled impact for a hypothetical local authority area

Context

Local authorities across the country are under huge pressure to make savings in their budgets. Councils are having to make difficult decisions as statutory responsibilities, such as adult social care, take up large proportions of the available and shrinking level of expenditure. This document has been produced to help local authorities make informed choices regarding any consideration of cuts to funding of the voluntary and community sector (VCS), including what impact this may have as well as other considerations that may inadvertently lead to increased costs for a council.

Equal savings across departments do not have equal impact - some savings will have significantly larger knock-on effects than others

Wholistic view is needed - savings or budget cuts for one local authority department could lead to increased and sustained longer-term costs for other departments

Commissioning of VCS by local authorities often seen soley as ‘service delivery’ contracts or grants without considering the add-on benefits and impacts of these arrangements (e.g. volunteer support, levering of additional funding and resources, community cohesion and resilience) as well as the cost and impact of not having these benefits anymore or at reduced levels

False Economy bottom line, over 5 years

Modelled results for a hypothetical local authority (LA) area assuming 10% cut in a £3million VCS budget over a 5 year period - a £1.5million saving leads to £4.3million additional costs and loss of nearly £170m of additional investment and support

£1.5m
VCS budget saved

=

£5.8m
reduced investment in LA area levered in by VCS

+

£163m
Lost volunteering support

+

£4.3m
Additional local authority costs

+

£3.1m
Additional NHS/ health costs

The net cost over 5 years for local authorities for implementing this VCS budget saving is an additioanl cost of £2.8m. This does not take into account lost additional investment and support as well as the wider social and community impacts (e.g. community resilience, community cohesion etc.)

Why a VCS budget saving will end up costing more

Under budget pressure, the voluntary and community sector (VCS) is often considered for cuts. This expenditure may seem discretionary, but VCS organisations deliver preventative, early-intervention support that keeps people well and independent for longer. When that support disappears, the underlying need does not go away — it resurfaces as demand on statutory services, which will increase over time.

Council reduces VCS funding

A saving on the Local Authority budget line

›

VCS capacity shrinks

Reduced ability to lever in additional funds which is increased when LA funding covers or contributes to core costs

›

Prevention & early help is lost

Fewer people supported before crisis point

›

Demand shifts to Adult Social Care & the NHS

At a higher cost than the saving

Model calculations

The model starts with the local authority's (LA) own saving, totaling it up over 5 years to reflect the true scale of VCS investment at risk, before applying evidence-informed rates to estimate the extra demand this creates for Adult Social Care and the NHS.

Step 1 — The saving

A 10% saving sought against a £3m annual VCS budget.

£300,000 / yr

Step 2 — Calculating the real loss

LA funding is only ~26% of all VCS income (NCVO, 2024). Losing it destabilises the other ~74% too, so the saving is divided by 26% to estimate total VCS investment at risk.

£1,153,846 / yr

Step 3 — Converting lost VCS activity into statutory cost

Evidence-informed shares of that lost activity are assumed to convert into additional Adult Social Care and NHS demand, compounding cumulatively each year.

