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Dear Colleague,

In recent months, the Coalition Government has made a number of policy announcements which have important implications for charities and social enterprises. I thought it would be helpful to update you on the strategic framework in which they sit.

Context

Few would argue that the country faces serious economic and social challenges. The debate is about how we best overcome these challenges and secure the positive future we all want. As you know, the Big Society vision is based on the argument that we have given too much power and responsibility to Government and have too little to show for it. We believe that the country will be stronger if we as citizens have more power and responsibility to improve our own lives, the communities we share and the public services we use. Too many people have given up on their power to make a difference. As a result, we are not making full use of all the energy, skills and experience that reside in communities across the country. We want to change that and encourage more people to get involved and work together to improve our communities. We should worry as a country that levels of social trust and interaction with neighbours have plummeted since the 1950s. We want to change that and encourage more positive social interaction. The opportunity to influence the world around you, to feel connected, to be able to make a contribution, and to trust those around you – these are the some of the most important contributors to our well-being. They form the foundation of both our society and economy. This is the thread that runs from the idea of building a bigger and stronger society through our focus on well being and the idea that Ministers and commissioners should consider the full value and effect of services they provide. This is about building on the large amount of inspiring work already done by Civil Society¹, and communities across Britain and doing more to recognise the value of that work and encouraging and enabling more to happen.

Government Action - the strategic framework

To enable this long term culture change Government is focused on three strands of activity;

¹ The term “Civil Society” is used here to describe as people acting together, alongside or independently of the state or market, to make a positive difference to their lives or the lives of others. It can involve informal groups of individuals taking action all the way through to social enterprises and large, national charities.



- 1) Transferring power to communities - the Localism Bill provides radical new rights and powers for citizens and communities, not least the Right to Buy and the Right to Challenge. In parallel, our transparency agenda is giving citizens more power in the form of information, whether it be local crime maps or information on what our local authority is spending.
- 2) Opening up Public Services to a greater diversity of providers and devolving power to local commissioners, not least through community and personal budgets and free schools; and
- 3) Encouraging more Social Action² and the building of Social Capital³.

The focus of the Office for Civil Society

Since May 2010, the Office of Civil Society has focused on developing and delivering programmes that have two priorities:

- 1) Encouraging Social Action and building Social Capital, especially in communities that need more support.
- 2) Helping Civil Society seize the opportunity to play a bigger role in shaping how communities work together and how public services get delivered.

The key initiatives which are taking place to achieve these priorities are set out in detail here;

1. Encouraging Social Action and building Social Capital

More Giving

We want to encourage more giving because we want to help charities improve the lives of more people. We also know that giving brings people together and can substantially boost the wellbeing of the giver. Britain is a generous country but giving has flatlined at best. Back in December we issued a Green Paper, to generate a debate on what was needed to significantly grow the giving of both time and money. In March, the Chancellor announced in the budget some generous new incentives for philanthropy and some welcome reform to simplify Gift Aid. This was followed by the Giving White Paper which set out our plans to make it easier and more compelling to give and provide better support to the charities that channel our generosity. Through our Transforming Local Infrastructure programme £30m has been set aside to rationalise and transform the essential support services provided by local infrastructure bodies, which have a vital role in enabling giving. Through our Community First programme £80m is available to help build local endowments and encourage people to get involved in their neighbourhoods.

Other key initiatives included the Social Action Fund, an Innovation in Giving Fund and a series of Challenge Prizes, worth over £30m over the next two years. The Social Action Fund will support the scaling-up of proven models of giving in some key target areas such as people at, or approaching, retirement age, or National Citizen Service graduates. The Innovation in Giving Fund will support more experimental approaches in the development of social action that we believe have transformative potential and can be supported to grow across the country. There are a wide range of motivations that draw people into the satisfaction of helping others, from acquiring experiences that boost skills and CV's, to the practical exchange of help and support

² Any act which benefits another individual, community or the environment and is not performed for explicit financial gain.

