

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

7 November 2016

Dear Chancellor

Re: Putting Britain's Communities First

I am writing to you in advance of your first Autumn Statement to highlight some key policy proposals that will help put communities in a strong position to face future challenges.

Charities are the beating heart of a vibrant democratic society. By engaging with them, government can address the needs of communities across the country and work towards a society where barriers to opportunity are eliminated.

With growing pressure on this sector to meet the ever more complex needs of a growing population, in the highly uncertain context of our future relationship with the outside world, it has never been more critical for government to find more effective, joined-up and strategic ways of working with the sector.

The Directory of Social Change (DSC) has a vision of an independent voluntary sector at the heart of social change. We believe that the activities of charities and other voluntary organisations are crucial to the health of our society. We research trends that affect how the charity sector operates and inform and support policy-makers by sharing our findings and seeking solutions. The following recommendations arise from our research and we hope you will give them due consideration in your Autumn Statement this year, and moving forward.

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1) Repay the Big Lottery Fund £425m raided for the 2012 Olympics

Small, grassroots voluntary groups and charities in every parliamentary constituency benefit from the Big Lottery Fund, with the majority of grants awarded last year under £10,000 in value. The Fund is a vital lifeline for valued local voluntary services in all areas of the UK, including diverse groups such as community centres, food banks and youth groups. We are seeing significantly increased demand on the vital services provided for individual and communities with many charities facing a very uncertain future. Thus the essential support provided by the Big Lottery Fund has perhaps never been more important.

In 2007 the government of the day diverted £425m away from the fund and the communities supported by it in order to pay for the construction of buildings and infrastructure in the Olympic village. This money has still not been repaid in spite of a commitment to do so. Given the small value of the individual grants provided by the fund, we estimate that up to 42,000 new and existing community projects have lost out on vital funding over the last decade.

The solution we propose is that the Government should refund the Lottery directly and renegotiate the assets deal with London so that the Treasury effectively becomes the 'creditor' to the London Legacy Development Corporation, as opposed to the Lottery distributors. The Government has repeatedly stated its confidence that the current contract governing repayments via asset sales will yield the necessary returns over time, so it should have confidence that the LLDC will honour its obligation to repay the amount.

2) Resourcing the Charity Commission

The Charity Commission is an essential part of a vibrant and functioning voluntary sector. It is staffed by talented and dedicated people who are faced with enormous challenges in regulating a sector of over 165,000 organisations most of which are voluntary-led. The role they play goes far beyond enforcing the law, and they are responsible for supporting over 800,000 voluntary trustees so that charities can be as effective as possible in helping people and communities.

However over the last seven years the budget of the Commission has been slashed in half from approximately £40m to just £20m. This comes at a time when charities are taking on an even greater role in society and the delivery of public services. A well resourced regulator is absolutely essential. The spotlight is now on how the sector is regulated and the public expects the Charity Commission to be enabled to support the sector in the public interest.

The Commission has acknowledged its need for greater funding and is considering attempting to raise capital from charitable resources through the introduction of fees. We believe this would damage charitable beneficiaries – every pound diverted from donations to the regulator is a pound not available to put towards key services. Thus we are calling on you to make provision in the Autumn Statement for greater resources for the Commission which would have the effect of improving the governance of the voluntary sector across the country, meaning that charities will be in a better position to help the communities they serve.

3) Improve public sector commissioning to the voluntary sector by promoting grants

Grant funding from government is essential for communities to thrive, putting people at the heart of everything. It empowers charities and voluntary groups to identify and solve problems, and address needs in a way which is centred around people. Over the last decade, however, this vital resource has been rapidly disappearing, replaced by more restrictive and inflexible contracts. Grants from the public sector now make up only 5.5% of charity sector income, a decline of over 60% since 2004 (NCVO, Civil Society Almanac 2015). At the current rate of decline, grants could all but disappear by 2020.

In spite of the huge benefits that charities supported through grants can bring to people and communities, government priorities are to promote contractual arrangements, particularly through payments by results mechanisms.

An independent evaluation of the first Social Impact Bond found that the funding model did not, in itself, lead to greater innovation in service delivery. Last year, the National Audit Office warned that the government often underestimated the cost of developing 'technically challenging' payment-by-results contracts.

Worryingly, the lack of evidence for the success of payment-by-results and Social Impact Bonds comes at a time when the Cabinet Office is planning to invest £80m to fund their expansion. The Minister for Civil Society has also said that the government wants to grow the 'Social Impact Bond' market to at least £1bn by the end of the decade. The use of payment-by-results has also grown substantially, with services worth billions of pounds now commissioned using these models.

We believe that there should be additional scrutiny of these new funding mechanisms and whether they are delivering value for money for the taxpayer. There should be an assessment as to whether these models are crowding out smaller providers such as charities. and a greater emphasis on the benefits of grant funding, in particular to engage smaller, local charities.

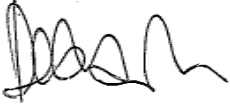
Seizing opportunities and meeting challenges

In October ten leading voluntary sector umbrella bodies, including the Charity Finance Group, NCVO, NAVCA and the Small Charities Coalition wrote to you with a set of policy options. The Directory of Social Change fully supports these proposals and asks that you consider their submission which I attach for your convenience.¹

We believe it is vital that we start a new dialogue between the sector and the government, so together we can better tackle the challenges we all face. We would like the opportunity to meet with you to discuss the opportunities and challenges highlighted here and to offer our help and support should you require any further information or clarification.

¹ Also available at <http://www.cfg.org.uk/news/press-releases/2016/october/october.aspx>

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Debra Allcock Tyler', with a stylized, cursive script.

Debra Allcock Tyler
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Enc: Policy Proposals from ten VCSE organisations