Counting the Cuts

The impact of spending cuts on the UK voluntary and community sector

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August 2011
1 Contents

1 Contents .................................................................................................................................................................................................. 2
1.1 Acknowledgements ................................................................................................................................................................................... 3
2 Foreword ................................................................................................................................................................................................. 4
3 Key research findings ............................................................................................................................................................................ 5
4 Introduction: the state of the sector ........................................................................................................................................ 6
5 Statistical cuts analysis .................................................................................................................................................................... 8
  5.1 Context: statutory support for the voluntary sector ..................................................................................................................... 8
  5.2 Changing public finances ................................................................................................................................................................. 9
  5.3 Where will the cuts come from? .................................................................................................................................................... 11
  5.4 Methodology: how can we produce estimates of cuts to the voluntary and community sector? 15
6 Results ..................................................................................................................................................................................................... 18
  6.1 Estimates based upon official forecasts ........................................................................................................................................ 18
  6.2 Asking the public sector ................................................................................................................................................................. 21
  6.3 Asking the voluntary and community sector .................................................................................................................................. 23
7 What the cuts mean on the ground: case studies ....................................................................................................................... 25
8 Myth busting: what the sector is and what it isn’t ................................................................................................................... 27
9 Conclusions and recommendations ........................................................................................................................................ 31
  9.1 Recommendations .............................................................................................................................................................. 31
10 Data appendix ............................................................................................................................................................................. 33
1.1 Acknowledgements

The authors wish to acknowledge the help of Karl Wilding, Chloe Stables, Mandy Murphy, Jenny Clark, Charlotte Stuffins, Alison Evans, Maurice McLeod, Amelia Gudgion, Nicola Gilbert and other colleagues at NCVO, and Tom Elkins and Kelly Ventress at Compact Voice. Tris Lumley and Iona Joy from New Philanthropy Capital and John Mohan from the Third Sector Research Centre provided valuable feedback on the report and the methods.

We are also grateful to all the partners in the voluntarysectorcuts.org.uk site: One North West; National Council for Voluntary Organisations; RAWM; National Children’s Bureau; Community and Voluntary Forum: Eastern Region; Public Service Delivery Network; NAVCA; Association of Chief Executives of Voluntary Organisations (ACEVO); Compact Voice; Volunteering England; English Regions Equality and Human Rights Network; The Institute of Chartered Accountants in England and Wales; Wales Council for Voluntary Action; London Voluntary Service Council; Voluntary Organisations’ Network North East; Regional Voices; One East Midlands; Northern Ireland Council for Voluntary Action; Urban Forum; Charity Finance Directors’ Group; Involve Yorkshire and Humber; Voluntary Sector North West; Raise; National Council for Voluntary Youth Services and South West Forum.
2 Foreword

A harsh financial climate tends to exacerbate the problems we face as a society, and as a result, many charities are facing a huge increase in demand for their services as the sector looks to support people through difficult circumstances. Some of the services that charities provide are delivered in partnership with government. This is not new: charities have delivered public services of some sort since Thomas Coram’s Foundling Hospital was given a grant in the 1750s. The partnership between the state and the voluntary and community sector has developed to a point that statutory grants and contracts now represent almost a third of the income that charities receive.

The dramatic decreases in public spending mean that many charities face the very real challenge of having to do more with less, and in some cases nothing. Yet this role continues to be misunderstood and, at worst, misrepresented, particularly as organisations have rightly campaigned around the impact on services and users that these cuts are having. This has generated a heated debate on the relationship between our sector and the state and has raised the question of whether charities should even receive public money. Debate of course is no bad thing, but it needs to be an informed debate. I would hope also it might be less vitriolic than we have seen in recent days.

Estimates of the extent of cuts to charity funding from government vary widely. Some published estimates are not, we believe, reliable. Therefore, we think useful to set out clearly what we believe is the extent of cuts in spending on the sector and where those cuts will fall. This report offers our best estimate of where, how, and how much the cuts in public spending will impact. We have to be realistic – we cannot argue for special treatment just because of who we are. But the withdrawal of nearly £3 billion over the period of the spending review is significant cause for concern because it will significantly hamper the ability of charities to support those most in need.

This report is NCVO’s contribution to taking this debate forward. As ever, we look forward to hearing your comments.

Karl Wilding
Head of Policy, Research and Foresight
National Council for Voluntary Organisations
3 Key research findings

- Public expenditure is forecast to fall by roughly £20 billion in real terms between 2009-10 and 2015-16, a fall of 3%.

- The UK voluntary and community sector (VCS) will lose around £911 million in public funding a year by 2015-16.

- Cumulatively, the sector stands to lose £2.8 billion over the spending review period (2011-2016).

- Funding from some parts of government is hit particularly hard – including some central government departments, local authority spending and capital expenditure. Cuts will be felt unevenly across the sector, and some parts of the sector will be hit harder.

- These figures mask the real impact of cuts as some central government departments may increase their funding for the sector: particularly the NHS and the Department for International Development in line with increased demands on the services that voluntary and community organisations provide.

- Responses to Freedom of Information requests show that half of all Local Authorities are making disproportionate cuts to the voluntary and community sector.

- There is significant variance in the way that different parts of government and local authorities implement cuts. Many local authorities are making long term, strategic decisions in partnership with their local VCS but some are not and this is causing real damage to the sector and local communities.

- The VCS plays an essential role in preventative services. When investment is cut in this area, what appear to be cash savings often have considerable real costs in social and economic terms. Cuts to preventative services now are storing up considerable challenges for the future.

- Working with a range of infrastructure partners we’ve pioneered a new project – voluntarysectorcuts.org.uk where organisations can share their experiences with us. This resource shows evidence from nearly 500 organisations over six months. This snapshot alone shows cuts worth over £76 million.
4 Introduction: the state of the sector

UK civil society is a large, diverse sector with over 900,000 organisations (over 170,000 of which are registered charities). These organisations carry out vital work in communities across the country and whilst the vast majority of those individual organisations receive no state funding, public investment is a significant source of income to the sector as a whole and comes a close second to individual donations. State funding is particularly significant in some parts of the sector, including employment and training, education, law and advocacy, social services and housing.¹

Any assessment of the impact of cuts is not purely an analysis of the impact on particular organisations. We will do all we can to lobby for our members and to get the best possible outcomes for them, but the ultimate concern for us is not how individual organisations may fare, but the impact on the people who depend most on them. Those include some of the most marginalised and disadvantaged people in our society.

Given that the vast majority of state funding is in the form of contract payments for service delivery, the knock on effects of spending cuts and a diminished capacity for the sector will be felt economically and socially in communities across the country. Crucially, as cuts are a live issue for our members and there will be no return to increasing levels of public investment in the foreseeable future, this report also seeks to shape the debate and to ensure that government and the sector learn the lessons in how to better implement spending reductions where necessary in the coming years. This report is the start and not the end of our policy and research work on the impact of cuts.

NCVO has never argued that our sector can, or indeed should, be immune from cuts. We recognise and accept the scale of the fiscal challenge that UK government is facing. We also recognise that the sector itself has the potential to work more effectively and efficiently, and that all parts of the economy have to adapt to challenging circumstances. However, the scale, speed and implementation of cuts is having a significant impact on our sector. The way that cuts are being implemented and the particular pressure on local government finance threatens to reduce the sector’s capacity at the very time that demand is increasing and government wants the sector to do more.