³ The networks together with shared norms, values and understandings that facilitate cooperation within or among groups.

for our children or elders. While for some, pure altruism and selflessness is motivation enough, we should also be open to harnessing these other motivations to encourage giving too. So we are particularly interested in testing models of reciprocity, such as time credits, that create what are called complementary currencies.

This is an ambitious long term agenda, around which we believe there should be political consensus. The White Paper is not an end but a step on a journey which will be followed by a Giving Summit and other initiatives to encourage us to be an even more generous country.

Cutting Red Tape

Over time past Governments have allowed too much regulation to get in the way of people helping each other. This bureaucracy also soaks up time and money that could be better used. One of the most important things Government can do is get out of the way.

Lord Hodgson has produced an excellent report - Unshackling Good Neighbours - which contains a set of very practical ideas which we are keen to implement where possible. This report complements Lord Young's radical review of Health and Safety regulation and the Home Office and Department of Education reviews of the CRB and Vetting and Barring regimes. The latter resulted in welcome reforms of the CRB process which will become law once the Protection of Freedoms Bill completes its passage through Parliament.

In addition, the Government is conducting a rolling Red Tape Challenge to review the validity of regulation across the economy. An important outcome of this challenge will be to reduce the burden of regulation that can hurt enterprise within the sector and often affects the ability to engage volunteers and encourage more individuals to behave with greater responsibility for our society.

National Citizen Service

In the context of changing cultural attitudes to giving and getting involved, the attitudes of young people are critical. That is why we attach such importance to National Citizen Service (NCS) pilots that we have run this summer across the country. NCS is about throwing young people together from different backgrounds and challenging them with new experiences. They are then encouraged to work together in setting up a social action project to make a positive difference to their communities. We are still learning but the feedback from this summer has been very positive and we are now commissioning up to 30,000 places for next year. We are also working with our partners to make sure that NCS graduates are given every opportunity to connect with local charities and community groups so that they can continue to contribute. The Government has shown its commitment to the further development of the programme by indicating that we will sign up around 90,000 young people on the programme in 2014.

Community Organisers and Community First

We are very aware that some communities will need more help than others to take advantage of the new opportunities to take more power and responsibility. That is why we are investing in Community Organisers and the Community First programme. Both will be focused on areas of relatively high deprivation and low social capital. Community Organisers will listen and create networks of people and organisations that care about the same thing and want to drive change. They can transform the

confidence of neighbourhoods in their own ability to tackle problems that undermine the area. The Community First programme has two elements. A £30m grant programme which will put money into the hands of neighbourhood groups to help them implement their own plans (with the support of Community Organisers). It will contain a match requirement (time and/or money) because we want taxpayers money to be a catalyst for real community action. The second element is a £50m matched fund to incentivise the building of local endowments to create a sustainable source of local grants for the future. We are working with Locality to bring the first organisers on stream by October 2011. Our partners on Community First are Community Development Foundation and Community Foundation Network and the funds are now open for applications, with work on the building of local endowments already underway.

Helping Civil Society seize the opportunity to play a bigger role in shaping how communities work and how public services get delivered.

Looking forward, we believe that the Big Society agenda contains three major long term opportunities for civil society :-

- Our commitment to open public services creates the opportunity for charities and social enterprises to deliver significantly more public service contracts. Indeed we have an explicit Coalition Government commitment to “support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services.”
- The localism agenda creates more opportunities for civil society organisations to shape local priorities and give voice to those who need it.
- An ambitious agenda for growing giving (of time and money) and social investment creates the opportunity for charities and social enterprises to access significantly more resource.

We want to help the sector take full advantage. In this context our work is focused on three objectives:

- Making it easier to run a charity or social enterprise;
- Making it easier to work with the State; and
- Getting more resources into the sector.

