

2nd September 2010

Dear Chief Secretary

We write as representatives of civil society to set out our joint response to the Government's Spending Review. Our organisations play a vital role in engaging and empowering individuals and communities, representing their views and concerns, as well as delivering services and activities, both independently and on behalf of government.

A key measure of success for this Spending Review will be the extent to which it acts as an enabler of voluntary action and helps to build a better society. To achieve this, Government must look at total spending and support for civil society across all departments in a co-ordinated way, to accurately assess and mitigate the net effects of changes on voluntary and community organisations (VCOs) and social enterprises and ensure that civil society's potential to help tackle the deficit is maximised.

Settlement letters from the Treasury should ask individual departments to be mindful of the need to strengthen civil society and therefore to look at the impact of spending decisions on the sector as a whole, particularly given the importance the Government attributes to the role of civil society. They should also ask departments to consider how they might work with the sector to do things differently and more cost-effectively.

A clear message should be sent to local authorities to remind them of the need to work with their local voluntary and community sector to ensure that spending decisions take account of the long term impact on local people and communities. Local public sector bodies should also be advised to pool budgets so that resources are able to be allocated more efficiently and effectively, targeted at local needs rather than administrative boundaries.

Government should ensure its commitment to fairness and equality is embedded in the Spending Review by making public its equality impact assessments and reminding Departments of their legal obligations on equality in settlement letters.

Compact

In the current financial climate, it is more important than ever that national and local government works in partnership with the sector to maximise benefit to individuals and communities. Good funding practice, including longer term funding agreements, enables organisations to become more sustainable and resilient in the longer term. Therefore the Government must champion and resource a renewed Compact and give powers to the relevant ombudsmen to enforce it.

Commissioning and procurement

The expected scale of the cuts means that public services will have to be funded and delivered in radically different ways. VCOs and social enterprises are well placed to deliver social innovation services and activities that meet the needs of users and communities, but the speed and scale of cuts could work against this. Commissioning and procurement processes should support social innovation and enable a full range of organisations to bid to deliver services, including smaller ones.

Procurement processes should also ensure that VCOs and social enterprises are not disadvantaged; to this end we would welcome government support for the Private Member's Bill

introduced to parliament by Chris White MP, which would 'require that public sector contracts include provisions relating to social outcomes and social value'.

Moves towards payment by results, or to replace block contracts with individual payments, must be managed carefully to ensure that this does not reduce the sector's capacity to innovate or cause effective providers to fail. Further consideration must be given to the level of risk that civil society organisations are able to bear and their ability to access the capital needed to make the transition. This underlines the need to develop the existing specialist social investment market. In the short term, however, there may be a greater role for commercial financial institutions, but to perform this role they need to have a better understanding of the real, rather than perceived risks of lending to VCOs and social enterprises.

Tax and fiscal changes

Irrecoverable VAT already costs the sector a significant sum every year; an increase to the main rate of VAT to 20% in January 2011 will add to this burden. This will need to be part of the overall calculation about the future net effects of spending changes. In particular, payment of VAT on shared services acts as a real disincentive to cost-sharing. We therefore welcome the Government's commitment to review this in the autumn.

The Government is aware of longstanding concerns about the administration of Gift Aid, and there needs to be real progress on this issue. There is also a need to look at new ways of incentivising giving, such as the potential of Lifetime Legacies which have the potential to bring new resources into the sector.

Support to communities

To realise the potential of civil society will require the right support, resources and frameworks to be put in place. Organisations will need access to high quality support to enable them to:

- respond effectively to a changing external environment, for example through good governance and financial management, good volunteer management and identifying more sustainable ways of working;
- improve the quality of their services and their ability to respond to the needs of their users and beneficiaries, and demonstrate their value;
- act collaboratively; and
- provide them with a collective voice.

Local people who want to engage in social action, by forming a neighbourhood group or taking responsibility for preserving a valued local service, will also require access to effective local support if civil society is to flourish.

We recognise that existing provision must be effective and efficient and avoid duplication. We are committed to working together to achieve this, for example by supporting closer joint working, shared services and increased collaboration at national and local levels, as well as with specialist providers.

This should be part of a planned process of change that takes account of different needs and circumstances and strengthens links between national, local and specialist provision. Organisations themselves will need practical and financial support, eg to review the governance and legal implications and make a robust business case for change and ensure equality principles are addressed. We will lead this process, but Government can help by creating an enabling environment, for example by investing in change.

Conclusion

We will, of course, be making our own individual submissions to the Spending Review. We hope that this letter highlights the key collective concerns of civil society and our desire to see the right financial framework in place to enable our organisations to continue to meet people's needs and strengthen civil society.

Yours sincerely

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Graham Benfield, WCVA
Kevin Curley, NAVCA
Justin Davis-Smith, Volunteering England
David Emerson, Association of Charitable Foundations
John Low, CAF
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Vandna Gohil, Voice4Change
Mike Parkinson, Charities Tax Group
Stephen Bubb, ACEVO
Peter Holbrook, Social Enterprise Coalition
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