

Spending Review 2010

The Government has outlined its Spending Review in an announcement to Parliament and this document outlines some early key issues for the VCS. A plan to reduce the UK's deficit is at the heart of the Government's proposals and the overall picture is one of fiscal retrenchment and significant reductions in government spending from now until the period 2014/15.

Wider political and policy changes will take place alongside reduced spending, including reforms to public services and a transfer of power from central to local government. A significant cut in local government funding coincides with that transfer of power and increased discretion for local authorities over how the money is spent. This will mean that decisions made at local government level will have a crucial bearing on how the VCS can continue to operate.

We will be providing a more detailed analysis of what these announcements mean in the coming days. The following elements of the Spending Review are amongst the most important for our sector:

Announcements relating to the voluntary and community sector

There will be £470 million allocated over the Spending Review period to support capacity building in the voluntary and community sector, including:

- Funding for Community First (replacing grassroots grants)
- Funds to pilot the National Citizen Service
- A Transition Fund of £100 million to provide short term support for voluntary sector organisations providing public services.

The transition fund will be available to organisations with income of £50,000-£10 million. Around £10 million of this fund is expected to be allocated in this financial year, with a further £90 million to be allocated in 2011/12.

Private investment

The Big Society Bank will bring in private sector funding in addition to receiving all funding available to England from dormant accounts.

The Government will also work with the financial sector, the voluntary sector and community groups to develop innovative equity investment opportunities in public services. We would also encourage government to further examine the potential for new approaches to finance – such as social impact bonds.

Public services reform

Government will look to set proportions of specific services that should be delivered by non-state providers including voluntary groups. The aim is to increase the diversity of public service provision. However the key issue should not be *who* provides the service, but in ensuring that the best services are provided.

There will also be a greater emphasis placed on payment by results and the Spending Review also makes reference to making payments in accordance with benefit savings generated by “private and third sector specialists” under the Work Programme.

Government has outlined several further reforms to health and social care in the Spending Review:

- The current Department of Health grant to local authorities for social care (the Personal Social Services grant) will increase by £1 billion in real terms by 2014-15. This grant will be merged into local government formula grant
- The NHS will set aside funding growing to £1 billion by 2014-15 within their settlement to fund new ways of providing services, including reablement services provided by the NHS.
- Andrew Dilnot, former Chair of the Institute of Fiscal Studies, has been asked to lead a commission on the funding of long term care, due to report in July 2011.
- Government will introduce a more preventative focus across public services. The Government will ring-fence funding for a Public Health Service “to improve the health of the whole population and particularly pockets of ill health and health inequalities.”

Localism, local government

There will be significant cuts to local government as a result of this Spending Review and we are concerned about the potential impact of cuts on the VCS. The detail of how this will impact on the sector will become clearer once individual local authorities receive precise details of their funding. It is important that a long term, strategic view is taken and that cuts to funding are phased in over time to ensure that their impact can be mitigated.

The Government proposes to transfer significant power and responsibility to local government and to local communities. This is identified as a key part of building the Big Society, “where everyone plays their part, shifting power away from central government to the local level”:

- Ringfencing of all local government revenue grants will end from 2011-12, except simplified schools grants and a new public health grant
- Local authorities will be given a “universal power of competence”. Additional discretion for local authorities is positive, provided that there is meaningful engagement with the VCS at a local level to identify need and meet local priorities
- Community budgets will be established in 16 local areas to pool departmental budgets for families with complex needs, and rolled out to all local areas over the Spending Review period
- Local Economic Partnerships (LEPs) will play a pivotal role in local economic development. Government refers to “helping balance the economy towards the private sector”. We will strongly make the case to government that the VCS must have a full role in LEPs.
- Government will introduce new rights for communities to run services, own assets and for public service workers to form cooperatives. The Government will consult on these reforms and publish a White Paper early next year to tackle barriers and enable change
- The potential for local communities to own and run community assets is positive and it is now crucial to ensure that these assets are used to transform communities and that local groups are equipped with the capacity and confidence they need to ensure that they can realise the potential of assets.