There is significant variance in the quality of decision making. Many organisations have had to scale back their operations and reduce their impact. There is considerable evidence that cuts are not being applied consistently, proportionately or strategically. This threatens unnecessary damage to the sector and may indeed be self defeating – short term cuts, particularly in areas of preventative services may well result in additional social and economic costs to be borne by the state in the medium to long term.

Some organisations in the sector are able to absorb the impact of reduced spending, but due to low levels of financial resilience across the sector, many cannot. When organisations are forced to close their doors, as many already have, they cannot simply be re-created if a tendering process happens at some point in the future.

Their unique skills, connections with people and their relationships with the people they serve will disappear forever. This leaves us with two equally unpalatable alternatives – either the state has to step in to pick up

the pieces or there is a temporary or permanent interruption to services. This leaves vulnerable people exposed with no protection from service providers.

It is clear that the relationship between the VCS and the state is changing. The period of increasing investment from the state has gone, possibly permanently. It seems likely that the state will fund the VCS less, but the role of our sector (especially in public services) is set to increase.

Coupled with this is the significant and continuing increase in demand on our services, an inevitable consequence of a long, deep recession followed by a period of relatively high unemployment and slow economic growth. Our sector wants to meet this growing demand and is not resistant to fundamental change in the funding relationship with the state in principle. This report does however demonstrate that cuts and the way that cuts are being implemented is having an impact and that a careful, strategic approach to funding changes will be necessary to reduce unnecessary damage and capacity reduction.

We also know that the real impact on the sector is likely to be significantly greater than the figures that this report suggests. This is because our analysis assumes that cuts will be applied evenly and proportionately to the sector. In reality, we are aware of many cases where significantly disproportionate cuts are being applied to the sector. The VCS is uniquely affected by many of the economic challenges that the UK is currently facing because of the particular impact of a combination of factors including:

The reduction of the funding from the state that the sector receives, the vast majority of which is payment for service delivery. These cuts are having a significant impact on the sector as this report outlines.

- Giving levels fell by around 10% during the recession and have still not fully recovered.

- The VAT increase which considerably increased the sector’s cost base.

- The ending of transitional relief on Gift Aid.

Further, the sector is limited in terms of the investment and trading strategies and activities it can pursue in order to become more financially resilient and sustainable.

Although the sector is facing a period of considerable challenge, it is important to remember that the picture is not unremittingly grim. It would be remiss not to acknowledge that as cuts are happening unevenly, there are some ‘winners’ too. There are undoubtedly opportunities for the sector, particularly in the Government’s ambitions for public service reform. Equally, we know that some government departments and local authorities are making particular efforts to protect the sector because of the enormous economic and social value that it adds. It is vital, however, that the sector is equipped to take advantage of these potential opportunities.

We hope that this report will stimulate debate about the sharing of best practice and how the impact of cuts can best be mitigated. NCVO shares the Government’s ambition to see a vibrant and sustainable voluntary and community sector, which has the strength and resilience to serve our society.
5 Statistical cuts analysis

5.1 Context: statutory support for the voluntary sector

It is well-documented that the growth of the voluntary and community sector over the last decade has been driven in large part by investment in public service delivery by the state. During a relatively benign economic period, statutory support increased in real terms from £8bn in 2000/01 to £12.8bn in 2007/08 (Figure 1). Estimates derived from voluntary and community organisations (below) and from local and central government all indicate that spending on the voluntary and community sector rose faster than government spending as a whole over this period.²

We estimate that approximately 38,000 organisations have a direct financial relationship with government (that is, they receive a grant or contract), although this is lower than other estimates.³ ⁴ A larger number are in effect directly supported by the state through mechanisms such as statutory rate relief and Gift Aid reclaims.

Figure 1 - Voluntary sector income sources, 2000/01-2007/08

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³ NCVO (2010) The UK Civil Society Almanac http://www.ncvo-vol.org.uk/almanac Research by TSRC, based upon the NSTSO, estimates a figure of 61,000 recipients, albeit using a broader definition. See www.tsrg.ac.uk/LinkClick.aspx?fileticket=T1DxGa52Ko%3d&mtabid=741
⁴ It is primarily this group that the OCS transition fund is aimed at: www.ncvo-vol.org.uk/networking-discussions/blogs/209/10/10/25/so-why-%E2%80%93100m-transition-fund-needed
We have specifically used the word ‘support’. Of the £12.8bn transferred to the sector, £9.1bn was in the form of contracts for services and £3.7bn for grants. Local authorities account for over half of this support (£6.6bn).

Statutory support is clearly important to a large number of voluntary and community organisations. It is, however, a relatively small proportion of general government spending – approximately 2% by value.

5.2 Changing public finances

All three main parties entered the 2010 General Election with promises to tackle the UK’s Government deficit – the difference between what the government spends and what it brings in from tax and other sources – with each party proposing a different timescale and a different mix of spending cuts and tax rises.\(^5\) Many in the voluntary and community sector – including finance directors – were aware of the need to plan for cuts.\(^6\) Other commentators have warned of extensive cuts to the sector\(^7\), though it is worth noting that similar concerns were expressed during the recession of 2008/09.\(^8\)

The formation of the coalition between the Conservatives and Liberal Democrats in May 2010 produced a deficit reduction plan with an ambitious target (the “structural” deficit\(^9\) eliminated by 2015) and a reliance on spending cuts to achieve this. This programme has been set out and tweaked through an “emergency” budget in June 2010 (within weeks of coming to office the coalition government announced £6 billion of in-year cuts\(^10\)), a spending review in October 2010 and a second budget in March 2011.

The Institute of Fiscal Studies (IFS) estimate that the deficit-reducing measures in the March 2011 budget (including those inherited from the previous government) amount to a split of 77:23 between spending cuts and tax rises.\(^11\) Figure 2 below (taken from the 2011 Office for Budget Responsibility response to the Budget\(^12\)) shows income and expenditure of government between 1978 and 2015, as a proportion of GDP.

Some commentators have suggested that despite dire warnings over the scale of spending cuts, the actual falls in government spending will be small. On the face of it this will be true: according to the Office for Budget Responsibility (OBR) the government will spend £669.7 billion in 2009-10 and £763.8 billion in

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\(^6\) CFDG (2009) Public Funding Cuts in the Third Sector: Scale and Implications. [www.cfdg.org.uk/~media/Files/Resources/Briefings/Public%20Funding%20Cuts%20FINAL.ashx](http://www.cfdg.org.uk/~media/Files/Resources/Briefings/Public%20Funding%20Cuts%20FINAL.ashx)

\(^7\) For example, [www.unitetheunion.org/news__events/latest_news/%C2%A35_billion_hit_is_devastating.aspx](http://www.unitetheunion.org/news__events/latest_news/%C2%A35_billion_hit_is_devastating.aspx)

\(^8\) For a review of the impact of recession on the voluntary sector, see [www.ncvo-vol.org.uk/policy-research-analysis/research/economic-downturn](http://www.ncvo-vol.org.uk/policy-research-analysis/research/economic-downturn)

\(^9\) Defined by the Financial Times as “A budget deficit that results from a fundamental imbalance in government receipts and expenditures, as opposed to one based on one-off or short-term factors.” [lexicon.ft.com/Term%20term%3a%20structural%20deficit](http://lexicon.ft.com/Term%20term%3a%20structural%20deficit)

\(^10\) [www.ncvo-vol.org.uk/networking-discussions/blogs/209/10/05/25/axeman-cometh](http://www.ncvo-vol.org.uk/networking-discussions/blogs/209/10/05/25/axeman-cometh)


\(^12\) [budgetresponsibility.independent.gov.uk/pubs/economic_and_fiscal_outlook_23032011.pdf](http://budgetresponsibility.independent.gov.uk/pubs/economic_and_fiscal_outlook_23032011.pdf)
2015-16, a rise of £94 billion\textsuperscript{13}. However, taking inflation into account\textsuperscript{14} this will actually lead to a fall in real terms of around £20 billion over that six year period. Even this inflated figure gives a fall of just 3\% in total spending over the period, the larger fall shown in figure 2 below is accomplished through rises in GDP over this time making government a smaller part of the economy as a whole.

