

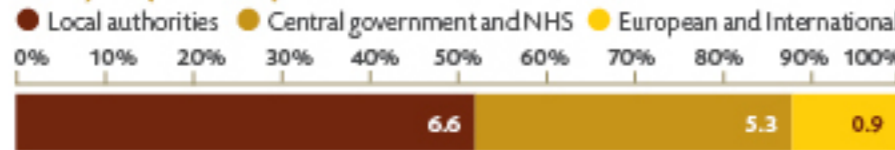
Question 26... What are the main trends in statutory funding?

Tiers of government

In 2007/08, 52% of statutory income – £6.6 billion – came from local authorities, a reflection of the importance of the local government – voluntary sector relationship. A further 41% of statutory income came from central government and the NHS. European and international statutory sources provide approximately £0.9 billion in income (7%).

Source: NCVO

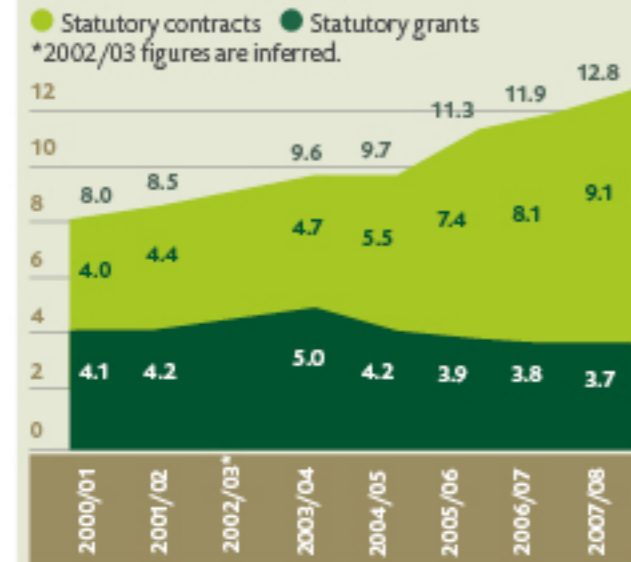
Statutory funding to the voluntary sector by tier of government, 2007/08 (£ billions)



Where does the sector's statutory funding come from?

Income from statutory sources totalled £12.8 billion in 2007/08. This includes resources from UK central, local and devolved administrations, international bodies, and overseas governments. Income from statutory sources has increased year-on-year since 2000/01. The sector experienced a 7.7% increase in statutory income between April 2007 and March 2008, a slightly higher increase than in the previous year. The increase in statutory funding continues to be driven by the sector's growing role in public service delivery (see question 9).

Voluntary sector grant and contract income from statutory sources, 2000/01 – 2007/08 (£ billions)



Grants and contracts

Statutory funders transfer resources to voluntary sector organisations using a number of mechanisms, but such flows can be summarised as either voluntary income (grants) or earned income (contracts). Contract income from statutory bodies was worth £9.1 billion in 2007/08, an increase of £5.1 billion in seven years. A continuous upward trend in the total value of contracts is evident, and the pace of growth has quickened since 2004/05.¹ Over the same period, grants from statutory funders have declined by £400 million to £3.7 billion, although this decline may appear deeper to the sector due to an increase in grants earlier in the decade.

Source: NCVO

¹Note that this shift partly reflects changed or improved accounting practices – in short, better recognition of when income is in fact a contract.

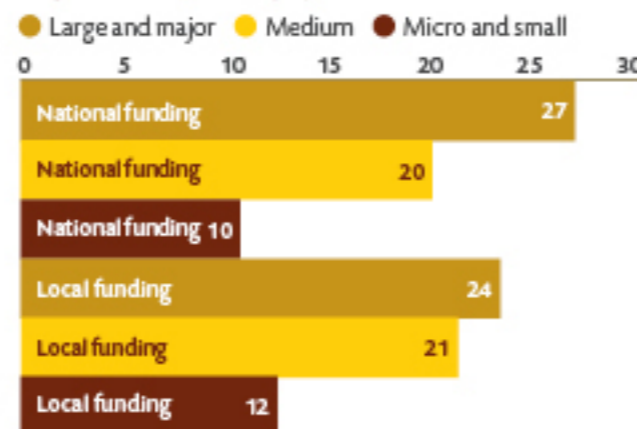
Length of government funding

Three-year funding is a key tenet of the voluntary sector's relationship with government. The available evidence shows that there is low satisfaction with the provision of three-year funding at a local and national level (13% and 10% respectively). Satisfaction with opportunities for three-year funding was higher amongst larger organisations, although even for the largest organisations, only a quarter appear satisfied (OTS, 2009).

Source: Office of the Third Sector, NCVO

36% Proportion of voluntary sector's funding that comes from statutory sources

Satisfaction with opportunities for three-year funding at a local and national level by size of organisation, 2009 (%)



Where does statutory funding go to in the sector?

