



Voice4Change England

Comprehensive Spending Review 2010: Briefing for the BME voluntary and community sector

December 2010

1. Introduction

- 1.1. On 20th October the Chancellor announced the Comprehensive Spending Review (CSR) 2010. This set out the spending budgets for each Government department up to 2014-15. The 2010 CSR differs from previous CSRs in its focus on eliminating the structural budget deficit over the next 5 years.
- 1.2. Measures are based on the Coalition's stated principles of responsibility, freedom and fairness. They focus on the following priority objectives; promoting long term economic growth, introducing structural reform to enable a private sector led recovery, building a low carbon economy and creating fairness and social mobility - providing sustained routes out of poverty for the poorest. These priorities are underpinned 'by radical reform of public services to build the Big Society where everyone plays their part, shifting power away from central government to the local level as well as getting the best possible value for taxpayers' money'. The CSR builds on measures announced in the June Budget¹.
- 1.3. To read the full CSR and executive summary visit the Treasury website: http://www.hm-treasury.gov.uk/spend_index.htm
- 1.4. Voice4Change England made a submission to the Spending Review in September 2010. Our submission is available on our website: [http://www.voice4change-england.co.uk/assets/files/consultations/V4CE%20spending%20review%202010%20submission%20final%20\(2\).pdf](http://www.voice4change-england.co.uk/assets/files/consultations/V4CE%20spending%20review%202010%20submission%20final%20(2).pdf)

2. Government's approach and key announcements

- 2.1. To achieve the structural budget reduction the Government has chosen to focus on reducing welfare costs and 'wasteful' spending. It will prioritise the NHS, schools, early year's provision and capital investments that support long term economic growth. It announces that departmental budgets other than health and overseas aid will be cut by 19% over the next four years.

¹ The June budget set out the overall level of public spending for the four years from 2011-12 to 2014-15, http://www.hm-treasury.gov.uk/2010_june_budget.htm



2.2. Key announcements in the CSR include:

- A real terms increase in NHS spending each year (total spend growing by 0.4% over the Spending Review period) including an additional £1 billion for social care.
- New GP powers to commission services for patients.
- A programme to deliver up to 150,000 new affordable homes over the next 5 years.
- Community budgets, starting in 16 local areas in 2011/12 to pool departmental budgets for families with complex needs.
- Removal of ringfencing around all revenue grants to local government with exceptions in schools and health budgets.
- Uprating of the basic State Pension.
- To spend 0.7% of Gross National Income on overseas aid from 2013.
- An increase in the schools budget each year in real terms (0.1% each year of the Spending Review for the 5 to 16's school budget).
- A £2.5 billion pupil premium for disadvantaged school age children to support their educational development and provide schools with an incentive to take on pupils from poorer backgrounds.
- Extending 15 hours a week of early years education and care to all disadvantaged two year olds from 2012-13.
- Allowing universities to increase graduate contributions (subject to Parliamentary approval) and establishing a new National Scholarship fund for students from disadvantaged backgrounds.
- Major policing reforms, including democratically elected Police and Crime Commissioners.
- Plans to reform legal aid.
- Fundamental welfare system reforms with a focus on promoting work and personal responsibility. The current system of benefits and tax credits will be replaced with the Universal Credit over the next two Parliaments.
- Child poverty strategy by end of March 2011.

3. Impact on BME communities

3.1. The CSR states that 'the Government has ensured that the potential impacts on the equality of men and women, people from ethnic minorities and people with disabilities have been taken into account as far as possible in decision making' but cautions that they cannot fully quantify the impact of the Spending Review on these groups as the majority of decisions concern departmental budgets for which the details have not all been set out.

3.2. **We should therefore expect a number of equality impact assessments by all parts of Government as new policies are proposed and announced.** In the interim the CSR had sought to limit the effects on



stated groups by protecting key areas of spending. It specifically details that disadvantaged communities, including ethnic minority groups who are disproportionately represented in the poorest quintile, will benefit from the education spending settlement including the pupil premium and extension of childcare for disadvantaged two year olds. It stresses that 'in the longer term, tackling the deficit will help to maintain the key public services on which the most vulnerable depend'.

