

Mr D Gauke MP
Financial Secretary to the Treasury
Her Majesty's Treasury
1 Horseguards Road
London
SW1A 2HQ

30th September 2014

Dear Financial Secretary,

SUPPORTING OUR SECTOR TO MAKE A BIGGER DIFFERENCE

The importance of the voluntary sector to the economy

Voluntary organisations and social enterprises play a vital role in improving our society and make a huge contribution to the UK economy.

Charities employ over 800,000 people and support over 20m people to volunteer across the UK every year. The voluntary sector's gross value added to the UK economy is nearly £12bn and we estimate the economic value of UK volunteering at over £23bn. The Government's own figures suggest that social enterprises turnover £163bn a year and contribute £55bn to the economy in gross value added.

The government has a crucial role to play in creating the right conditions for our sector to strengthen our society and support economic growth. We have the potential to make a difference across a number of major policy areas such as improving quality of life; supporting social cohesion; helping people back to work and responding to climate change. As the last Autumn Statement before the General Election, we urge the government to take this opportunity to improve the long-term operating environment for charities and social enterprises.

Supporting the voluntary sector in delivering public services

Our sector makes a big difference through improving our public services. It has a track record of success in innovating and reforming services to tackle challenging social issues. The government has said that it wants our sector to have a bigger role in public service delivery; however the latest data shows significant falls in income in both contracts and grants from central and local government.

Voluntary organisations and social enterprises are reporting significant barriers to their involvement in delivering public services. We recommend that the government provides more resources for the training of commissioners to support intelligent commissioning of public services including partnership working with voluntary organisations and social

enterprises. This can be achieved through expanding the Commissioning Academy so it can reach more commissioners as well as procurement and legal officers. We also recommend additional funding to train voluntary organisations and social enterprises in the commercial and other skills necessary to deliver open public services, for example through expanding the OCS Masterclass programme.

One of the strengths of our sector is its diversity. Eighty-four per cent of charities have an income of less than £100,000 and we are concerned that barriers are being placed in the way of small charities that prevent them successfully bidding to deliver services. We urge the government to monitor the implementation of new EU regulations, particularly rules which provide for public service contracts to be broken into smaller 'lots', to ensure that small organisations are given the opportunity to compete and support greater local delivery.

We strongly support the implementation of the Public Services (Social Value) Act. Our sector has been a champion of the Act across the country, but more needs to be done to support public bodies with embedding the principles of the Act into their commissioning strategies. We welcome the government's decision to review the implementation of the Act, but more needs to be done. We recommend that the government creates a Centre for Social Value to provide practical support to both commissioners and deliverers of public services. HM Treasury also needs its own Social Value Unit to ensure that social value across the public sector is considered, measured and reported, maximising the value of public spending.

Large cuts in grant funding threaten the ability of the voluntary sector to support public service reform. Grants are vital for ensuring that a range of different types of providers can deliver services, especially for those who are hardest to help, and for facilitating social innovation. We believe the government should review all programmed public spending cuts to ensure that value-for-money grant programmes are not lost.

Our sector also has a role to play in reducing demand for public services through delivering preventative interventions. We urge the government to encourage all public service commissioners to spend more on early action and developing partnerships with voluntary organisations and social enterprises; building on the lessons learnt through the Community Budgets programme and through embedding the principles outlined in their local Compacts.

Encouraging philanthropy

The government can also support the voluntary sector to make a bigger difference through encouraging a culture of giving. To encourage giving the government must be consistent in supporting charitable tax reliefs. We urge the government to communicate its commitment to maintaining a supportive framework of philanthropic tax reliefs over the long term in the Autumn Statement.

We welcome efforts to improve the operation of Payroll Giving and to promote legacy giving. However, there is more that can be done to improve and promote existing tax reliefs such as Gift Aid and the Gift Aid Small Donations Scheme (GASDS). Early concerns of fraud

and abuse through GASDS do not appear to have been borne out in practice. We recommend that GADS is reformed to enable any charity registered for Gift Aid to claim through the scheme and that the matching requirement for donations is removed, to encourage small charities to fundraise. The government should also fund a new promotional campaign to promote Gift Aid to ensure that the value of donations to charity are maximised.

As well as encouraging more people to give, small charities need support to improve their fundraising skills. Many small charities are cautious about registering for Gift Aid, and those that do, do not maximise its potential. Alongside promoting existing tax reliefs, we urge the government to provide financial support for a voluntary sector-led programme to reach out to small charities to increase their fundraising capacity.

It is also important that the government does more to promote philanthropy, particularly at a local level. The government's current Endowment Match Challenge is a good example of how a strategic intervention can leverage additional private philanthropy. We urge the government to extend and expand this Challenge so that a new generation of local philanthropists is encouraged to step forward.

Promoting a sustainable sector

It is important for government to consider the role that infrastructure plays in supporting voluntary organisations and social enterprises, particularly small organisations, when considering the sustainability of the sector.

We welcome the £40m that has been announced for the Local Sustainability Fund, however, we are concerned that this fund will only be in operation for one year. We believe that this will limit the effectiveness of the fund and recommend that the fund's lifespan should be extended to three years. The data from this fund will also be useful for other funders, including for example charitable foundations, as they develop their programmes to support voluntary organisations and we urge the government to share data gathered through the fund with the sector.

Improving access to social investment

There has been significant progress in the social investment market over recent years and Britain should be proud of its role as a world leader. However more needs to be done to support demand for finance and not just the supply.

There needs to be greater focus on the capacity needs of voluntary organisations and social enterprises and help for them to become investment ready. Charities and social enterprises need support to develop sound business models and financial skills if social investment is to fulfil its potential in delivering social change. We recommend that the government extends the Investment and Contract Readiness Fund to provide this support.

We believe that social investment can provide finance to support voluntary organisations and social enterprises bidding for public services. We urge the government to recognise the differences between sector service providers and social investors on the one hand, and large-scale private-sector 'parent companies' on the other hand, when government seeks to secure large financial guarantees for public service contracts.

We support the government's decision to seek EU approval to expand the Social Investment Tax Relief threshold and urge the government to significantly increase the investee limit to £5m, on par with the Enterprise Investment Scheme. We also support the creation of an indirect mechanism for investors to access the relief. The government should also consider how to support the growth of community shares, which have helped many voluntary organisations and social enterprises access capital and support community engagement.

Making a bigger difference

We believe that these steps taken together would significantly improve the ability of voluntary organisations and social enterprises to make a bigger difference.

We urge the government to use this Autumn Statement to leave a positive legacy by improving the capacity of our sector to support our society and our economy.

Yours sincerely,



Sir Stuart Etherington
Chief Executive, National Council for
Voluntary Organisations



Peter Holbrook
Chief Executive, Social Enterprise UK



Caron Bradshaw
Chief Executive, Charity Finance Group



Neil Cleeveley
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Simon Blake
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