Squaring the Circle
How charities can help Government cut spending whilst protecting society’s most vulnerable
Contents

2 Chapter 1
A circle to square: protecting the vulnerable whilst cutting public spending

6 Chapter 2
Can charities help?

10 Chapter 3
In it together: the state and charities in partnership
Chapter 1

A circle to square: protecting the vulnerable whilst cutting public spending
Chapter 1

A circle to square: protecting the vulnerable whilst cutting public spending
Chapter 1

A circle to square: protecting the vulnerable whilst cutting public spending

The UK’s charity leaders are fearful of the consequences that public spending cuts could have on society’s most vulnerable – and the public share their concerns. But there is also a clear public consensus on the need to cut the deficit, and a reluctance to pay more in tax. The Government has a similar dilemma: the Coalition’s Programme for Government made clear that cutting the deficit would be the Government’s first priority, but that whilst “difficult decisions will have to be taken in the months and years ahead… we will ensure that fairness is at the heart of those decisions so that all those most in need are protected.” The gap between these two aspirations – to protect the vulnerable and to spend less – is increasingly centre-stage. Somehow, we need to square the circle.

The scale of the cuts heading our way needs little repeating. In the Budget, the Chancellor outlined average cuts to departmental spending of 25%, excluding protected areas such as health and international development, and cuts of some £11 billion to spending on benefits.\(^1\) At the same time, many local authorities are facing budget cuts in the region of 10 to 30%.

Our research, commissioned from YouGov, found that 78% of the public are concerned about how these cuts will affect the most vulnerable members of society.

Their concerns are echoed by the UK’s charity leaders. For instance:

- The National Housing Federation has warned that benefit reductions could put 200,000 people at risk of eviction from their homes.\(^2\)

- Campbell Robb, chief executive of Shelter and formerly Director General at what is now the Office for Civil Society in the Cabinet Office, has warned that cuts to benefits and spending on housing could “strike at some of the most vulnerable in our society,” lead to “social upheaval when people are forced to leave the areas they grew up in”, and the emergence of “clusters of poverty and inequality, creating an even bigger gap between rich and poor.”\(^3\)

- Bob Reitemeier, Chief Executive of the Children’s Society, said in his response to the Budget that we are “in danger of creating the ‘new poor’.”\(^4\)

- Age UK have said that if the cuts outlined in the Budget are applied, “thousands of lives will be lost”, and that the reduction in public spending would be “disastrous for older people who rely on state-supported care services”. They argue that more older people would be likely to be put into care homes rather than being supported to live in their own homes.\(^5\)

\(^1\) [http://www.hm-treasury.gov.uk/2010_june_budget.htm](http://www.hm-treasury.gov.uk/2010_june_budget.htm)
\(^3\) [http://www.publicfinance.co.uk/features/2010/07/for-whose-benefit/](http://www.publicfinance.co.uk/features/2010/07/for-whose-benefit/)
• **Citizens Advice Bureau** have said that the cuts could impact on levels of unemployment and problem debt. Gillian Guy, CEO of Citizens Advice Bureau, has said that the budget measures “will have a significant impact on vulnerable households, and with the impending public sector job cuts we expect to see a new wave of people seeking advice about job loss and related benefits and the impact this has on their ability to repay debt.”

• Richard Hawkes, CEO of disability charity **Scope**, has said the cuts could have a profound impact on disabled people: “we are deeply concerned that the government’s spending cuts will end up pushing disabled people even closer to the fringes of society.”

However, whilst the public share charities’ concerns about the impact of spending cuts on society’s most vulnerable, research by Ipsos Mori suggests they are also increasingly convinced of the need for public spending cuts, and less willing to tackle the deficit through increased taxes than through reduced spending.

Ipsos Mori have found that there is growing acceptance that spending cuts are necessary to pay off the national debt: in June 58% of people agreed that “there is a real need to cut spending on public services in order to pay off the very high national debt we now have”, compared to 54% agreeing when asked in April and 49% when asked in March.

So there is a circle to square. How do we cut public spending whilst simultaneously protecting society’s most vulnerable?

---


Chapter 2
Can charities help?
Chapter 2

Can charities help?
Chapter 2

Can charities help?