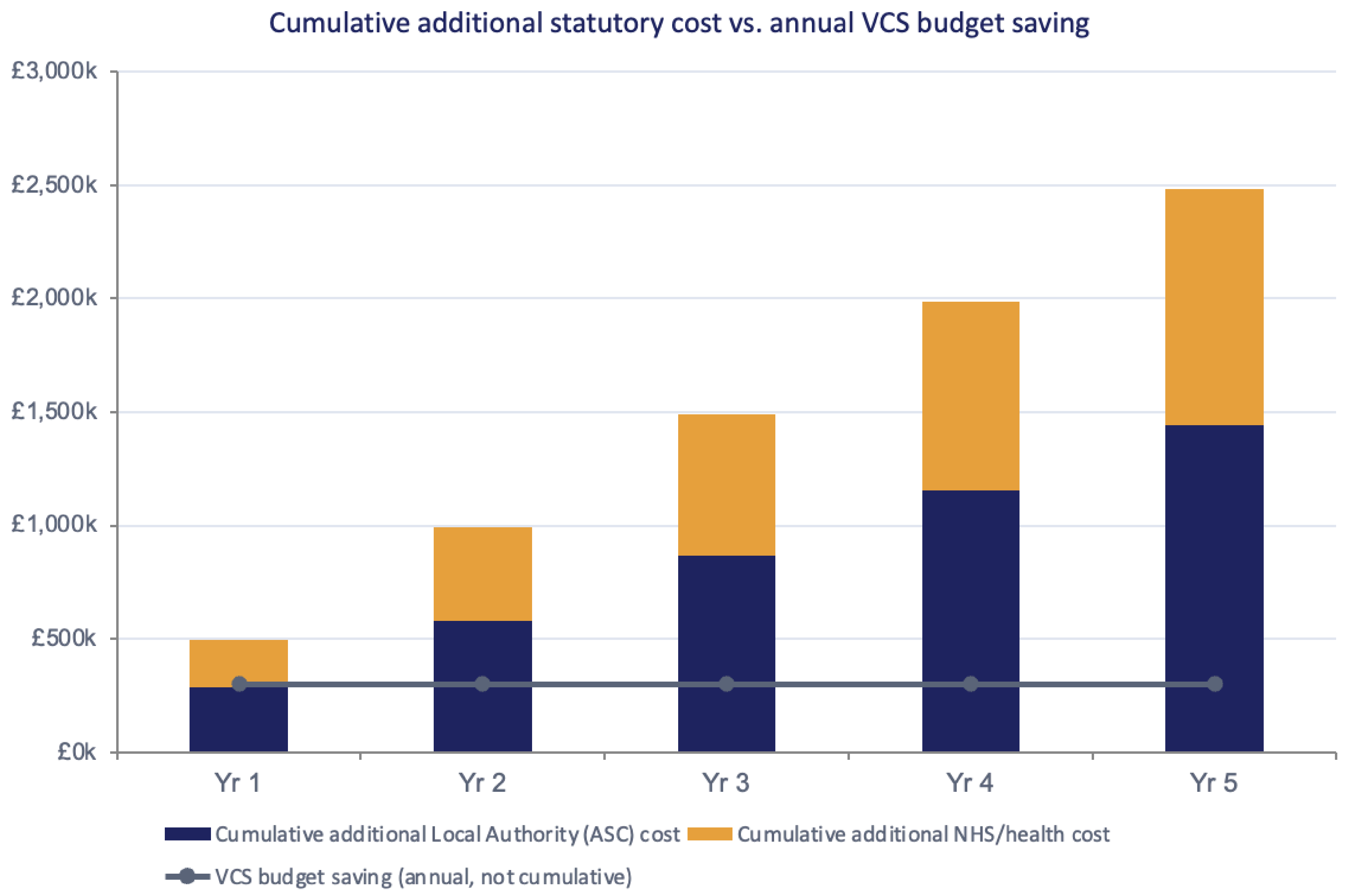
25% → LA | 18% → NHS

The hypothetical local authority: model inputs

A 10% saving on a £3m VCS budget, modelled over 5 years

Input	Value	Basis
Annual VCS budget	**£3,000,000**	Illustrative local authority VCS grant budget
Budget saving sought	**10%**	Illustrative in-year saving target
Government share of all VCS income	**26%**	NCVO, UK Civil Society Almanac 2024
Additional Local Authority (ASC) cost	**25%**	Middle-of-range assumption — see later slide
Additional NHS/health cost	**18%**	Middle-of-range assumption — see later slide
Value of volunteering (London borough average)	**£1,087,878,788**	Monetary Value of Trustees report, 2023

The 5-year picture: costs overtake the saving almost immediately



KEY FINDING

The saving never grows — but because costs compound, the gap between them widens every year.

£300,000

VCS budget saving, every year (fixed)

£2,480,769

Additional cost (ASC + NHS) by Year 5

Assumptions, and the evidence behind them

Every assumption is deliberately set mid-range and can be replaced with local evidence.

26%

Local Authority share of all VCS income

Government funding (incl. local authorities) made up 26% of voluntary sector income in 2021/22.

NCVO, UK Civil Society Almanac 2024

25%

Lost VCS activity → Additional ASC cost

Set mid-range against published SROI/ROI evidence: £2.33 return per £1 (Cornwall VSF, 2025) and 175% ROI on ASC spend (Skills for Care/KDNA, 2021).

Cornwall VSF (2025); Skills for Care/KDNA (2021)

18%

Lost VCS activity → Additional NHS cost

Set well below the top-end £14:1 economy-wide prevention return, to avoid a maximalist assumption for a single authority.

Masters et al., J Epidemiol Community Health, 2017

£1.09bn

Value of volunteering (borough average)

London-wide volunteering valued at £35.9bn; divided by 33 boroughs for a per-borough mean.

Monetary Value of Trustees Report, Oct 2023

Resources and further reading

Sources behind the model's assumptions, for local authorities who want to go further

- **NCVO — UK Civil Society Almanac 2024: Where do voluntary organisations get their income from?**
  ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2024/financials/where-do-voluntary-organisations-get-their-income-from
- **Cornwall Voluntary Sector Forum — Community Health & Wellbeing Worker SROI report (2024/25)**
  cornwallvsf.org/health-and-wellbeing/proof-that-prevention-works-chww-programme-generates-over-double-its-investment-in-social-value
- **Skills for Care / KDNA — The Value of Adult Social Care in England (Oct 2021)**
  skillsforcare.org.uk/About-us/Skills-for-Care-and-Development/Economic-value-of-the-adult-social-care-sector.aspx
- **Masters R, et al. — Return on investment of public health interventions: a systematic review, J Epidemiol Community Health (2017)**
  ncbi.nlm.nih.gov/pmc/articles/PMC5537512
- **London Plus — Volunteering data and research**
  londonplus.org/volunteering-data-in-london

Making informed decisions

- Treat VCS budgets as prevention spend, not just discretionary grants — and weigh cuts against likely knock-on costs to ASC and NHS budgets.
- Replace the illustrative assumptions in this model with local evidence — commissioning data, SROI evaluations, or local health intelligence — wherever it exists.
- Stress-test proposed savings against your own authority's figures before decisions are taken.