Government funding by size of recipient

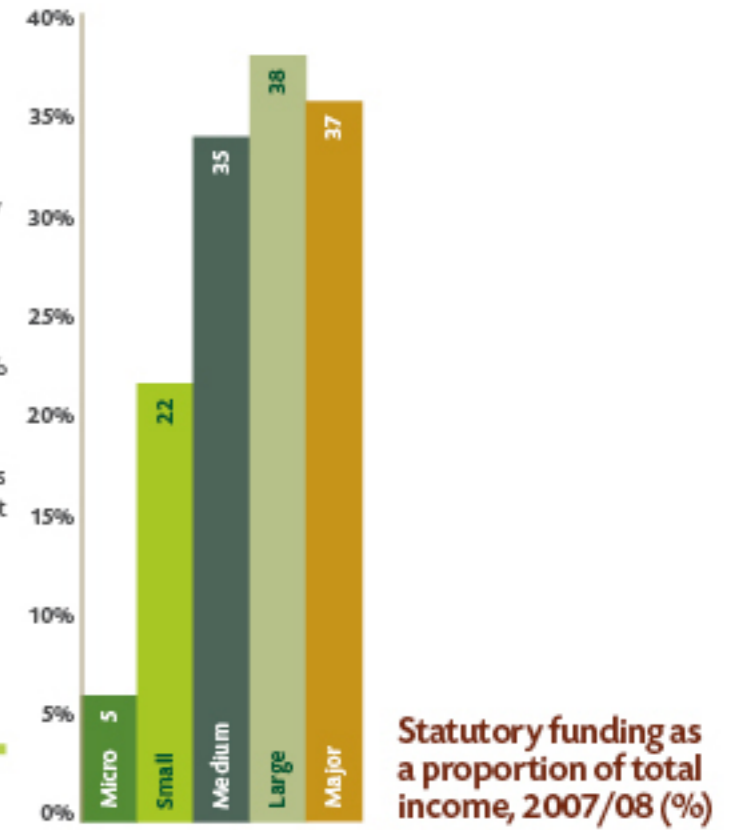
An organisation's size appears to impact on both the amount of statutory income that it receives and also how important that statutory income is to their overall income. 79% of the sector's statutory income is received by 3,742 large and major organisations. Major organisations received £5.8 billion in statutory fees and grants whilst large organisations receive £4.3 billion. Alternatively, small and micro organisations receive only 3.3% of the statutory funding that is received by the sector.

On average, organisations with an income greater than £100,000 receive over one-third of that income from the state. Medium sized organisations receive 18% of total government funding to the sector – £2.3 billion – yet statutory funding accounts for 35% of their overall income. This is indicative of a wider problem: statutory funding is now critical to the voluntary sector economy, but its small share of overall public expenditure suggests the state is less dependent upon the sector.

Source: NCVO

Statutory income and proportion of organisations that receive state funding, 2007/08

Size	Statutory income (£ millions)	Proportion of organisations that receive state funding (%)
Micro	14.5	8
Small	411.5	30
Medium	2,290.8	55
Large	4,279.0	68
Major	5,812.8	73
Total	12,808.7	22



38,000

Voluntary organisations have a direct financial relationship with the state

How many voluntary sector organisations have a financial relationship with the state?

Over three-quarters (78%) of all voluntary organisations do not receive any income from statutory sources. Conversely, 22% of the sector – 38,000 organisations – has a direct financial relationship with the state. Larger organisations are much more likely to receive funding from statutory sources.

Source: NCVO

Voluntary sector organisations within the employment and training sub-sector receive 70% of their overall income from statutory sources. Four other sub-sectors receive over half of their income from statutory sources: law and advocacy (51%), education (51%), housing (51%) and social services (50%).

Intelligent commissioning

Kevin Curley
Chief Executive, NAVCA

Despite the consensus across political parties for maintaining grant funding – it is still falling dramatically. This is particularly critical for small, local organisations – rooted in their communities and playing a key role in delivering early intervention and preventative support. Those of us who defend local grants are not against using contracts for delivering public services. Instead, we advocate an intelligent commissioning approach to identify the most appropriate funding route. Grant funding is a key feature of good commissioning.

Contracts should normally be used to purchase public services, particularly where there is a functioning market. Grants should fund

activities which are in broad alignment with the objectives of a public body, particularly in the absence of a competitive market, or where the aim is to build capacity, or support the activities of organisations which are of strategic importance to the statutory body. There are still those who say grants reduce accountability and lead to dependency. However, there are good and bad examples of grant funding, just as there are good and bad examples of public procurement. The quality of the relationship between funder and provider is determined by factors such as adherence to good practice and principles for working together, such as mutual understanding and respect. Grants are an expression of trust and commitment between funder and funded.

Intelligent commissioning involves the appropriate use of both grants and contracts. It leads to more effective partnerships between funders and third sector providers. Ultimately it delivers better outcomes for communities.