

# If I ruled the world...how would I cut public spending?

**With big public spending cuts inevitable, we ask charities to tell us where they believe the axe should fall.**

We all know it's going to happen. The government's budget deficit is going to have to be reduced somehow, which means cuts in public spending are inevitable. The Prime Minister has finally used the 'c' word. The Shadow Chancellor George Osborne has outlined the Conservatives' plans to save £23bn over the next Parliament. And Vince Cable, the Liberal Democrat Treasury spokesperson, has estimated that we need to cut public spending by at least £14bn a year.

However, politicians are wary of specifying where the axe will fall. So far, the debate has stayed on safe ground, focusing on things like curbing public sector pay and pensions, scrapping certain quangos, and minimising bureaucracy. Politicians have been steering clear of tough decisions about cuts to frontline services such as health and education. But, given the scale of the deficit, these services are unlikely to escape unscathed.

NPC wondered whether charities would be more realistic and honest about where the axe should fall. We were sceptical—since it is in the interests of charities to call for more public spending for their field, rather than to point out where money is being wasted. But there is a movement within the sector to embrace the issue of cuts.

Stephen Bubb, head of the chief executive's body acevo said in a recent speech, *'Cuts are coming, but we must be proposing constructive solutions, not rushing to man the barricades.'*

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## What charities want

We found a few brave charities that were willing to discuss where they would wield the axe. A number of charities echoed politicians' calls for cuts to public sector pensions, which are often still very generous and linked to an employee's final salary. Reducing public sector pensions, charities also pointed out, would both narrow the gap between public and other sectors, and generate significant savings.

Simon Davies, Chief Executive of the Teenage Cancer Trust, a charity that works with the NHS to deliver treatment and support for young people with cancer, notes, *'At the moment two workers doing the same public service—one employed by the state, the other by a charity—receive vastly different pensions and benefits because the independent sector cannot afford to match the government contribution.'* Addressing this could lead to better services, as different providers would compete for contracts and staff on a more level playing field.

Charities were more wary of making recommendations about specific services when pressed on how they would reduce spending in their own sectors. Instead, they commented on the way that the decisions should be made.

Mike Hobday, who heads up the Campaigns, Policy and Public Affairs Department at Macmillan Cancer Support, recognises that NHS spending is going to have to shrink. But he is adamant that this shouldn't be done through a 'slash and burn' strategy: *'Cutting services to meet budgets is lazy and will seriously affect the care given to patients,'* he says. Hobday suggests that the NHS should look for new and innovative ways to improve both quality and efficiency of care instead. As he points out, *'More often than not, better quality care is more cost-effective and productive than poor care. Poor care leads to repeat hospital visits; operations that need to be corrected later on; and intensive, late treatment of cancers that could have been dealt with earlier. All of these are expensive.'*

Macmillan supports an NHS scheme to reduce the amount of time cancer patients spend in hospital by improving the care they can receive elsewhere, and giving patients the skills and support to look after themselves properly. This could lead to a significant cost saving: in-patient care accounts for a large proportion of cancer spending (around £2bn). But, importantly, it is also better for patients, most of whom want to be in hospital for as short a time as possible.

Charities that are not providing 'core services' face a bigger threat when it comes to tightening belts in the public sector. Sarah Davies is Chief Executive of the charity Tower Hamlets Summer University, which runs courses for young people from disadvantaged areas of London. She would welcome a reallocation of resources to ensure that children and families get support from sources outside the classroom. She points out that only 15% of a young person's time is actually spent in school, saying, *'The government puts a great deal of political and financial backing to schools rather than looking at the whole life and environment of the child.'*



Tower Hamlets Summer University



Teenage Cancer Trust

## Making the most of our money

Charities also feel that cost savings could be made by increasing the efficiency of local authorities. Will Fitzgerald, the Chief Executive of a small local charity, Teignmouth Community Association, believes that not enough of the current funding aimed at helping disadvantaged communities actually gets to the people who need it.

*'The government thinks that if it gives funding to the local authorities in disadvantaged areas, it will help the local people,' he says. 'I think a lot of this money is wasted, either on too many layers of inefficient bureaucracy in local councils, or because local government staff are not experts in tackling the root causes of disadvantage.'*

If the government is going to cut the amount of money going to help poor communities, Fitzgerald says, it should first examine if there is a better way of making sure the money is helping people. He suggests, for example, that people in these communities should be given more of a say in how the money is spent.

## Proving their worth

Although the charities we spoke to were reluctant to name specific services that should be culled, they were all ready and willing to embrace the idea that public spending in their sectors could be

reduced, as long as it is done in a clever and thoughtful way. But the responsibility does not only lie with government. If this is to happen, and charities are to survive the cuts, it is vital that they themselves put more effort into proving their worth by providing evidence that their work makes a difference.

**'There should be no "sacred cows" when it comes to making cuts.'**

As Simon Davies of the Teenage Cancer Trust puts it, there should be no 'sacred cows' when it comes to making cuts. *'If public services are to be what they always should have been—"servants to the people"—we need to take the politics right out of it. The public sector needs to be fully accountable by demonstrating its ability to produce the best possible results at the most reasonable cost to the public purse—whether that is public sector or independent sector.'*

So, if any policy-makers are listening, remember that charities aren't just good at demanding more money—they can also help you to think about what services really make a difference to people's lives.

**Eleanor Stringer and Clare Yeowart**

# Donor Q&A

## Q. Is giving through an existing foundation a good option for donors?

**A.** Warren Buffet, the acclaimed investor and 'Sage of Omaha' certainly thinks so. In summer 2006, he made headlines worldwide by pledging his fortune to the Bill and Melinda Gates Foundation. He backed up his decision by arguing that the foundation was addressing some of the most important issues of our time and had the best plans and people to do so. In his mind, supporting existing efforts rather than ploughing his own furrow was a 'no brainer'.

There are several reasons why donors keen on making a big impact might want to work through an existing foundation. As well as benefitting from foundations' expertise, many donors feel this approach gives them greater assurance that their donations will be used effectively. Giving through a foundation also means donors can avoid investing time and resources in researching issues themselves and building an infrastructure for making grants.

Donors who want to explore this option should be aware that only a subset of foundations would be happy to work with individuals in such a way. It can also be challenge for donors to find a foundation which shares their interests and motivation. To see a list of foundations you could approach, a good starting point is to visit the Association of Charitable Foundations' website. Alternatively, NPC has relationships with a range of grant-makers and has experience of facilitating introductions between individuals philanthropists and foundations.

**Padraic Brick**

Call Padraic on 020 7785 6312 if you are interested in discussing this further.