



London Office
1 New Oxford Street
London WC1A 1NU
T: +44 (0)20 7280 4960

Leeds Office
3 Albion Place
Leeds LS1 6JL
T: +44 (0)113 243 2333

F: +44 (0)20 7280 4989
E: info@acevo.org.uk
W: www.acevo.org.uk

ACEVO briefing The 2010 Spending Review

The Chancellor has set out the biggest cuts to public spending in a generation, with average budget cuts to Whitehall departments of 19% over four years, cuts to local authority funding of 28% over four years, and £7 billion of cuts to welfare benefits. There were also some unexpected announcements such as a £100 million transition fund for third sector organizations in difficulty and an extra £2 billion to be invested in social care. There was a strong emphasis on public service reform (including through the third sector) throughout.

This 6-page briefing summarises those announcements relating to:

- third sector support
- public service reform
- welfare changes
- economic growth
- departmental and local government spending

Third sector support

Government will direct 'around £470 million' over the spending review period through OCS to support capacity-building in the third sector, including:

- an endowment fund to assist local third sector organisations
- piloting the National Citizen Service
- a new Transition Fund of £100 million for third sector organizations delivering services but likely to be hit in the short term by public spending cuts

The Big Society Bank will receive 'all funding available to England from dormant accounts' and seek to leverage further funding from the private sector.

Cultural institutions will be allowed to use money raised independently more flexibly and establish trust arrangements that enable them to generate more funding from private sources. Government will undertake a review of ways to increase philanthropic giving, announcing further details later this year.

Public service reform

The document states early on: 'the Spending Review is underpinned by a radical programme of public service reform'. This includes commitments to:

- Devolve power and funding, and simplify funding to local authorities. Ring-fencing of all local government revenue grants will end from 2011-12, except simplified schools grants and a new public health grant. The number of separate core grants will be reduced from over 90 to fewer than 10, excluding schools, police and fire.
- Increase the diversity of service provision, including by '[looking] to set proportions of specific services that should be delivered by non-state

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- providers including voluntary groups'. This will be explored in adult social care, early years, community health, pathology, youth services, court and tribunal services, early intervention for 'the neediest families'.
- Introduce new rights for communities to run services and own assets
 - Establish 'community budgets' in 16 local areas to pool departmental budgets for families with complex needs. These will be rolled out to all local areas over the spending review period.
 - Pay for more services by results. Use of tariffs and more innovative payment mechanisms will be explored in new areas including community health, prisons and probation, children's centres.
 - Reform public sector pensions. A consultation, ending in summer 2011, will be launched on the HMT Fair Deal policy on public sector pensions of staff being transferred to the private or third sectors with a service. ACEVO has been pushing the Treasury to abandon the policy as a significant barrier to third sector provision of services. 'Progressive changes' to the level of employee contributions to public sector pensions will also be made, saving £1.8 bn a year by 2014-15. Consultation to report by summer 2011.
 - Government will consult on these reforms and publish a White Paper on public service reform/commissioning early next year.

Welfare

The Spending Review sets out a further £7bn welfare cuts in addition to the £11 bn announced in the emergency Budget. These include:

- £2.5 bn p.a. saved by 2014-15 by withdrawing child benefit from families with a higher rate taxpayer
- a cap on household benefit payments from 2013 at c. £500 per week for couple and lone parent households and around £350 per week for single adult households (DLA claimants, war widows and working families claiming working tax credit will be exempt from this cap)
- time-limiting contributory Employment Support Allowance for those in the Work Related Activity Group to one year, saving £2 bn a year by 2014-15
- increasing the age limit for the shared room rate from 25 to 35
- removing the mobility component for claimants of Disability Living Allowance in residential care
- freezing the maximum award for the Savings Credit for four years from 2011
- extending temporary changes to the waiting period and capital limit for Support for Mortgage Interest until January 2012
- changes to Council Tax Benefit: a 10% reduction in expenditure and localization
- a freeze in the basic and 30 hour elements to the Working Tax Credit for three years from 2011-12
- reducing payable costs through the childcare element of the Working Tax Credit from 80% to 70%
- changes to the Working Tax Credit: increasing the working hours requirement for couples with children to 24 hours
- measures to tackle benefit fraud and error

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The Chancellor also announced a permanent increase in the rate for Cold Weather Payments to £25 from November 2010, and an increase in the child element of the Child Tax Credit by £30 in 2011 and £50 in 2012.