By way of comparison, NCVO estimates that total UK voluntary and community sector income was £35.5 billion in 2008/09. This is a lower figure than reported by the Charity Commission for England and Wales (£48.4 billion), in part because our analysis excludes a number of organisations with charitable status that are allocated to general government in the national accounts.

Figure 2 - Public sector receipts and expenditure, 1970-2016 (per cent of GDP)

Source: Office for Budget Responsibility (2011) Economic and Fiscal Outlook

\[\text{budgetresponsibility.independent.gov.uk/pubs/economic\_and\_fiscal\_outlook\_23032011.pdf}\] Figure used is Total Managed Expenditure, including current and capital spending, from Table 4.15.

\textsuperscript{13} Adjusted by NCVO using the GDP deflator used by the OBR.
5.3 Where will the cuts come from?

Looking at the composition of spending over that period shows where the warnings over the impact of government cuts come from – particular parts of government spending will see a much larger fall over the period, including the parts of government spending that are most associated with the voluntary sector. Figure 3 (adapted from table 2.24 in the March 2011 OBR Budget report supplementary fiscal tables\textsuperscript{15}) shows the composition of changes in spending over the period 2009-10 to 2015-16, adjusted for inflation.

Cuts to capital expenditure account for the largest proportion of spending cuts; with cuts to central government departments and local government accounting for the bulk of other reductions. Interest payments on debt make up the bulk of the rise in expenditure, with a small fall in the amount spent on social security payments.

Figure 3 - Real change in government spending between 2010-11 and 2014-15 (£ billion)

\textbf{Real change in spending between 2010-11 and 2014-15}

<table>
<thead>
<tr>
<th></th>
<th>-30.0</th>
<th>-25.0</th>
<th>-20.0</th>
<th>-15.0</th>
<th>-10.0</th>
<th>-5.0</th>
<th>0.0</th>
<th>5.0</th>
<th>10.0</th>
<th>15.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td></td>
<td></td>
<td></td>
<td>-12.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td></td>
<td></td>
<td></td>
<td>-10.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Benefits</td>
<td></td>
<td></td>
<td></td>
<td>-0.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Payments</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>13.0</td>
</tr>
<tr>
<td>Gross Capital Expenditure</td>
<td>-25.2</td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Expenditure</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Source: Office for Budget Responsibility (2011) Economic and Fiscal Outlook Supplementary Tables

There is also significant movement within the component parts of each of these broad categories. Spending on some central government departments – notably the Department for Health and the Department for International Development - has been protected, while for others it has been reduced. The clear implication is that net changes in spending on the voluntary and community sector will mask, in some cases, deeper reductions in some spending areas.

Achieving a better understanding of how central government departments – who spent £5.3bn on the sector in 2008/09 - translate their own spending agreements into spending with voluntary and community organisations is a key medium term goal if we are to effectively monitor the impact of cuts.

\textsuperscript{15} budgetresponsibility.independent.gov.uk/pubs/obr_fiscal_supplementary_tables1.xls
Figure 3 shows the change in department spending from 2010-11 to 2014-15, as shown in the 2010 Spending Review\textsuperscript{16}. In percentage terms the hardest hit departments are Communities and Local Government, Environment, Food and Rural Affairs and Business. As well as these departments the Home Office, Ministry of Justice and Department for Education all received a cut larger than £1 billion over the period. It should be noted that some rises and falls are also accounted for by shifting responsibilities from one department to another, so not every cut means that a particular service is being stopped.

\textsuperscript{16} Excluding changes to capital spending. Figures shown without adjustment for inflation. www.hm-treasury.gov.uk/spend_index.htm
Figure 4 - Change in spending for central government departments between 2010-11 and 2014-15 (£billion, adjusted for inflation)

<table>
<thead>
<tr>
<th>Department</th>
<th>Change in Spending (£ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business, Innovation and Skills</td>
<td>-4.3</td>
</tr>
<tr>
<td>Education</td>
<td>-2.3</td>
</tr>
<tr>
<td>Home Office</td>
<td>-2.2</td>
</tr>
<tr>
<td>Scotland</td>
<td>-1.9</td>
</tr>
<tr>
<td>Justice</td>
<td>-2.0</td>
</tr>
<tr>
<td>Defence</td>
<td>-2.0</td>
</tr>
<tr>
<td>Others</td>
<td>-1.2</td>
</tr>
<tr>
<td>Wales</td>
<td>-1.1</td>
</tr>
<tr>
<td>Transport</td>
<td>-1.1</td>
</tr>
<tr>
<td>CLG Communities</td>
<td>-1.1</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>-0.7</td>
</tr>
<tr>
<td>Environment, Food and Rural Affairs</td>
<td>-0.7</td>
</tr>
<tr>
<td>HM Revenue and Customs</td>
<td>-0.6</td>
</tr>
<tr>
<td>Culture, Media and Sport</td>
<td>-0.4</td>
</tr>
<tr>
<td>Foreign and Commonwealth Office</td>
<td>-0.3</td>
</tr>
<tr>
<td>Energy and Climate Change</td>
<td>-0.3</td>
</tr>
<tr>
<td>Law Officers’ Departments</td>
<td>-0.2</td>
</tr>
<tr>
<td>HM Treasury</td>
<td>-0.1</td>
</tr>
<tr>
<td>NHS (Health)</td>
<td>0.0</td>
</tr>
<tr>
<td>Work and Pensions</td>
<td>0.0</td>
</tr>
<tr>
<td>Cabinet Office</td>
<td>0.1</td>
</tr>
<tr>
<td>International Development</td>
<td>2.1</td>
</tr>
</tbody>
</table>


The large real terms percentage fall in the spending of Communities and Local Government over the period mainly reflects a fall in the size of the grant provided from central government to local government. Local government grants and contracts were worth £6.6bn to the sector in 2008/09.

Reductions to this grant, alongside a freeze in council tax, means that local government is a key area for cuts to spending. The local government spending settlement was announced in December 2010, and contained
details of the grants to Local Authorities for 2010-11, 2011-12 and 2012-13. The percentage cut varied by local authority, with reductions capped at 8.9% in the first year.

The emerging picture we are seeing is that local authority areas with higher deprivation scores are facing larger cuts in their own funding (eg through the Area Based Grant cuts in the emergency budget). As voluntary and community organisations in these areas are more likely to be funded by statutory bodies, they may well be more at risk of having their funding reduced or ended (Figure 5). It is also worth noting that these are also more likely to be working with marginalised groups.