The charity sector has a major role to play in squaring the circle, in working with Government to protect society’s most vulnerable whilst cutting spending.

The Government has certainly put the charity sector centre-stage. The Prime Minister has described it as the “first sector”, and has emphasised building it up as central to his ‘Big Society’ vision for Britain. The basic message is mirrored in the plans of individual Government ministers. For instance, the Minister for Employment told Parliament, “we recognise the crucial role that the voluntary sector in particular has to play in tackling worklessness, and our plans reflect this.”

Outlining his plans to reform the NHS, the Secretary of State for Health said, “we aim to create the largest social enterprise sector in the world.” Setting out his early priorities for reform of the criminal justice system, the Secretary of State for Justice said, “we intend to make better use of the voluntary sector’s expertise to help us get offenders away from crime.”

The public, it would seem, also see the charity sector as central to protecting society’s most vulnerable, though clearly in partnership with the state. When asked which type of organisation has the skills or experience to best support vulnerable members of society, the public are roughly split between charities and the public sector, with 35% answering charities, 39% answering public sector organisations, and 6% private sector organisations.

Young people are more likely to see charities as best placed for this role (37% of 18- to 24-year-olds as against 33% seeing the public sector as best placed), as are people who are worse off (36% of people in social grades C2, D and E answering ‘charities’ as against 34% for ‘public sector organisations’). There is also a regional split. For instance, people from Scotland and northern England are more likely to see public sector organisations as best placed to protect the vulnerable, whereas people in London and eastern England are more likely to see charities as best placed for this role.

And across the welfare state, charities are already starting to square the circle, providing services that protect the most vulnerable people in society but that simultaneously save the state money. For instance:

- **St Giles Trust** is a charity working to break the cycle of reoffending and disadvantage. Its ‘Through the Gates’ project was a service provided to substantially reduce re-offending rates by providing key services such as accommodation support (on or prior to release), support services (e.g. training and education, support with drugs and alcohol) and re-integrating offenders into the community and helping them to meet their licence restrictions. This project worked with over 1,500 prison leavers and was formally evaluated by economists at Pro Bono Economics. It was found to reduce re-offending rates by 40% against the national average with direct savings to the state of between £10 and £34 for every pound invested.

---

10. DH, Equity and Excellence: Liberating the NHS (White Paper presented to Parliament in July 2010)
• Working in seven hospitals at a cost to the state of £500,000 per year, Age Concern South Staffordshire runs a service working to prevent admissions to hospital and to help older people leaving hospital to return to their homes. Helping around 3,000 people a year; they save the NHS £3 million in lower admissions rates and delayed discharges, a return on investment of 1:6.  

• Drug charity Addaction’s ‘Breaking the Cycle’ programme addresses the variety of needs of families in which parents abuse drugs. Of the families involved, 81% significantly reduced their use of drugs or alcohol, 81% put the needs of their children first, 86% significantly improved their skills as parents, 77% were more stable and less chaotic, and 86% improved their financial prospects by looking for work, volunteering or going on college courses. The resultant savings to the state are enormous. Seven months of Breaking the Cycle support for one family costs £1,700. Within eight months, that is likely to have saved the state £20,000 (a return on investment of c. 1:11). Within two years, it is likely to have saved £148,000 (return on investment of c. 1:87). Over the long term, the effects on two generations of that one family could save the state £880,000 (return on investment of c. 1:518).  

By doing things radically differently in partnership with the state, the charities above helped improve lives (rehabilitating offenders, reducing the number of people suffering from crime, helping elderly people stay out of hospital, improving the lives of children whose families use drugs) and simultaneously saved the taxpayer money. They squared the circle.

But if charities can help square the circle, is it all over to them? Does the state just need to get out of the way and let them get on with it?

---

13 Age Concern, Prevention in Practice. Accessible at http://www.dhcarenetworks.org.uk/_library/Resources/BetterCommissioning/Prevention_in_practice_-_service_models_methods__impact_April_20091.pdf

Chapter 3
In it together: the state and charities in partnership
Chapter 3

In it together: the state and charities in partnership
Chapter 3

In it together: the state and charities in partnership

The public certainly don’t think so. When asked where the majority of the money to protect vulnerable members of society should come from, an overwhelming 76% say ‘government’, with only 10% answering ‘charitable donations’ and 4% saying that the users of services should pay fees. The public’s solution to squaring the circle, to protecting society’s most vulnerable whilst cutting public spending, is not for the state simply to get out of the way and leave charities to pick up the pieces, funding their services either through donations or by charging the people who rely on them.