Growth

The Regional Growth Fund is to be extended to 3 years and increased in size from the £1bn announced in the emergency Budget to £1.4 bn. There will be a White Paper on local growth: 'central... will be ensuring that growth is driven by local businesses and communities, as well as providing the means and incentives to allow local communities to benefit directly from economic development in their area'

Departmental and local spending

Whitehall departments will see cuts to their budgets averaging 19% over four years, ranging from a 51% cut to DCLG's budget to a 37% increase in DfID's. Cuts to local authority funding will reach 28% over four years. The administrative budgets of Whitehall departments and arms-length bodies will be reduced by 34% over the spending review period, saving £5.9 bn per year by 2014-15. 118 arms-length bodies will be merged and a further 192 will cease to be public bodies with their functions either brought back into Government, devolved or abolished.

The table below shows changes to each department's programme / administration budget and capital budget, along with notes on the changes more likely to affect third sector chief executives.

Department	Real-terms change in programme/admin budget, 2010-15, with budget at end of SR period in brackets	Real-terms change in capital budget, 2010-15, with budget at end of SR period in brackets	Notes
DfE *	-3.4% (to £53.9bn)	-60% (to £3.4 bn)	£2.5 bn pupil premium; extension of 15 hours a week of early years education/care to all disadvantaged 2-year-olds from 2012-13; Sure Start services maintained in cash terms including new investment in health visitors, Sure Start reforms to refocus on more disadvantaged and to 'encourage more community providers to enter the market, including through payment by results'.
DH	+1.3% (£109.8bn)	-17% (£4.6bn)	Additional £2 billion p.a. to be spent on social care by 2014-15; new cancer drugs fund of up to £200 million p.a.; expansion of access to psychological therapies; £20 bn of efficiency savings through the QIPP

			programme; some Labour government initiatives dropped (free prescriptions for people with long-term conditions, right to one-to-one nursing for cancer patients)
DfT	-21% (£4.4bn)	-11% (£7.5 bn)	Bus subsidy to be reduced by 20%; local government resource grants reduced by 28% and local government given more control and flexibility in how they spend this money
DCLG	-51% (£1.2bn)	-74% (£2.0 bn)	Programme to deliver up to 150,000 new affordable homes over 4 years; devolving over £1.6 billion to local government; £890 million contribution to the Regional Growth Fund; provision for Disabled Facilities Grants rising with inflation; over £6 bn funding for the Supporting People programme over 4 years; Working Neighbourhoods Fund to end;
Local govt	-27% (£22.9 bn)	-100% (£0.0bn)	Number of separate core grants simplified from over 90 to fewer than 10; more than £4 bn of grants rolled into formula grant; 'community budgets' piloted in 16 areas to pool departmental budgets for families with complex needs; £200 million to support councils to 'accelerate reforms of local services' e.g. through personalisation and more third sector delivery.
BIS	-25% (£13.7 bn)	-52% (£1.0 bn)	Extra £250 million p.a. by 2014-15 for adult apprenticeships; spending on adult community learning 'protected and reformed'; Train to Gain abolished; exploration of mechanisms to increase employer contributions to adult learning; entitlement to free training for a first full level 2 qualification for those over 25 abolished.
Home Office	-23% (£7.8 bn)	-49% (£0.5 bn)	Police resource funding cut by 14% in real terms over the 4 years; 30% cuts to the department's non-police funding;
MoJ	-23% (£7.0 bn)	-50% (£0.3 bn)	Targeting legal aid on those who need it most; investment to divert mentally ill offenders away from the justice system and into treatment; rehabilitation reforms to be set out in Green Paper
MoD *	-7.5% (£24.7 bn)	-7.5% (£8.7 bn)	
FCO	-24% (£1.2 bn)	-55% (£0.1 bn)	British Council to find savings
DfID	+37% (£9.4 bn)	+20% (£2.0 bn)	Increase in aid to 0.7% of GNI from 2013; new Independent Commission on Aid Impact to assess all aid spending; policy

