

Dear Chancellor,

### **Summary of key proposals**

- To help reduce the significant financial strain that many public services are facing, government should increase funding for local authorities over the next year, and fully consider the longer-term financial sustainability of councils as it prepares for next year's full three-year spending review.
- Any funds made available in preparation for a No-Deal Brexit must be available to civil society organisations. Consideration should also be given to the creation of a 'resilient communities fund', set up specifically for charities working with and supporting local communities in the event of a No-Deal Brexit.
- More details about the UK Shared Prosperity Fund (UKSPF), including the amount of money designated to the fund and the consultation on how the programme will be designed and delivered, are urgently needed. It is important that the funding provided – particularly the component that will replace European Social Funds - is at least commensurate levels of funding currently provided by the EU if current levels of support are to be sustained.
- Consideration should be given to the creation of a Community Wealth Fund, using dormant assets to help deprived communities re-build their social infrastructure and re-establish social and civic capital.

### **Civil Society and the Spending Review**

As organisations which represent the voluntary sector, we are writing to you regarding the upcoming spending round, which is set to allocate funding to departments for 2020-21. While we appreciate that the review will only cover one year, we urge you to use this opportunity to address the impact that significant reductions to local authority budgets have had on communities, (particularly the most disadvantaged), and the voluntary organisations which support them.

The National Audit Office has calculated that local authorities have seen government funding reduced in real terms by almost half since 2010-11, and that 1 in 10 councils are now using their reserves at a rate which is not sustainable for more than three years.<sup>1</sup> With spending commitments for policing, health and social care, and schools already announced, and other departments' budgets ring-fenced, we are deeply concerned that this could mean more cuts to local government, at a time where they can ill afford further reductions to their budget.

Research from Lloyds Bank Foundation has shown that while councils have tried to reduce the effect of cuts on people facing the greatest disadvantage, their impact has fallen on the most vulnerable in society. This has coincided with a marked increase in demand for services,

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<sup>1</sup> <https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

particularly amongst the most deprived communities, which has seen councils being forced to spend on crisis need rather than preventative services.<sup>2</sup>

Where services have been withdrawn by local authorities, the voluntary sector has often stepped in to deal with the consequences. This has inevitably put significant pressure on the finances of charities, and has led to a reduction of their reserves during this same period.<sup>3</sup> While this arrangement has been seen as a temporary solution by government, the charities we represent have made clear that it is not sustainable in the long-term, with many expressing concerns about their financial sustainability.

It is crucial that government offers a temporary respite to local authorities by increasing funding at the upcoming review. However, a longer-term approach is also needed to put local authorities on a more sustainable footing so they can continue to help support the most vulnerable in society. We urge the government to consider the long-term sustainability of local government finances and the public services they fund as we approach the full spending review scheduled for next year.

### **Additional support in the event of No-Deal Brexit**

In addition to a more generous settlement for local government, we also call on government to ensure that any funds made available in preparation for a No-Deal Brexit are also available to civil society organisations in order to help mitigate against the potential negative impacts on beneficiaries who rely on charity services and support.

While we cannot know the precise economic impact of exiting the EU without a deal in place, credible economic forecasts are consistent that it would have a significant negative effect for the wider economy. As the Office for Budgetary Responsibility has pointed out “A disorderly exit could have severe short- term implications for the economy, the exchange rate, asset prices and the public finances.”<sup>4</sup> Similarly, the Bank of England has said that even with the preparations that have taken place, this “Cannot eliminate the fundamental economic adjustments to a new trading arrangement that a no-deal Brexit would entail.” This would have a correspondingly negative effect on the charity sector’s finances.

There is a strong case for a ‘resilient communities fund’, set up specifically for charities working with and supporting local communities in the event of a No-Deal Brexit. Charities will be on the frontline offering support to communities, and more broadly bringing communities together, helping to bridge the Brexit divide. They have the expertise to provide advice and support to people and communities, helping them increase their resilience and have the greatest chance of succeeding post-Brexit. But to ensure this they will require sufficient resources to mitigate the financial impact of no-deal.

### **Ensuring the UK achieves its post-Brexit potential**

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<sup>2</sup> <https://www.lloydsbankfoundation.org.uk/ourimpact/news/2018/09/12/a-quiet-crisis/>

<sup>3</sup> <https://data.ncvo.org.uk/>

<sup>4</sup> [https://cdn.obr.uk/EFO\\_October-2018.pdf](https://cdn.obr.uk/EFO_October-2018.pdf)

In addition to departmental spending decisions, many charities will be awaiting more details of the UK Shared Prosperity Fund (UKSPF). The amount of money designated to the fund – which will replace EU structural funds post-Brexit – is still unknown. It is important that the funding provided – particularly the component that will replace European Social Funds - is at least commensurate with levels of funding currently provided by the EU if current levels of support are to be sustained.

It is essential that the UKSPF is designed and delivered correctly<sup>5</sup>. Unless funding is managed and distributed appropriately it is unlikely to have the desired impact for communities and help address the UK's productivity problem. Communities and the charities that represent them must be at the heart of the UKSPF, including the delivery and design of the programme, with significant devolved funding in community control. We urge the government to launch its consultation on the UKSPF - which has been repeatedly delayed since 2017 - as soon as possible to help avoid gaps in funding and therefore the loss of vital support for disadvantaged communities across the country.

While recognising that this is not a departmental spending decision, we would also like to use this opportunity to make the case for the creation of a Community Wealth Fund<sup>6</sup>, using dormant assets to support deprived communities re-build their social infrastructure and re-establish social and civic capital. Developing new approaches in communities that have not benefited from growth will be key to addressing the UK's low productivity in the coming years as the country seeks to achieve its post-Brexit potential.

Yours sincerely,

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Tony Armstrong, Chief Executive, Locality

Caron Bradshaw, Chief Executive, Charity Finance Group

Vicky Browning, Chief Executive, ACEVO

Rita Chadha, CEO, Small Charities Coalition

Sir Stuart Etherington, Chief Executive, NCVO

Kathy Evans, Chief Executive, Children England

Carol Mack, CEO, Association of Charitable Foundations

Paul Streets OBE, Chief Executive, Lloyds Bank Foundation for England and Wales

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<sup>5</sup> [https://www.ncvo.org.uk/images/documents/policy\\_and\\_research/funding/Future-employment-skills-training-for-disadvantaged-groups---a-successor-to-the-ESF.pdf](https://www.ncvo.org.uk/images/documents/policy_and_research/funding/Future-employment-skills-training-for-disadvantaged-groups---a-successor-to-the-ESF.pdf)

<sup>6</sup> <https://localtrust.org.uk/policy/community-wealth-fund-alliance/>