3.3. Whilst some measures have been welcomed **overall there has been criticism from those representing equalities and marginalised and disadvantaged people:**

- Gillian Guy, CEO at Citizen's Advice: 'Today's spending review points to hard times ahead for people that rely on public services'
http://www.citizensadvice.org.uk/index/pressoffice/press_index/press_20101020
- Bob Reitemeier, CEO at the Children's Society: 'the Children's Society believes that the poor could become poorer and the disadvantaged more disadvantaged, despite the Government's well-publicised promises before today's savage Spending Review that cuts will not hurt the lease well off in society'
http://www.childrensociety.org.uk/whats_happening/media_office/latest_news/22317_pr.html
- Ceri Goddard, CEO at the Fawcett Society: "the Comprehensive Spending Review, like the previous emergency budget, hits women hardest. It is women who will be the main losers as jobs are cut, public services are rolled back and benefits are slashed".
<http://www.fawcettsociety.org.uk/index.asp?PageID=1198>
- Mark Goldring, CEO of MENCAP: 'These savings cannot be made by efficiencies and they will impact on services and care for those with disabilities"
<http://www.mencap.org.uk/news.asp?id=19523&pageno=&year=&menuId=91>
- Helen Longworth, Acting Director of UK Poverty for Oxfam: 'Signs from local authority cuts announced so far are that once again the poorest people in the country are being made to pick up the bill'
<http://www.oxfam.org.uk/applications/blogs/pressoffice/2010/10/20/oxfam-reaction-to-the-comprehensive-spending-review-domestic-poverty-welfare/>

3.4. In our submission to the CSR Voice4Change England (V4CE) outlined the risk that cuts to public sector employment will particularly impact on Black and



Minority Ethnic (BME) communities: according to the Annual Population Survey (October 2008 to September 2009) 42.2 per cent of the Black people in employment in Great Britain are employed in public administration, education and health².

3.5. Predictions on public sector job losses are varied. The Office for Budget Responsibility's *Economic and fiscal outlook*³ published on 29th November states that 'we expect general government employment to fall by 330,000 over the next four years, compared to the 490,000 predicted by the interim OBR in June. We estimate that the Government's plans to freeze real total public spending in 2015–16 imply a further 80,000 fall in that year, in the absence of further cuts in welfare or other annually managed spending'. At the same time a new analysis by the Local Government Group reported on 25th November stated that the scale of job losses is likely to be 40 per cent higher than was originally thought due to the unexpected severity of cuts with around 140,000 local authority jobs expected to be shed in the next year⁴.

3.6. A campaign group, Black Activists Rising Against Cuts (BARAC), has been formed, made up of trade unionists, community groups and service users to oppose cuts to frontline services and public sector job losses. The campaign has four main objectives:

- To campaign to defend jobs and services.
- To highlight the disproportionate and adverse impact of the huge reduction in public spending on deprived communities in particular Black communities.
- To provide a campaigning platform to fight against cuts in jobs and services, including on adverse, disproportionate impact on Black workers and communities.
- To work in partnership and build alliances with others facing and fighting similar attacks.⁵

3.7. The BME VCS is already a fragile sector but provides essential support to disadvantaged BME communities. **V4CE is concerned that the size and scale of public spending cuts will disproportionately impact on the BME VCS, who rely on public sector funding to a greater extent than the VCS as a whole. The narrative around Big Society and devolution**

² BTEG, 2010, Press release: *Black workers in the public sector could be hit the hardest by cuts.*

³ Office for Budget Responsibility, 29th November, *Economic and fiscal outlook*, http://www.hm-treasury.gov.uk/press_65_10.htm

⁴ LGA, 25th November, *140,000 council jobs set to be shed in the next year*, <http://www.lga.gov.uk/lga/core/page.do?pageId=15209127>

⁵ PCS, *Black Activist's Rising Against Cuts*, <http://www.pcs.org.uk/en/midlands/news-items/black-activists-rising-against-cuts.cfm>



of decision clearly supports the need for BME VCOs where communities come together to provide solutions to the challenges they face. However, there is a real risk that organisations will simply disappear under the financial pressures and a lack of recognition of the value of equality led services.