**Figure 5 – In year cuts in CLG support for local authorities, 2010-11 and % of third sector organisations receiving local authority funding**

Source: DCLG, NCVO, NSTSO

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17 See [www.ncvo-vol.org.uk/networking-discussions/blogs/209/10/06/11/cuts-community](http://www.ncvo-vol.org.uk/networking-discussions/blogs/209/10/06/11/cuts-community) and [www.tsrc.ac.uk/LinkClick.aspx?fileticket=TIDxGXmS2Ko%3d&rtabid=741](http://www.tsrc.ac.uk/LinkClick.aspx?fileticket=TIDxGXmS2Ko%3d&rtabid=741)
5.4 Methodology: how can we produce estimates of cuts to the voluntary and community sector?

Estimating the size of cuts in public spending on the voluntary and community sector is beset by a number of methodological and practical challenges around:

- Defining cuts (is a contract ending, or the award to another body, a cut?).
- Timing (reporting of outturn or production of annual reports).
- Data collection (voluntary and community sector data is often not collected by funders).
- Data quality issues.

In a world with perfect real-time data on both government spending and the income of charities, the extent of cuts in funding of voluntary and community organisations would be immediately apparent. But a lack of refined data from government – many departments and local authorities do not hold comprehensive details on current or planned spending on the voluntary and community sector – and a time lag in producing data such as that shown in NCVO’s Almanac which uses charity accounts, means that a number of proxies and estimates have to be developed instead.

As such, there are three different approaches to estimating the extent of spending cuts on the voluntary sector. Like all estimates, these make a range of assumptions, some of which will turn out to be erroneous. We look forward to suggestions and comments on how to refine our approach.

1. Estimating from official forecasts

A number of bodies, including government bodies such as HM Treasury and the Office for Budget Responsibility, and independent groups such as the Institute for Fiscal Studies, produce estimates and forecasts of future expenditure. The Treasury sets the government’s budget, and publishes more detailed breakdowns as part of the Spending Review. The Department for Communities and Local Government also published a breakdown of the spending settlement for local authorities.

These figures can be used to extrapolate the extent of cuts in voluntary and community sector funding. For each constituent part of public spending – for example a central government department or local authority – we have estimates of the proportion of their spending that currently goes on voluntary and community organisations.

By assuming that this proportion will stay the same throughout the period, we can extrapolate the impact on voluntary and community sector spending. While the assumption that spending on the voluntary and community sector will change by the same proportion as other spending may not be true, this method will provide a baseline for what proportionate cuts might look like – to use the phrase coined by the Secretary of State for Communities and Local Government, a “reasonableness test.”

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Finally, it is worth noting that a particular challenge of this approach has been distinguishing between cash and real (ie inflation-adjusted) estimates of spending. This is particularly important because cash increases/standstills are, in some cases, cuts in spending after inflation has been taken into account. 2010/11 prices are used in this report, both measures are available in the source excel spreadsheet.

2. Asking the public sector

A second method is to get data from government departments and local authorities on their planned spending on voluntary and community organisations across the period. This data could be in the form of a survey, or through Freedom of Information (FoI) requests. A comprehensive survey of organisations would generate detailed data covering almost all public sector spending, but there are problems with this approach. Many departments and local authorities do not have a centrally-produced figure for the amount they spend on the voluntary sector; while they may have figures for a voluntary and community sector-specific funding stream they usually do not keep data on VCS involvement in other procurement activities.

3. Asking the voluntary and community sector

The sector itself is another source of data on the impact of public sector cuts. Charities are required to outline the sources of their income in their Annual Accounts, but the time lag in producing these accounts (charities have ten months after the end of their financial year to submit accounts, followed by another time lag during which regulators and analysts digitise and process the accounts) means that comprehensive, audited information is not available for a number of years after the event.

However, there are two alternative methods for producing this data before the accounts are available. The first is a statistically valid survey of organisations, with questions on their finances and expected levels of funding over the next five years. A robust survey with a large enough sample size would allow us to estimate the actual impact across a range of types of organisations. However, such a survey has not been carried out and would be expensive and time-consuming to produce. The second wave of the National Survey of Charities and Social Enterprises (NSCSE), formerly called the National Survey of Third Sector Organisations, does ask about funding from the public sector, but not about expectations of future funding and does not have enough detail to make useful predictions of future funding levels.  

The second method for asking voluntary organisations themselves is through a "crowdsourcing" initiative, where charities and other organisations are asked to provide examples of when they have been cut. While this will not produce definitive estimates of the size of the cuts to voluntary and community sector organisations, it can give illustrative examples of cuts that are happening, and particularly details of the impact of cuts on the beneficiaries of charities. The main data source for

http://www.nscsesurvey.com/
this part of the exercise is Voluntary Sector Cuts\textsuperscript{20}, a collaborative project between a number of infrastructure bodies. Other organisations have also conducted similar activities.\textsuperscript{21}

In the absence of official, authoritative measures, others have attempted to use proxy measures to assess the impact of cuts on the voluntary and community sector. One such measure is the number of charities registered and removed from the Register of Charities\textsuperscript{22}. However, this measure in particular does not provide a useful estimate – the history of the register shows that administrative activity on the register has a much larger impact on the numbers of charities (particularly through removals) than changes in response to the policy environment.

Similar problems are encountered when using the Register of Mergers\textsuperscript{23} to estimate the impact – this register is new, and not all mergers are covered – or when using the raw figures for the income of all charities on the Register of Charities. In any one year, increases in the income of one or two large charities can have a large impact on the total income of all charities, while hiding fluctuations in the income of smaller organisations. An example of this is the creation of the GAVI fund in 2007\textsuperscript{24}, which added nearly £0.5 billion to the Register of Charities in a single year.

The final section of this paper develops estimates of the size and scope of cuts in public spending on voluntary and community organisations using these different approaches. A comprehensive appendix (which is also available for download in spreadsheet format from NCVO’s website) includes detailed tabulations of our estimates.

\begin{flushleft}
\textsuperscript{20} voluntarysectorcuts.org.uk \\
\textsuperscript{21} We would particularly recommend the work of NCVYS, published at http://ncvyspolicy.wordpress.com/ and recently summarised in NCVYS (2010) Comprehensive Cuts – Part 2
\textsuperscript{22} www.ncvo-vol.org.uk/networking-discussions/blogs/2009/11/06/06/first-year-big-society-marked-fall-charity-numbers-does-it
\textsuperscript{23} www.charity-commission.gov.uk/Charity_requirements_guidance/Your_charitys_activities/Working_with_others/rom.aspx
\textsuperscript{24} www.charity-commission.gov.uk/Showcharity/RegisterOfCharities/FinancialHistory.aspx?RegisteredCharityNumber=1115297&SubsidiaryNumber=0
\end{flushleft}
6 Results

6.1 Estimates based upon official forecasts

The variability of these cuts means that the financial impact on the voluntary and community sector is very difficult to establish. Any individual VCO has a range of relationships with different parts of government, and as a whole the sector’s financial relationship with government is complex. The sector interacts with a range of public sector bodies – including central government departments, NDPBs, local authorities, regional bodies and others. This occurs in a variety of ways – including contracts to deliver services, grants, and others. Each of these income streams will change in different ways – some will see increased funding, others decreases.

