

The Comprehensive Spending Review: How it may affect charities

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Departmental spending cuts

Central government departments face cuts averaging 19% while local government funding will be cut by 7.1% each year over 5 years. Given that the charity sector received £12.8 billion in government funding in 2008/09 – over a third of its total income – the impact of the reductions on the charitable sector will be severe.

Charities helping individuals to move from welfare to work will be hit by the abolition of BIS's 'Train to Gain' programme.

Charities in the cultural or sports fields will be hit by the DCMS settlement: 19 DCMS public bodies are being abolished or 'reformed', including the UK Film Council and Museums, Libraries and Archives Council. Other DCMS public bodies face major cuts, including Sport England (30%), English Heritage (over 30%) and the Arts Council (50%).

Many government-funded charities will face dramatic and perhaps fatal cuts in funding streams as a result of these changes. We anticipate a further upsurge in mergers or collaborations between smaller and medium sized charities whose principal activity is the delivery of public services and are primarily funded from contract income, in order to try and cut costs through economies of scale.

£470 million to support the sector in its role within the 'Big Society'

The CSR report states: *'The government will direct around £470m over the Spending Review period to support capacity building in the voluntary and community sector, including an endowment fund to assist local voluntary and community organisations. As part of this, the government will provide funds to pilot the National Citizen Service and establish a transition fund of £100m to provide short-term support for voluntary sector organisations providing public services.'*

This funding may provide an opportunity for some charities to play a part in the 'Big Society' agenda and take on the delivery of services previously delivered by central or local government agencies.

The £100 million transition fund was an unexpected but welcome surprise. The fund is aimed at charities with an annual income of between £50,000 and £10 million with low levels of reserves and high dependence on public funding streams that are particularly vulnerable to budget cuts. This offers welcome assistance to the charities worst hit by cuts and fuller details about eligibility criteria and who will be responsible for the distribution of funds is eagerly awaited.

For further information on the Coalition's vision for a stronger charitable sector, see the Cabinet Office publications, *'Building a Stronger Civil Society'* and the consultation document, *'Supporting a Stronger Civil Society'*, available [here](#).

Charity Commission funding cut

The Charity Commission's funding will be cut by 27% by 2015, and the Commission anticipate losing a further 140 staff as a result on top of job losses already announced. The Commission will now carry out its own spending review and substantial changes to the way charities are supported and regulated will undoubtedly follow.

Encouraging giving

The CSR was silent on the issue of gift aid reform or other tax reliefs and exemptions for charities and donors. It stated that the government will *'undertake a review of ways to increase philanthropic giving' and 'encourage corporate investment to bring in new sources of funding and philanthropic giving, particularly in the arts.'* The Review also promised that the Government will 'assist' the sector in developing innovative equity investment opportunities in public services. While it is promising that the government is reviewing philanthropic giving and other forms of investment, what this will mean for the sector, in practical terms, remains unclear.

...and finally

- The protection of the overseas aid budget is good news for related international development organisations.

- British Waterways is put on the path to become a charity.
- A new 'Community First Fund' will provide financial assistance to local and community organisations.
- The capital funding for projects at Tate Modern, the British Museum and the British Library were all protected and free admission to national museums has been preserved.

The CSR has provided the sector with both opportunities and threats in the coming years. Charities that have been heavily reliant on state funding will need to take stock. What we are seeing already, and what we expect to see much more of, is novel approaches to finding alternative sources of funding such as Social Impact Bonds. In addition, trustees of grant-making trusts and foundations should brace themselves for an unprecedented wave of appeals for replacement funding.

The Comprehensive Spending Review report can be downloaded [here](#).

For more information or advice, please contact Chris Priestley.