Impact on the BME voluntary and community sector (VCS): key policy proposals

4. Public service delivery

- 5.1. The Spending Review proposals are underpinned by 'radical reform of public services to build the Big Society where everyone plays their part, shifting power away from central government to the local level as well as getting the best possible value for taxpayers' money' (1.21).
- 5.2. Localism is a key driver. Ringfencing of funding for local authorities will largely be removed giving them greater freedom to manage their budgets. However they will be doing this in the context of reducing allocations and will need to make difficult choices on how to most effectively deliver services.
- 5.3. There is also a drive to devolve power not just to local authorities but to communities and service users themselves. Measures include: extending personal budget use by service users including special education needs, support for children with disabilities, long term health conditions and adult social care (1.84), giving communities the right to buy or run public assets and services that might otherwise close or face significant reductions (1.88), and giving parents, teachers or community groups the right to bid to start new schools. (1.88).
- 5.4. The CSR outlines intentions to increase the diversity of service providers. This includes increasing the services provided by the VCS. It sets out an intention to look at setting proportions of specific services that should be delivered by non-state providers including voluntary groups including in adult social care, early years, community health services, pathology services, youth services, court and tribunal services, and early interventions for the neediest families (1.87). Increasing diversity of providers will also be secured through new rights for public sector workers to form employee-owned cooperatives and mutuals to take over the services they deliver. This is being taken forward across departments (1.88).
- 5.5. Government has recognised that there are barriers to VCOs delivering more public services in commissioning and procurement processes. The Public



Service Reform Green Paper will look at creating more innovative public service contracting. Following the CSR Government has also announced that it will continue to invest in the programme of training for public service commissioners to work with the VCS⁶.

5.6. Other measures for public service reform include improving transparency, efficiency and accountability of public services. This will include cutting red tape and bureaucracy for frontline staff.

5.7. **What might this mean for BME VCOs?**

- Areas with a strong BME VCS or with larger BME populations may be able to seize opportunities from the devolution of power to communities.
- How can the BME VCS ensure equality is built in, for example to community led schools especially where the BME voice is not heard effectively?
- There has been a historically lower take up of personal budgets by BME communities. What role do BME VCOs have in ensuring service users are aware of their options and have appropriate support to use their budgets?
- Diversification of providers potentially creates opportunities for BME VCOs. However this drive is linked to increasing payment by results in many areas. Payment by results is likely to create huge challenges for small BME VCOs, especially when working with vulnerable communities.

5.8. **Next steps**

- A Public Service Reform Green Paper will be published shortly with a White Paper to follow in January. V4CE will follow this paper closely and encourages BME VCOs to respond.

6. Support for the voluntary and community sector

6.1. Key objectives for the Office for Civil Society include: encouraging volunteering, building the capacity of the voluntary and community sector, establishing community organisers, setting up the Community First Fund and piloting the National Citizen Service to encourage young people to become engaged and involved in social action within their communities.

6.2. A number of capacity building and support measures for the voluntary and community sector were announced totaling around £470 million over the Spending Review period. This includes:

⁶ Cabinet Office, November 2010, *Downing Street Summit – Green Paper to put Big Society at the heart of public service reform*, http://www.cabinetoffice.gov.uk/newsroom/news_releases/2010/101102-bigsociety.aspx



- A **Community First Fund** to support local and community organisations.
- The **Transition Fund**: £100 million to provide short term support to VCOs providing frontline public services that will be affected in the short term by spending reductions. Managed by BIG, the fund was launched at the end of November. Grants are available between £12,500 and £500,000 for activities that focus on the changes organisations need to make to adapt to the new funding environment. The fund is specifically targeted at those delivering frontline services and not open to organisations primarily providing infrastructure services.
- A commitment to continue to reform **Lottery funding** committing 40 per cent to the voluntary and community sector.
- The **Big Society Bank** will bring in private sector funding in addition to receiving all funding available to England from dormant accounts. The Cabinet Office business plan cites an April 2010 deadline for the implementation of the Big Society Bank.

