



Rt Hon Philip Hammond MP
Chancellor of the Exchequer
Her Majesty's Treasury
1 Horseguards Road
London
SW1 2HQ

22 September 2017

Cc: Tracey Crouch, Minister for Civil Society
Andrew Jones, Exchequer Secretary to the Treasury

Dear Chancellor

Strengthening communities and promoting inclusive growth

Every day, thousands of charities and volunteers make a positive difference to lives and communities across the country. With the right support, they could achieve even more.

We are writing as the leading membership bodies for charities and charity leaders in England, and the national network for community foundations. We represent thousands of organisations and individuals from the largest household name charities to the smallest volunteer-led community groups. Together we work to help charities and volunteers make a bigger difference to our society.

Ahead of your Autumn Budget, we write with two proposals that will enable charities and volunteers to support the government in helping vulnerable people build skills and find work, and provide communities with the capacity to create opportunities for themselves.

Our proposals do not require additional funding from the Exchequer. What we seek is the government's support in taking these proposals forward.

Employment and skills training for disadvantaged groups following Brexit

We propose that following our exit from the European Union, the government uses the money previously spent on European Structural Funds to create a successor to the European Social Fund (ESF).

ESF funding provides important investment for the UK in education, training and employment support, targeting vulnerable groups who often fall through the gaps of mainstream public services. This includes people with disabilities and health conditions, people facing multiple or complex barriers to employment, and ex-offenders.

With the UK poised to leave the European Union in 2019, the government has a once-in-a-generation opportunity to develop a world-leading initiative that builds on the best aspects of ESF while addressing the design flaws which have led to wasteful bureaucracy. An effectively designed fund will help tackle the UK's current skills gaps and productivity challenges, deliver a thriving inclusive labour market in line with the government's Industrial Strategy, and deliver better value for money than the current programme. Importantly, communities will be better positioned to generate local opportunities for themselves and withstand the impact of economic shocks by becoming more economically resilient.

The Conservative manifesto set out a commitment to create a UK Shared Prosperity Fund (UKSPF), specifically designed to reduce inequalities between communities across the UK, using structural funds that come back to the UK following Brexit. The paper attached to this letter, endorsed by a cross-sector group of experts and organisations involved in employment and skills provision, proposes a set of design principles for a social fund component of the UKSPF which will help the UK fulfil its post-Brexit potential.

Use dormant assets to support local communities for a generation to come

We propose that dormant assets be used to strengthen local philanthropy so that charities are sustainable for the long term.

With limited resources, ensuring public services are providing effective outcomes, and are delivered efficiently, with the best possible use of public funds, will require the involvement of citizens and communities. Charities are vehicles for social action. Their expertise and reach means that they are uniquely placed to bring communities together and build stronger, more inclusive societies.

The Government's Commission on Dormant Assets recently concluded that there is approximately £1-2bn of potentially dormant financial and non-financial assets. The paper attached to this letter sets out how these assets could be used to strengthen local philanthropic institutions, such as community foundations and local funders, to help fund small and local charities now and in the future.

Community Foundations are a growing UK success story. They encourage local philanthropy, using the funds they raise to make grants to local charities, based upon their expertise of what is needed and what works locally. They have already built an endowment of £500m. Match funding from dormant assets could be used to incentivise further donations from philanthropists. A successful government programme to build endowments – the Endowment Match Challenge – has already shown that this approach can work. £100m of philanthropic capital was generated with a £50m match from government.

Investing half of the maximum total from dormant accounts – £1bn – could generate a return of £40m per year for local grant-making in perpetuity, more if match funding was sought from philanthropists (assuming a 4% rate of return). Widening the network of endowed Community Foundations, and increasing the level of capital they hold, will generate investment returns from which small and local charities can be grant funded.

At a time when local authority grants to charities are in decline, this is an opportunity to address the sustainability of small charities so they can continue to support and help communities create opportunities for themselves well into the future.

A complementary proposal is to allow communities to use dormant assets money to purchase assets of community value, such as village halls or pubs, as set out in Locality's Community Asset Investment Plan. We support this proposal as a way of enriching communities and encouraging community action.

We would welcome the opportunity to meet with your officials to discuss how the voluntary sector can work together with government in taking these proposals forward.

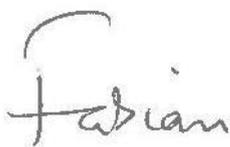
Yours sincerely,



Sir Stuart Etherington
Chief Executive - National Council for Voluntary Organisations (NCVO)



Vicky Browning
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