The public’s answer is clear: even if charities have a major role to play in protecting those most in need, the state should continue to fund those services. What is needed is partnership between the state and the charity sector.

That partnership is already significant. State funding (for services like those outlined above) now constitutes a bigger source of income for the charitable sector than donations from individuals. And as the Prime Minister has made clear, partnership will continue to be essential: “we shouldn’t be naïve enough to think that if the government rolls back and does less, then miraculously society will spring up and do more. The truth is that we need a government that actually helps to build up the Big Society.”

Already, however, precisely the opposite is starting to happen on the ground. Across the country, Government agencies are cutting funding for charities. For instance:

- Hampshire County Council has made cuts of £330,000 to third sector organisations funded through their children’s services department.
- Liverpool City Council is reducing its grants to third sector organisations from three years to one year with an annual cut of £300,000.
- Leeds City Council are expected to cut voluntary sector budgets by £1.5m.
- Northumberland County Council is proposing £300,000 cuts to the voluntary sector.
- Croydon have cut third sector programmes to engage children and young people.
- Kirklees Council have cut £200,000 from a project offering training to 150 local charities and 2,500 volunteers.
- Harrow Primary Care Trust have cut over 30% of the funding given to health charities.

---

17 http://www.thirdsector.co.uk/news/Article/1019766/Hampshire-voluntary-organisations-lose-330000-funding-childrens-services/
18 http://thirdsector.co.uk/Channels/Finance/Article/1021263/Liverpool-City-Council-cuts-grant-programme-three-years-12-months/
21 http://www.independent.co.uk/news/uk/politics/coalition-100-days-100-cuts-2052886.html
22 http://www.independent.co.uk/news/uk/politics/coalition-100-days-100-cuts-2052886.html
Many cuts to third sector organisations are likely to have a significant impact on vulnerable people. For instance:

- Innovative Vision Organisation was established by Africans living with or affected by HIV/AIDS to provide care and support, information and advice to their community. It will now get only 13 per cent of the public funding it received last year, and the organisation says it is threatened with insolvency.

- Families Plus Hidden Harm, Northumberland, works with families where parent(s) misuse substances and there are significant concerns about the children. It is now facing a £383,987 cut in the public funding it receives, which it says would mean service closures.

- The Rape and Sexual Abuse Support Centre, Croydon, faces a £27,000-a-year cut in council funding. The cut is the equivalent of supporting 2,700 survivors of sexual violence on the helpline, seeing 23 survivors face-to-face for a year’s counselling or supporting 108 survivors through the advocacy department from reporting their rape to the end of their trial.

So the very state-charity partnerships which could enable us to square the circle, to cut spending whilst protecting those most in need, are being eroded by ill-thought-through cuts – and as we enter the final weeks of the Government’s spending review, there could well be many more to come. The examples above are a taste of what is happening before the spending review, but at the current rate they will likely be dwarfed by cuts made after it.

That is why today, charity leaders are calling on the Chancellor to live up to the Government’s commitment, to “ensure that fairness is at the heart of those decisions [on spending cuts] so that all those most in need are protected,” through a renewed partnership with the charity sector. Specifically they are calling on the Chancellor to set up a ‘Fairness panel’ of charity leaders to scrutinise the final stages of the spending review, ensuring that fairness is at its heart and that, wherever possible, charities and Government work together to square the circle: to cut spending whilst protecting those most in need.
ACEVO is the professional body for third sector chief executives. We connect, develop, support and represent our members, to increase the sector’s impact and efficiency.

We promote a modern, enterprising third sector, and call upon organisations to be:

- **Professional and passionate** in achieving change and delivering results
- **Well-led**, with a commitment to professional development, training and diversity
- **Well-governed and accountable**, with robust and fit-for-purpose systems to protect independence and enable effective decision-making
- **Enterprising and innovative**, taking a businesslike approach to funding issues and striving for continuous improvement and sustainable development.

For more information, visit www.acevo.org.uk