6.3. What might this mean for BME VCOs?

- Despite some support available, the dependence of many BME VCOs on Government funding means that the impact of public sector cuts will be significant.
- The transition fund is for VCOs with an income between £50,000 and £10 million. Larger BME VCOs may therefore be able to benefit from this fund. However the majority of the BME VCS has an income of below £10,000. It will be important to demonstrate the impact of cuts on smaller organisations.
- Big Society bank: as we outlined in our submission to the spending review, the BME VCS has already demonstrated an appetite for finance through the high numbers of applications to the Futurebuilders programme. However the sector has had difficulty in accessing finance particularly through mainstream banking. It will be important to influence the development of the Big Society Bank to ensure BME VCOs are able to benefit from it.

6.4. Next steps

- Criteria and full details of the Transition Fund are available from the BIG website: <http://www.biglotteryfund.org.uk/transitionfund>. Note the closing date for applications of the end of January 2011.

7. Tools to ensure fairness

- 7.1. Government has included measures in the CSR which are designed to increase transparency and accountability to local people including:



- **Departmental accountability:** Public Service Agreements will be abolished and instead departments will provide information under the new Transparency Framework to allow the public to form their own view of whether they are getting value for money. This includes each Department setting out its vision and priorities to 2014-15, its structural reform plan and contribution to transparency. Their contribution to transparency will include the key indicators against which it will publish data to show the cost and impact of public services and departmental activities. Each Department will be required to consult on this last section ready for the beginning of April 2011.
- **Local government accountability:** In May the coalition Government announced that Comprehensive Area Assessments would be abolished⁷. The CSR builds on this stating that local authorities and their partners will be able to cease reporting against any of the 4,700 local area agreement targets, and those that are kept will not be monitored by Government. Under the new Transparency Framework, Government aims to work with councils to reduce the amount of data they are asked to collect and to develop a single, comprehensive list, to be reviewed annually.
- **Directly elected police and crime commissioners:** this is designed to increase accountability of the police to communities and to ensure resources are focused on the crimes that matter most to communities.
- **Public service delivery:** Publication of central and local government spending and contracts online.
- **Governance:** Plans for newly elected mayors in the 12 largest cities subject to local referenda.
- **Legal aid reform:** The CSR announced major reforms to the legal aid system to reduce the legal aid bill to the taxpayer. The Ministry of Justice launched a consultation in November on 'a radical, wide-ranging and ambitious programme of reform which aims to ensure that legal aid is targeted to those who need it most, for the most serious cases in which legal advice or representation is justified'.
- The **national Compact** is currently being renewed to align with the Government's agenda and emerging policies. The final document is still being negotiated within Government and is expected to be launched in December. V4CE has welcomed the new shorter document and the Government's commitment to introduce accountability measures to ensure its compliance with the Compact. We have argued for the Compact to be aligned with equalities legislation as well as there to remain commitments relating to the support needs for infrastructure support organisations.

⁷ HM Government, *The Coalition: our programme for government*,
<http://webarchive.nationalarchives.gov.uk/20100527084722/http://programmeforgovernment.hmg.gov.uk/files/2010/05/coalition-programme.pdf>



7.2. What might this mean for BME VCOs?

- Whilst having the flexibility to be responsive to local needs is important, how will new systems of accountability ensure all citizens have equality of opportunity? There is a risk that without a strong steer from national Government on legal obligations and equality and human rights objectives, the response at a local level would be varied, creating a postcode lottery for BME communities.
- Legal aid reforms could potentially reduce access to justice for BME communities.

