

Mr Sajid Javid MP
Economic Secretary to the Treasury
Her Majesty's Treasury
1 Horse Guards Road
London
SW1A 2HQ

19 October 2012

Dear Economic Secretary,

A SUSTAINABLE ECONOMIC FUTURE

Congratulations on your recent appointment as Economic Secretary to the Treasury. As leaders from the voluntary sector, we are looking forward to working with you to build a more sustainable economic future for our country, by stimulating growth and tackling the deficit. In particular, we are writing to inform Treasury negotiations for the Autumn Statement and Budget 2013.

The voluntary sector ("the sector") is an important part of the social fabric of our country and makes a significant contribution to the UK economy. Charities alone employ over 765,000 people and have a combined income of £36.7bn and expenditure of £36.3bn. Additionally, 10.6 million people volunteer at least once a month, which we estimate to be a worth a minimum of £19.4 billion to the economy. Many organisations in our sector are currently under great financial pressure. Yet we know that they continue to serve the British public day in and day out, notwithstanding the challenges of reduced income, increased demand from beneficiaries, and rising costs of inflation. Securing a sustainable economic future is not a secondary concern for our sector; it is vital for the people and communities we serve, and our own organisations.

So we are committed to playing our part to build a sustainable economic future, alongside Government and businesses.

Firstly, our sector stands ready to make a greater contribution to the Government's Open Public Services agenda. Crucially, we need the opportunities to do this. National and local commissioners need more encouragement and support to engage with the sector. This engagement with the sector is best done at the earliest stages of the commissioning process: to share information about needs and gaps in current provision, and explore potential service design and delivery options, before these are specified during procurement. Too often, decisions taken early on by commissioners effectively preclude our sector from bidding for contracts. The Government has already taken steps to address this: establishing a new Commissioning Academy and passing the Social Value Act. Now, Ministers need to ensure these interventions work – making their expectations of commissioners at all levels unambiguous.

Not only do we know that many larger voluntary organisations can deliver at the necessary scale, but increasingly, we know that smaller and medium-sized organisations are looking to come together as consortia in order to bid for public service contracts. If engaged appropriately in the commissioning process, we would anticipate more organisations mobilising in this way. Fourteen organisations have just published a new report, *Open Public Services: Experience from the Voluntary Sector*. Providing great examples of cross-sector collaboration, the report highlights a number of barriers that need to be overcome to make this a reality.

The Olympic and Paralympic Games this summer have also showcased the contribution of volunteers. Our sector is keen to sustain that volunteering spirit and to develop new volunteering opportunities appropriate to the changing expectations of volunteers and the needs of our community and public services. We would be glad to arrange a meeting with Ministers to discuss how our sector, and volunteering, can make a greater contribution to the next stages of public service reform.

Secondly, many organisations in our sector are keen to become more sustainable and to grow, so that they can serve more beneficiaries and create more employment opportunities. For many, the key to this will be improving their fundraising capacity and levels of donations. Government support for giving and initiatives such as the Legacy10 campaign can make a real difference. We would welcome further discussion about the next steps for boosting fundraising capacity within our sector.

In addition to fundraising, many organisations need improved access to repayable finance in order to grow. Again, the Government has made promising steps: establishing Big Society Capital and a £10m Contract and Investment Readiness Fund to help organisations prepare for investment. Yet many of the barriers to growth that remain are regulatory and fiscal. For example, Community Interest Companies are social enterprises that re-invest their profits in their social mission, yet they pay full rate corporation tax and do not benefit from the existing suite of investment tax reliefs. This makes it hard for social entrepreneurs to grow their companies, whether organically or by attracting external investment. We therefore welcome the current Treasury's review, and call for new measures to alleviate regulatory and tax burdens on social enterprises, in order to facilitate their growth.

Thirdly, as the Government's welfare reforms take effect, we know that some of the most vulnerable people in our country will be affected – including children. Our sector will be at the frontline – helping individuals and families prepare for and manage change. Naturally, the Government wants to support people off benefits and back into jobs wherever possible. But we know that it can end up costing Government more if vulnerable people are not supported through these processes appropriately: the costs associated with contested work capability assessments are an example of this. We therefore ask Ministers to give special consideration to the important work that our sector, and particularly advice services, can play in relation to welfare reforms and preparing for their impact. We strongly believe that any new funding available should be prioritised to help those most in need, during this time of transition.

We would also highlight the potential to re-purpose any underspends such as on the Regional Growth Fund. Like you, we want to see this money reaching the frontline quickly – making a difference on the ground, boosting community initiatives and generating local employment. NAVCA and Locality have developed an innovative proposal for such funds to unlock local resources and

assets, and establish neighbourhood bonds, in some of the most deprived areas in England. This proposal could complement other recent announcements: from BIS, to boost lending to social enterprises, and from DCLG, to support community share issues, community rights, neighbourhood planning, and community budgets.

Finally, it is important to acknowledge the value that charity tax reliefs represent for our sector. These reliefs are based on the clear principle that charities serve the public good. Yet we know that certain Local Authorities are curtailing the discretionary element of Business Rate relief. Short term manoeuvres like this harm our sector – in many cases, putting their local (and in some cases only) presence at risk - and do not serve the public interest. We trust that you will stand with us, as we will be prepared to contest such manoeuvres in the strongest terms.

Voluntary organisations and social enterprises are not only important for their economic and social benefits. They are ultimately an expression of our society and values. They give form to the future that we want for ourselves and others. They are vehicles through which people can give time and money, serving causes beyond themselves, and through which people's hopes and needs can be fulfilled.

At a time of unprecedented challenges for our country, we must do more to build up the organisations that serve the public good, and will play a vital role in building our country's more sustainable economic future.

Yours sincerely,



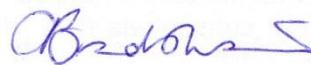
Joe Irvin, NAVCA



Sir Stuart Etherington, NCVO



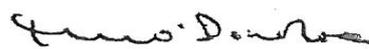
John Low, Charities Aid Foundation



Caron Bradshaw, Charity Finance Group



Graham Benfield, Wales Council for Voluntary Action



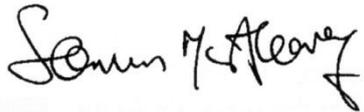
Nick O'Donoghoe, Big Society Capital



Peter Lewis, Institute of Fundraising



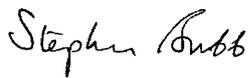
Steve Wyler, Locality



Seamus McAleavey, NICVA



Peter Holbrook, Social Enterprise UK



Sir Stephen Bubb, ACEVO



Justin Davis Smith, Volunteering England



Issan Ghazni, Voice 4 Change



David Emerson, Association of Charitable Foundations