			'more focused on boosting economic growth and wealth creation', 'improve coordination... of British development policy in conflict countries' particularly in Afghanistan and Pakistan; programmes in China and Russia to close
DECC	-18% (£1.0 bn)	+41% (£2.7 bn)	Green Deal to enable households to improve energy efficiency at no upfront cost; independent review of the fuel poverty target and definition before end of 2010; provision of aid to third world countries to pursue low carbon growth and adapt to climate change
Defra	-29% (£1.8 bn)	-34% (£0.4 bn)	'focus spending on areas of high economic value', such as £2 bn over the 4 years on flood/coastal defence; 53 arms length bodies abolished/merged
DCMS	-24% (£1.1 bn)	-32% (£0.1 bn)	Free entry to museums/galleries maintained; many NDPBs to make 50% savings (including ACE) but DCMS will "limit cuts to 15% for core programmes like Museums, ACE funding to frontline arts and Sport England's Whole Sport plans"; 19 arms length bodies to be abolished/merged; corporate investment/philanthropy to be encouraged; 60% of Lottery money to go to arts, sport & heritage; 40% to the third sector; funding package for Olympics maintained.
DWP *	+2.3% (£7.6 bn)	-5.5% (£0.2 bn)	£2 bn over 4 years for the Universal Credit (reforming benefits to 'ensure work always pays'); Work Programme providers to be paid on basis of benefits savings they secure;
Scotland	-6.8% (£25.4 bn)	-38% (£2.3 bn)	
Wales	-7.5% (£13.5 bn)	-41% (£1.1 bn)	
N Ireland	-6.9% (£9.5 bn)	-37% (£0.8 bn)	
HMRC *	-15% (£3.2 bn)	-44% (£0.1 bn)	£900 million to tackle tax avoidance, fraud and evasion, including 'a five-fold increase in criminal prosecutions to act as a deterrent to others'
HMT	-33% (£0.1 bn)	-30% (£0.0 bn)	
Cabinet Office **	+28% (£0.4 bn) (NB note** below)	+28% (£0.0 bn)	OCS funded to support growth of Big Society, including by encouraging volunteering, building third sector capacity, establishing community organisers, setting up a Community First Fund to support local and community organisations, piloting the National Citizen Service, £100 million



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			transition fund for third sector organisations delivering services but likely to be affected in the short term by cuts
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* These figures do not include Annual Managed Expenditure (AME), i.e. spending that is often demand-led and cannot be subject to three-year limits such as benefit payments. For most departments AME is very small, but for DfE, MoD, DWP and HMRC it is significant and by 2014-15 is forecast to be £4.2 bn, £3.4 bn, £4.8 bn, £163.7 bn, and £36.4 bn respectively.

** The growth of the Cabinet Office budget partly reflects responsibilities transferred to it from elsewhere, such as spending on elections and constitutional reform (from MoJ), the Office of Government Commerce (from HMT), DirectGov (from DWP). When these changes are excluded, the Cabinet Office will make a saving of 35%.

What others are saying

You can read reactions from people across the ACEVO network by visiting www.acevo.org.uk/SR2010. Contributions include:

- Richard Humphries, King's Fund, on social care
- Alison Ryan, Weldmar Hospicecare Trust and NHS South West, on health
- Richard Johnson, Serco Welfare to Work, on welfare to work
- Sonia Sodha, Demos, on children and young people
- Steve James, Avenues Trust and Greenwich PCT, on health and social care
- Faye Scott, Green Alliance, on the environment
- James Groves, Policy Exchange, on schools and education
- Katie Schmuecker, ippr North, on welfare to work
- Clive Martin, Clinks, on criminal justice
- Mark Pemberton, Association of British Orchestras, on the arts

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