7.3. Next steps

- **Cabinet Office Information Strategy**, consultation on indicators and data availability as set out in the business plan, closing date, 31st January 2011: <http://www.cabinetoffice.gov.uk/media/429354/cabinet-office-information-strategy-consultation.pdf> (all other Departments will be going through a similar process)
- A **Localism Bill** is due to be published shortly.
- Consultation on legal aid reform: <http://www.justice.gov.uk/consultations/legal-aid-reform-151110.htm>

8. Regional Growth

8.1. The CSR confirmed details of a Regional Growth Fund to support projects with significant potential for private sector economic growth and employment focusing particularly on areas with higher dependency on the public sector. The fund will be worth £1.4 billion over three years and will be open to social enterprises as well as the private sector and public/private partnerships.

8.2. In the Budget, Government announced that the Regional Development Agencies would be abolished. Local enterprise partnerships (LEPs) made up of businesses and local councils will be created to grow the local private sector, tackle major barriers to growth and develop shared strategies for the local economy. Although the VCS had been reassured that they would be included in LEPs⁸ there are no details of this in the CSR. The local growth white paper does however state that social and community enterprises can be included.

8.3. Next steps

- The first 24 local enterprise partnerships have been approved: <http://www.communities.gov.uk/news/corporate/1753564>

⁸ Third Sector, September 2010, *Communities minister Greg Clark says voluntary organisations will be welcome in local enterprise partnerships*, <http://www.thirdsector.co.uk/news/1025689/Communities-minister-Greg-Clark-says-voluntary-organisations-will-welcome-local-enterprise-partnerships/>



- More details about LEPs have been published in the local growth White Paper, <http://www.bis.gov.uk/news/topstories/2010/Oct/local-growth>

9. Cuts to public bodies

9.1. **Departments:** The CSR sets out departmental spending plans for the next four years until 2014/15. The administrative budgets of central Whitehall and its Arms Length Bodies (ALBs) will be reduced by 34 per cent over the CSR period giving a saving of £5.9 billion a year by 2014-15 with the aim of focusing resources on frontline services.

- **Government Equalities Office:** Will reduce overall spending by 38% by 2014-15. The EHRC will be radically reformed and the Women's National Commission will be closed and its functions transferred to GEO⁹.
- **Cabinet Office:** resource reduction of 35% on the Cabinet Office core budget.
- **CLG:** resource reduction of 33 per cent in real terms by 2014-15 through reducing the size of the Department and its Arms Length Bodies.

9.2. **Arms length bodies:** Arms length bodies will be reduced including 118 to be merged and 192 that will either be brought back into Government, devolved or abolished. Key Arms Length Bodies facing changes include:

- PCTs and Strategic Health Authorities to be abolished by 2013.
- Closure of the Government Office network.
- Abolition of RDAs by 2014-15.

9.3. **Local Government:** Central government funding to councils will on average decrease by around 26 per cent over the next four years. Government estimates that this will mean council budgets will decrease by around 14 per cent once the Office for Budget Responsibility's (OBR) projections for council tax are taken into account. In 2011-12, £200 million will be available to councils to accelerate reforms of local services. Baroness Margaret Eaton, Chair of the LGA commented that 'Town halls will now face extremely tough choices about which services they can keep on running. These cuts will cause real pain and anxiety for millions of people who use the services councils provide, from keeping children safe to ensuring that streets are clean'.

⁹ Government Equalities Office, 20th October 2010, *Spending Review settlement press release*
http://www.equalities.gov.uk/media/press_releases/government_equalities_office-1.aspx