The simplest level of analysis takes voluntary and community sector income from government as a whole (£12.8 billion in 2007/08\(^{25}\)) and applies the ratio of government cuts to this figure. Some have used estimated figures of cuts to spending on the voluntary and community sector of 25% to 40% to predict a drop of between £3.2 billion and £4.5 billion over the period\(^{26}\). Indeed, shortly before the general election of 2010, NCVO estimated that the cuts might be equivalent to £3.2bn/year.\(^{27}\) The crude nature of this estimate means it is unlikely to reflect true changes in spending, as it does not take into account the composition of that spending.

Taken together, central and local annual departmental spending will actually see a fall of around 7.1% between 2010/11 and 2015/16. Applied to the NCVO Almanac figures for government income, this suggests a fall in real terms of £843 million in annual spending by 2015/16, and a cumulative loss of £2.5 billion over five years. This figure, whilst a significant proportion of income, is less than many predictions.

However, a more accurate estimate can be produced by looking at central and local government separately. Funding from local government is estimated at £6.6 billion in the NCVO Almanac, around 5% of the total local authority spending of £125 billion\(^{28}\). This is estimated to fall by 8.9% over the period, and if these cuts are passed on to local charities this would suggest local government income in 2015/16 of £5.9 billion, a fall of £580 million. The equivalent figures for central government suggest a fall of around £330 million over the period. These figures suggest that voluntary and community sector income from central and local government will be £911 million less in 2015-16 than in 2010-11, a fall of 7.7%. This represents a cumulative fall over five years of £2.8 billion. All these figures depend on voluntary and community sector income from government falling at the same rate as total government spending, i.e. proportionate cuts. Figure 6 shows the estimated fall in spending over the years 2010-11 to 2015-16.

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\(^{25}\) NCVO UK Civil Society Almanac 2010: [www.ncvo-vol.org.uk/almanac](http://www.ncvo-vol.org.uk/almanac)


\(^{27}\) We did however warn that “this assumes that all spending is equal, which it plainly isn’t; it assumes that spending is not a political decision, which it plainly is; and it assumes that the ‘sector’ as a whole is going to be hit, which it isn’t.” [www.ncvo-vol.org.uk/networking-discussions/blogs/2009/10/05/25/axeman-cometh](http://www.ncvo-vol.org.uk/networking-discussions/blogs/2009/10/05/25/axeman-cometh)

\(^{28}\) Local Authority spending has been adjusted from the original OBR tables using the accounting adjustment provided in PESA 2011.
Figure 6 - Estimated change in government spending on the voluntary and community sector, 2010-11 to 2015-16 (£ millions, 2010-11 prices)

Source: NCVO estimates based on Office for Budget Responsibility (2011) Economic and Fiscal Outlook Supplementary Tables

The central government figures can be broken down further by looking at spending by individual departments. By combining the departmental spending figures above with the amount spent by each department on the voluntary and community sector (and assuming that the proportion spent on the voluntary and community sector stays the same), we can estimate what the change in pounds spent between 2010-11 and 2014-15 is for each department (figure 7 - figures are not given for 2009-10 and 2015-16).

Estimates on existing central government department spend are based upon Cabinet Office surveys of central government funding of the voluntary and community sector. Known issues – particularly under-reporting of funding by departments – have been adjusted to reflect the known total spend by central government.  

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The figures suggest some departments will see increases in funding for the voluntary and community sector – notably the Department for International Development. Some, however, will see large falls – the Department for Communities and Local Government, the Home Office, BIS and the Department for Culture Media and Sport. The net impact of these changes over the four-year period is estimated to mean that spending in 2014-15 is £314m lower than spending in 2010-11, although this figure masks significant shifts in the focus of spending. It also hides movement over the years, as much of the increase in funding for international development in particular does not come in until 2013-14 and 2014-15. The total cumulative loss of central government funding over four years is £730m.

We must yet again reiterate that estimates are based upon the assumption that changes in spending are passed on proportionately. We are aware that it is already the case that some departments are cutting the voluntary and community sector more than their own department is being cut, including the Cabinet Office.
Office. Other departments have made positive announcements, though it is not always easier to compare with prior years.

It is more difficult to break down the impact on spending by local authorities, as robust data on the proportion that each local authority spends on the sector is not available. Instead, data on this area is gathered by surveying local authorities, as shown in the following section.

6.2 Asking the public sector

Estimates produced by extrapolating from official forecasts give an idea of the baseline levels of public spending on the sector – i.e. what the sector's income from government would be if public spending cuts were the only factor. A more detailed and complete picture of planned spending cuts would ideally aggregate the actual spending plans of statutory bodies, where they are known.

Again, this approach is hampered by a lack of data. So far our approach has concentrated on asking local authorities about their plans and budgets, but this would be equally valid for central government departments. In the absence of continued central government funding surveys this is a potential option for further research.

So far we have two main sources for information on local authorities' plans: replies to a letter sent by Chief Executives of the main voluntary and community sector umbrella bodies, and the results of Freedom of Information (FoI) requests by Compact Voice, asking each local authority its budget plans for two financial years and whether they had conformed to Compact principles.

A joint letter to all local authorities from voluntary and community sector infrastructure bodies recently requested data on spending plans. As well as a request for examples of good practice, local authorities were asked to talk to voluntary and community organisations at an early stage and to also indicate if cuts had been met with positive action.

94 responses were received, which equates to around 27% of both district and county councils. 45% said that they were protecting their voluntary and community sector budgets for 2010/11 and a further 6% indicated that they have actually increased their budgets for the sector. In line with the Compact, three months seemed to be the accepted minimum notice period to be given and 14% of councils said that they planned to give 6, 12 or even 18 months notice.

Many responses detailed new initiatives and partnerships, which have been formulated to ease the impact of the cuts:

30 www.thirdsector.co.uk/news/Article/1082701/Office-Civil-Society-spending-fall-61-per-cent-three-years/
31 For example, Dept of Education: www.education.gov.uk/inthenews/pressnotices/a0074906/voluntary-and-community-organisations-awarded-60-million-grant
32 A full copy of the letter can be found here: www.ncvo-vol.org.uk/news/funding/civil-society-bodies-challenge-local-authorities-tests-reasonableness
33 ACEVO, NAVCA and NCVO
34 Full details of the responses to the letter can be found here: www.ncvo-vol.org.uk/networking-discussions/blogs/18452/11/05/17/how-local-authorities-are-really-managing-budget-cuts
• 84% of local authorities outlined how they already work in partnership with their local VCS, through VCS forums or through more official channels, such as Local Strategic Partnerships;

• 50% of councils outlined new initiatives that they have put in place to help VCOs at this uncertain time; and

• A simple measure taken by 12% of authorities has been to offer ‘in-kind’ support to their local VCS, such as sharing offices and ICT resources.

In addition to this exercise, Compact Voice submitted two Freedom of Information requests to 351 local authorities in England, asking a number of questions, including:

• The extent of their cuts to both grants and contracts to the voluntary and community sector;

• The percentage of cuts to their overall settlements; and

• What engagement they have had with voluntary and community sector, organisations which are being affected by proposed cuts.

From the areas that did provide information, we have been able to determine the following:

• Over 50% of local areas have stated that they have made cuts disproportionately to the changes in their settlement; this means any reduction in the overall percentage of grants/contract spending is greater than the percentage reduction in their settlement. This is an alarming figure, and goes against the advice and guidance provided across government, as well as in the national Compact and many local Compacts.

• Only around 4% of areas who responded indicated that they had made cuts with less than three months notice. However, some areas made reference to notice being provided as an advance warning that cuts were possible, which would not always count as meaningful engagement when changing or ending funding relationships. Additionally, around 14% replied to our FOI request, but did not disclose how much notice they had given.

• Around 34% of responses indicated that they had made no changes to their funding provided to the VCS. Many of the responses indicated a real-term increase in funding if levels have remained the same as they were last year.

There were also gaps in the responses received - either as a result of information not being held, not disclosed to us, or no replies being sent to us at all. This has left us without a complete picture, but it can be speculated that:

• Those areas who did not respond at all might not have done so because they were more likely to be making disproportionate cuts.

• Those areas which had not made decisions about spending cuts were likely to breach Compact principles on engagement when changing or ending funding decisions.
Areas where information about engagement with the sector was not held were less likely to have strong partnerships.

The full data is available on Compact Voice’s website\(^{35}\). Compact Voice is encouraging local groups and organisations to use this data, and will be providing further analysis on it in the future.

A final example of this approach has been undertaken by the TUC and the False Economy website\(^{36}\). Their research, which was also conducted using FOI requests to local authorities, found that around 2,000 charities were facing cuts this year, with net funding reductions of around £110 million. We believe that this is a significant underestimate of cuts even by local authorities as the method applies to grant funding.

6.3 Asking the voluntary and community sector

At the time of writing a national, comprehensive and statistically valid survey of voluntary organisations' experience of cuts has not been undertaken. A number of regional surveys have indicated that spending cuts are impacting upon the level of services provided by the voluntary organisations, although these inevitably need to be interpreted with caution. In London, one recent survey estimated that 51% of organisations had had to close or reduce the level of services they provide.\(^{37}\) A survey of organisations in the North East indicated that 62% of organisations had seen a decrease in funding.\(^{38}\)

NCVO’s Almanac programme cannot yet report on the extent of cuts. Our usual source of data, the audited accounts of registered charities, takes over a year to become available after the financial year end in which organisations receive cuts in support as charities have ten months to file their accounts. There are emerging indications from analysis of the top 500 fundraising charities, which showed a fall in statutory income from 2008/09 – 2009/10.\(^{39}\)

Instead, the only sources of information on how organisations have been affected so far are smaller-scale surveys and ‘crowdsourcing’ initiatives. The most prominent of these initiatives has been the Voluntary Sector Cuts website\(^{40}\). This site, a collaboration between 25 sector infrastructure organisations\(^{41}\), aimed to provide one place for organisations that had experienced cuts to share their experience. The site launched

\(^{35}\) www.compactvoice.org.uk/cutsdata
\(^{36}\) falseeconomy.org.uk/blog/exclusive-more-than-2000-charities-and-community-groups-face-cuts
\(^{39}\) See www.thirdsector.co.uk/news/Article/1078915/Fall-fundraising-income-continues-says-Charity-Market-Monitor/
\(^{40}\) voluntarysectorcuts.org.uk
\(^{41}\) The 25 organisations are: One North West; National Council for Voluntary Organisations; RAWM; National Children's Bureau; Community and Voluntary Forum: Eastern Region; Public Service Delivery Network; NAVCA; Association of Chief Executives of Voluntary Organisations (ACEVO); Compact Voice; Volunteering England; English Regions Equality and Human Rights Network; The Institute of Chartered Accountants in England and Wales; Wales Council for Voluntary Action; London Voluntary Service Council; Voluntary Organisations’ Network North East; Regional Voices; One East Midlands; Northern Ireland Council for Voluntary Action; Urban Forum; Charity Finance Directors’ Group; Involve Yorkshire and Humber; Voluntary Sector North West; Raise; National Council for Voluntary Youth Services and South West Forum
in January 2011, and as of 2\textsuperscript{nd} August 494 cuts had been reported to the site, with a value of £76.5 million. Many organisations detailed redundancies made as a result of these cuts and services that have been closed as a result.

Cuts provided to the site cover all the English regions, and a range of funders. The most represented in terms of the number of cuts was local government, with roughly three in every five cuts reported tagging local government as a source of their funding. Around one-fifth explicitly tagged central government as a source of funding, and around 10\% pointed to loss of funding from the NHS. Some reports mentioned particular funding streams – notably the youth volunteering programme "v", and the Future Jobs Fund.

The information from the Voluntary Sector Cuts website doesn't enable us to produce sector-wide estimates for the impact of the cuts in financial terms, but it does give examples of the kind of impacts that reported cuts have had. Charities mention redundancies, cutting back on services, losing volunteering opportunities and many other impacts. However, it is difficult to make a connection between individual cases of cuts and the wider impact of cuts – in some cases funding may have been discontinued anyway, or services may have been moved to another provider.
7 What the cuts mean on the ground: case studies

NCVO members have reported on the impact of funding cuts on their ability to deliver vital services. These case studies are included to give some insight into the impact that cuts can have.

**Sheffield Alcohol Support Service (SASS)**

SASS provides community alcohol services for Sheffield. They have 24 employees and 20 volunteers.

They have seen a reduction to one of their family focused services, as funding from the local authority for the parent drugs and alcohol workers finished in March 2010.

They also expected the training contract for Sheffield DAAT (Drug and Alcohol Action Team) to be put out to tender, however that service was in reality decommissioned in March 2010.

Their alcohol contract budget was reduced so significantly that they were unable to tender because they felt they could not compete with a national provider which entered the bidding process.

Despite this, they still maintain a good working relationship with the local authority as they have been willing to consult wherever possible to ensure the reductions are fair and planned.

SASS also have an excellent collaborative relationship with the Big Lottery Fund as well as other smaller grant providers.

**North of England Refugee Service (Newcastle-upon-Tyne)**

There have been a total of £1,000,000 in cuts, resulting in a 70% cut in the vital services at the North of England Refugee service and a loss of over 20 full time staff.

Refugees are extremely vulnerable and need assistance gaining accommodation and employment, this necessary service has been abolished without the provision of an alternative.

**Providence Row (London)**

Providence Row exists to support homeless people back into the community through employment workshops, confidence and skill building and internships.

In January 2011 they saw 40% of their local authority funding withdrawn (equal to approximately £140,000).

In the near future they anticipate that their clients will be hit by a triple threat of rising rents, lower benefits and restricted services at organisations they may use due to funding cuts.
Solent Mind (Southampton)

Hampshire County Council has cut vocational advice services for people with mental health problems by £514,605 meaning this service was cut. Thus 800 beneficiaries lost access to their support service and 26 staff have been made redundant.
8 Myth busting: what the sector is and what it isn’t

Alongside the weight of the challenging economic climate and the impact of spending cuts, the voluntary and community sector has to contend with misinformation and myths which threaten to undermine the high levels of public trust and confidence which they enjoy.

These myths also can lead to poor decision making, as the perception grows that the sector can or should simply fundraise more, or that it is refusing to take responsibility for its own future.

Our top myths about the sector are introduced below:

Myth #1: Charities live off Government handouts

This is simply not true.

In fact, almost eight out of every ten charities have absolutely no financial relationship with the state. In reality, it’s more likely that the opposite is true as the state heavily depends on charities to provide services that it can’t deliver itself. Charities play an essential role in identifying need and providing relevant services.