10. Summary

- 10.1. The BME VCS is already a fragile sector but provides essential support to disadvantaged BME communities. V4CE is concerned that the size and scale of public spending cuts will disproportionately impact on the BME VCS, who rely on public sector funding to a greater extent than the VCS as a whole.
- 10.2. The CSR gives clear messages on Government policy including: spending reductions over a short period of time for most areas of Government and Local Authorities, increased devolution of power to Local Authorities and communities, a shift away from state provision by increasing the diversity of public service providers, a focus on private sector for growth, a focus on personal responsibility, an emphasis on volunteering and a need for VCOs to diversify their funding.
- 10.3. The narrative around Big Society and devolution of decision clearly supports the need for BME VCOs where communities come together to provide solutions to the challenges they face. However, there is a real risk that organisations will simply disappear under the financial pressures and a lack of recognition of the value of equality led services. Measures announced such as the proposed increase in payment by results may effectively squeeze out the small providers of services that typify the BME VCS.
- 10.4. The impact of cuts will become clearer as local authorities set out their plans to manage and phase in spending cuts and priorities. The CSR only provides a top level overview of policies and Departmental funding allocations. The detail of these will become clearer as each Department develops its policies. It will be important for the BME VCS to influence these policies and ensure they take into account factors such as the role of specialist services in public service delivery, the importance of Compact compliancy and the need to embed equality into commissioning and procurement processes to ensure the BME VCS can continue to effectively serve disadvantaged BME communities. To **help us demonstrate the impact we call on BME VCOs to contact us with their experience of public spending cuts.**
- 10.5. The impact of cuts on BME VCOs will not only depend on what is set out in the CSR but on how equality and equality-led organisations are understood and supported by Government. V4CE has voiced concerns following a speech by Equalities Minister Theresa May that accused equality of being a 'dirty word' and argued instead for a focus on fairness. We responded that fairness is not a substitute for equality: 'Fairness' is not supported by legislation and is a concept that lacks definition. We believe that if equality has in fact become seen as a dirty word then this is a failure on the part of the Government to properly



communicate the true impact of inequality. We have urged the Government not to allow this focus on fairness to detract from a robust and meaningful commitment to address inequalities. 'Fairness' and 'equality' must be used hand in hand to ensure protection for the vulnerable and excluded within our society.

10.6. Moving forward we need to monitor the results of Equality Impact Assessments on key policies. The Fawcett Society sought a judicial review on the June 2010 Budget on the grounds that the Treasury failed to provide evidence that they conducted an assessment on whether proposals would increase or reduce inequality between women and men. However permission for a judicial review was refused in the High Court on 6th December¹⁰.

11. Things to watch

- Localism Bill, due out soon. There have been delays to its publication.
- Public Service Reform Green Paper to be published shortly with a White Paper in January 2011.
- Green Paper on giving to incentivise more social investment, philanthropy and giving, December 2010 with White Paper to follow in March 2010.
- Local Growth White Paper, <http://www.bis.gov.uk/news/topstories/2010/Oct/local-growth> includes details on LEPs, planning reform, incentives and regional economic development policy.
- Proposals for the Reform of Legal Aid in England and Wales: <http://www.justice.gov.uk/consultations/legal-aid-reform-151110.htm>
- Consultation on key indicators for Government to publish data on the cost and impact of public services and departmental activities.
- Private Member's Bill on social enterprise: <http://services.parliament.uk/bills/2010-11/publicservicessocialenterpriseandsocialvalue.html>
- Budget will be held on Wednesday 23 March 2011.

12. Further information

- NCVO, Spending Review NCVO Analysis, November 2010: http://www.ncvo-vol.org.uk/sites/default/files/SR_10_Policy_Analysis_1.pdf
- IPPR, Reviewing the Spending Review: a sectoral analysis, October 2010: <http://www.ippr.org.uk/publicationsandreports/publication.asp?id=784>

¹⁰ The Fawcett Society, *Fawcett's legal case against the budget reaches the High Court*, <http://www.fawcettsociety.org.uk/index.asp?PageID=1201>



- Using the equality duties to make fair financial decisions, EHRC guidance: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-duties/guidance-and-codes-of-practice/using-the-equality-duties-to-make-fair-financial-decisions/>
- Cabinet Office Business plan: <http://www.cabinetoffice.gov.uk/about-cabinet-office/plans-performance/business-plan.aspx>
- DCLG Business Plan 2011-15, <http://www.communities.gov.uk/publications/corporate/businessplan2010>
- Summary of structural reform plans: <http://www.number10.gov.uk/other/2010/07/structural-reform-plans-53023>