They are uniquely positioned to do so through their work with people and ensuring their voices are represented.

Charities get funding from a wide range of sources and only 36% (£12.8 billion) of their total income comes from the state. Another third 37% (£13.1 billion) comes from individuals through donations and membership fees. The rest is made up from a wide range of other sources - including trusts and foundations, trading subsidiaries, the national lottery, private businesses and investments.

Nearly three-quarters (£9.1 billion) of the £12.8 billion that the voluntary and community sector does receive from the state each year is payment for the delivery of contracts for both central and local government. In these cases charities have been selected through a procurement process as the best group to provide a statutory service (this is often in competition with private sector organisations).  

The Charity sector receives £3.7 billion a year in grants from government, but these grants are not "handouts". Grant funding allows the sector to be innovative and experimental, which gives charities the space to tackle the root of social problems, rather than just fixing the symptoms. This is a preventative measure, which, in the long run, saves the country money.

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42 NCVO - The UK Civil Society Almanac 2010 - [http://www.ncvo-vol.org.uk/almanac](http://www.ncvo-vol.org.uk/almanac)
Myth #2: Charities funded by government aren’t ‘real’ charities

Again, this is not true. A charity is a charity regardless of its funding arrangements with the Government. Does anybody say that businesses that have contracts with the Government aren’t ‘real’ businesses?

Charities need to meet two requirements – they must have a purpose which is charitable (which fits a strict set of legal criteria) and it must operate for the public benefit. A charity’s source of income is not stipulated by these criteria.\(^\text{43}\)

Independence is crucial for charities and even if an organisation has a financial relationship with the state, they must make autonomous decisions in the interests of their beneficiaries. Also, even charities that receive funding by government will have volunteers to support their frontline work or to act as trustees.

Myth #3: Charities don’t pay any tax

Simply not true - charities contribute a large amount of tax and are significant economic contributors.

Confusion seems to occur on this because registered charities do qualify for some tax exemptions, such as corporation tax, local business rates, stamp duty and capital gains tax. The purpose of tax reliefs is largely to provide incentives to donors, without which charities could not function.

Charities can also claim gift aid on donations they receive, but this is a recovered from income tax already paid by donors, so technically is not an exception at all. In 2007/8 charities received a total £2.2 billion in tax relief.

Officials estimate that charities paid around £1.35 billion through taxes in 2007/08.\(^\text{44}\) This is because charities can’t recover the majority of VAT payments (so they pay 20% tax on everything they buy). And, of course, most also have to pay employers National Insurance contributions.

\(^{43}\) Charity Commission - Setting up a charity  
http://www.charitycommission.gov.uk/Start_up_a_charity/Set_up/default.aspx  

\(^{44}\) NCVO - The State and the Voluntary Sector (2009) - http://www.ncvo-vol.org.uk/savs
Myth #4: Charities aren’t playing their part in dealing with the deficit

Charities have been hit hard by the recession. Most have been working efficiently and creatively to reduce the impact of cuts to their often vulnerable beneficiaries.

The recession had a huge impact on charities. Charitable giving fell during the recession, with donations from individuals falling by nearly £1 billion between 2008 and 2009. Worryingly this has not yet recovered. It also comes at a time when demand for services has increased by over 17%.

Some people comment that there are too many charities. They fear that this increases bureaucracy and reduces efficiency. This is an ongoing debate within the sector. Again, would anyone comment that there are too many businesses? Or go as far to discourage new enterprise? In fact, internally, most charities are working as efficiently as possible through collaboration, joint projects and, in some cases, mergers. Charities have also proactively worked with the Government to cut costs in public service delivery.

Myth #5: Charities can just fundraise their way out of trouble

In theory yes, many charities can fundraise but others face a very different reality.

According to our figures, charities would need each current donor to give an extra £32 every year to balance the books. Alternatively, charities could try and get an additional 6.6million donors to give the typical monthly gift of £11 to make up for the loss. This is a pretty big ask when everyone is feeling the effect of the ever rising cost of living.

There’s also another reality for charities; people tend not to give to causes that are paid for by statutory bodies, such as women’s refuges or advice services. It will be a long, and possibly futile, exercise for these vital organisations to substitute state funding with donations. What happens to those who need these services in the meantime?

Myth #6: Some charities are just sitting on massive piles of cash

Yes some charities have reserves. But most live hand to mouth.

It is true, some charities do have cash reserves but these tend to be very small. Our research shows that one in three charities have no funding in reserve and that the median funding level is just one month's worth of expenditure.

Cash reserves are mainly held by grant-making foundations, which tend to fund the same charities, or fund things like medical research. Essentially, most charities live hand to mouth.

46 NCVO/CAF - UK Giving 2010 - http://www.ncvo-vol.org.uk/giving
47 http://www.ncvo-vol.org.uk/news/funding/one-three-charities-have-no-reserves
**Myth #7: You all work for free, so what do you need our money for?**

The Charity sector doesn’t work for profit but they do employ over 790,000 people.

This vibrant sector needs the skills, expertise and full-time commitment of paid staff to keep it efficient and innovative. It is an accepted standard to pay people for their work, so they can pay the rent and support their families, regardless of an organisation’s overall purpose.

Of course, volunteering is the mainstay of the charity sector. An incredible 11 million people volunteer in the UK each month. But volunteering isn’t free for charities because volunteers need support and management, which of course, costs money.

Yet the use of volunteers does offer exceptional value for money. A recent study of 8 charities across Europe (including three in the UK) showed that for every £1 spent on supporting volunteers, the charities received an average financial return worth between £3 and £8.

**What do we mean by charities?**

People use a number of interchangeable terms to describe our sector ranging from voluntary sector, to voluntary and community sector, to third sector, to not for profits. We have used the term charities here to because it is short and simple.

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48 NCVO - The UK Civil Society Almanac 2010 - [http://www.ncvo-vol.org.uk/almanac](http://www.ncvo-vol.org.uk/almanac)

9 Conclusions and recommendations

We believe the most reliable estimates of cuts in statutory spending with the voluntary and community sector are a £911 million per annum reduction by 2015-16 compared with 2010-11, a fall of 7.7%. This is significantly lower than many estimates produced thus far but nevertheless a small but significant proportion of the sector’s total income of £35.5 billion.

The evidence from voluntarysectorcuts.org.uk, ongoing member feedback and our analysis of the Emergency Budget is that many of these cuts are taking place already. A clear message from these estimates is that further cuts will be implemented; organisations need to plan for these, if they are not already doing so.

Finally, there is a clear need to improve and supplement these estimates and, where possible, refine the assumptions upon which they are based. We look forward to engaging with government and the sector to improve their accuracy.

This report is not intended to be a post mortem exercise on cuts. This is a live issue and the impact of cuts is likely to increase throughout the Spending Review period. It is essential that lessons are learned quickly to ensure that the VCS is equipped to play its full and growing role in society.

9.1 Recommendations

1. The VCS cannot and should not be immune from cuts. Our long standing recommendation has been for government to mitigate the impact of cuts through long term, strategic decision making and by enacting a range of other compensatory measures (not exclusively financial) to allow the sector to manage this challenging period of transition.

2. Central government must collect and publish a comprehensive and robust analysis of its total spending on the VCS, the impact of cuts to the sector and an evaluation of the resultant cost/benefit to government. We look forward to engaging constructively with this process.

3. Government must recognise the full value of the VCS in social and economic terms. A clear and meaningful implementation of social value clauses in public contracts would be a significant step forward.

4. Government can play an essential role in tackling the myths outlined in this report and in engaging with constructive dialogue with and about the sector. Incorrect information about the sector (including the way in which it is funded and the nature of the sector) not only leads to poor decision making about funding in the public sector but, crucially, can undermine public trust and confidence in the sector. This trust is vital to the ability of the VCS to attract public support.

5. Central government should encourage and support local authorities to make long term decisions in partnership with their local VCS. This includes effectively planning for the ending of funding or
contracting arrangements (decommissioning) of voluntary organisations. We recommend that the NAO’s recommendations on decommissioning should be widely followed.50

6. Government at all levels should use Compact principles to inform its decisions.

7. A number of structural changes to the public sector would better enable the VCS to take advantage of potential opportunities around public services, thus mitigating some of the impact of funding cuts. These include:
   a. Change to the commissioning process.
   b. A sensitive implementation of new measures to pay contracted providers, including Payment by Results.
   c. For government to go further and faster in its positive intent to streamline and rationalise the procurement process.

8. For government to strongly signal and commit to the importance of diverse funding streams for the VCS. This includes a mixture of grants, loans, contracts, new forms of finance including social investment and hybrid financial packages including an ongoing role for the public sector in providing cornerstone and capstone investments. Grant budgets are under considerable pressure but the importance of grants in allowing organisations to innovate, experiment and develop new solutions for entrenched problems remains.

9. Changes to tax and fiscal policy are an important part of government mitigating the impact of spending cuts. Government should quickly implement proposed simplifications to Gift Aid and work with the sector to meaningfully implement its obligations under European law in relation to shared services VAT.

# Data appendix

Table 1: Estimated Central Government Spend on voluntary sector, 2010-11 to 2015-16 (2010-11 prices)

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Source: OBR Fiscal Supplementary Tables, Table 2.24, NCVO Almanac 2010

Table 2: Estimated Local Government Spend on voluntary sector, 2010-11 to 2015-16 (2010-11 prices)

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<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Spend on voluntary sector (£ million)</td>
<td>6,506.2</td>
<td>6,415.9</td>
<td>6,260.7</td>
<td>6,110.0</td>
<td>5,960.6</td>
<td>5,924.3</td>
</tr>
<tr>
<td>Change in voluntary sector spend from 2010/11 (£ million)</td>
<td>0.0</td>
<td>-90.3</td>
<td>-245.5</td>
<td>-396.3</td>
<td>-545.6</td>
<td>-581.9</td>
</tr>
<tr>
<td>Change in voluntary sector spend from 2010/11 (% change)</td>
<td>0.0</td>
<td>-1.4</td>
<td>-3.8</td>
<td>-6.1</td>
<td>-8.4</td>
<td>-8.9</td>
</tr>
</tbody>
</table>

Source: OBR Fiscal Supplementary Tables, Table 2.24 (excluding accounting adjustments), NCVO Almanac 2010

Table 3: Estimated Central and Local Government Spend on voluntary sector, 2010-11 to 2015-16 (2010 prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Government Spending</td>
<td>251.1</td>
<td>246.9</td>
<td>245.4</td>
<td>243.6</td>
<td>238.5</td>
<td>235.5</td>
</tr>
<tr>
<td>Local Government Spending</td>
<td>123.1</td>
<td>121.4</td>
<td>118.5</td>
<td>115.6</td>
<td>112.8</td>
<td>112.1</td>
</tr>
<tr>
<td>Central and Local Government Spending</td>
<td>374.2</td>
<td>368.3</td>
<td>363.8</td>
<td>359.2</td>
<td>351.3</td>
<td>347.6</td>
</tr>
<tr>
<td>Spend on voluntary sector (%) [1]</td>
<td>3.2</td>
<td>3.2</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Spend on voluntary sector (£ million)</td>
<td>11,800.9</td>
<td>11,622.8</td>
<td>11,434.8</td>
<td>11,246.1</td>
<td>10,989.2</td>
<td>10,889.9</td>
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<tr>
<td>Change in voluntary sector spend from 2010/11 (£ million)</td>
<td>0.0</td>
<td>-178.0</td>
<td>-366.1</td>
<td>-554.8</td>
<td>-811.6</td>
<td>-911.0</td>
</tr>
<tr>
<td>Change in voluntary sector spend from 2010/11 (% change)</td>
<td>0.0</td>
<td>-1.5</td>
<td>-3.1</td>
<td>-4.7</td>
<td>-6.9</td>
<td>-7.7</td>
</tr>
</tbody>
</table>

Source: OBR Fiscal Supplementary Tables, Table 2.24 (excluding accounting adjustments for local government), NCVO Almanac 2010
### Table 4: Central Government Spend on Voluntary Sector, by Department, 2010-11 to 2014-15 (2010-11 prices)

<table>
<thead>
<tr>
<th>Department</th>
<th>% of spend on VCS [1]</th>
<th>£ million (2009/10 prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>2.0</td>
<td>984.9</td>
</tr>
<tr>
<td>NHS (Health)</td>
<td>1.5</td>
<td>1,417.2</td>
</tr>
<tr>
<td>Transport</td>
<td>0.0</td>
<td>1.5</td>
</tr>
<tr>
<td>CLG Communities</td>
<td>4.2</td>
<td>90.0</td>
</tr>
<tr>
<td>Business, Innovation and Skills</td>
<td>1.7</td>
<td>279.1</td>
</tr>
<tr>
<td>Home Office</td>
<td>4.1</td>
<td>371.0</td>
</tr>
<tr>
<td>Justice</td>
<td>0.9</td>
<td>72.8</td>
</tr>
<tr>
<td>Law Officers’ Departments</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Defence</td>
<td>0.1</td>
<td>23.2</td>
</tr>
<tr>
<td>Foreign and Commonwealth Office</td>
<td>0.6</td>
<td>7.9</td>
</tr>
<tr>
<td>International Development</td>
<td>6.0</td>
<td>366.6</td>
</tr>
<tr>
<td>Energy and Climate Change</td>
<td>1.8</td>
<td>21.3</td>
</tr>
<tr>
<td>Environment, Food and Rural Affairs</td>
<td>1.8</td>
<td>40.7</td>
</tr>
<tr>
<td>Culture, Media and Sport</td>
<td>26.1</td>
<td>355.2</td>
</tr>
<tr>
<td>Work and Pensions</td>
<td>3.4</td>
<td>222.7</td>
</tr>
<tr>
<td>Scotland</td>
<td>1.1</td>
<td>257.8</td>
</tr>
<tr>
<td>Wales</td>
<td>1.1</td>
<td>138.3</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>1.1</td>
<td>96.7</td>
</tr>
<tr>
<td>HM Revenue and Customs</td>
<td>0.0</td>
<td>0.9</td>
</tr>
<tr>
<td>HM Treasury</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Cabinet Office</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Others</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>4,748.1</td>
</tr>
</tbody>
</table>

Source: OTS 2009 - Central Government Funding, PESA 2011

### 10.1.1 Notes:

1. Spending as a proportion of government expenditure assumed to hold steady throughout the period
2. Further details can be found in the source excel document which will be available on [www.ncvo-vol.org.uk](http://www.ncvo-vol.org.uk)