Making it easier to run a charity or social enterprise

In addition to the cutting red tape agenda already discussed, we want to encourage Better support for front line organisations. In December last year, we ran a consultation on what was needed to improve the effectiveness of the infrastructure that exists to support front line organisations. The result of that consultation is a new £30m fund to be invested over the next two years. This fund will in effect offer transition funding to local support organisations who see the need to find a more efficient and sustainable model of delivering the services that local civil society organisations will need in the future. This includes the local infrastructure, such as volunteer centres, that exists to support volunteering. For the first time we are integrating our work in this area with the Big Lottery Fund (BIG) who will deliver our programme and invest themselves in distinct but complementary streams. We both want to see front line organisations have access to more effective support both online

and offline. We both want to see infrastructure organisations increase their value to local customers and partners and reduce their dependence on BIG and Central Government.

Making it easier to work with the State

One of our first actions in Government was to renew the Compact, which sets a framework for the relationship between State and Sector. We also introduced new measures to strengthen transparency and accountability around implementation.

We also launched a Green Paper to generate a debate on what changes were needed to commissioning in order to make it easier for charities and social enterprises to compete for public sector contracts. The results of this consultation fed into the Public Services Reform White paper and helped inform our recent announcements on the Investment and Contract Readiness Fund and the development of a new programme to support more innovative and intelligent commissioning. In November the Government will set out how departments will take forward ideas to implement open public services over the rest of this Parliament in line with the principles and policies set out in the Open Public Services White Paper.

We recognise that it vital to have a strong and fair relationship between Local Authorities and the Voluntary and Community Sector which is why the Department for Communities and Local Government published the Best Value Guidance recently. The guidance makes it clear that councils should consider overall value – including social value – when considering service provision. This guidance sets out our desire that public agencies and civil society collaborate more in the running of public services.

Over this period, our colleagues at Department for Work and Pensions announced the new Work Programme structured on a payment by results framework. Almost 300 charities and social enterprises have won contracts with the potential to earn many hundreds of millions of pounds over their life, subject to their performance.

As part of our intention to give ownership and control to empower employees to innovate and redesign services around service users and communities, and drive up quality, we have launched our plans on 'Right to Provide'. We have also launched our Mutual Pathfinders Programme. The Mutual Pathfinders are led by entrepreneurial public sector staff who want to take control of their own services. They are trailblazers for the rest of the public sector – helping Government understand, by learning from the front line, what type of support and structures will best enable the development of employee-led mutuals on an ongoing basis. The Pathfinders cover a range of different sectors, including health, learning disability, social care and youth services. Each Pathfinder is supported by an expert mentor from some of the country's most successful businesses and leaders in employee ownership models. 21 organisations have been announced as Mutual Pathfinders and a further organisation taking part in the Department for Education Social Work Practice Pilots is also participating.

Getting more resources into the Sector:

Growing the Social Investment Market

Philanthropy and the State have been the two core pillars of funding for the sector. We want to help build over time a third - social investment. The mission is to make it easier for social entrepreneurs to access capital and to give savers more opportunities to invest for good. The prize is to make an effective connection between

mainstream capital and the social sector which does not exist today. We are under no illusions about the scale of the challenge or the length of time it will take. However we set out our stall in the Social Investment Strategy document and are now delivering on those words.

The recent announcement on the formation of Big Society Capital (BSC) and the agreement with the Merlin banks has been acknowledged by many commentators to be groundbreaking and a world first. We are working closely with Big Society Capital to establish an institution that can use up to £400m that we estimate will be released over time from dormant accounts, and up to £200m from the banks, to catalyse the social investment market and provide a permanent boost to civil society. We are very grateful to everyone involved in the process, not least Sir Ronald Cohen and Nick O'Donohoe. It is an exciting opportunity to build the market. In the meantime, we are delighted that the investment committee set up by BIG has announced its first investment.

We know that the creation of BSC is not in itself enough to grow the social investment market. A number of organisations need help to become more investment ready, which is why we have announced a new Investment and Contract Readiness Fund. This will provide grants to help ambitious social entrepreneurs buy in services from relevant intermediaries. Our ambitions go further. We recently announced that we are working with four local authorities to develop social impact bonds to help finance a new approach to supporting chaotic families suffering multiple problems.

Building better connections between Businesses, and Civil Society.

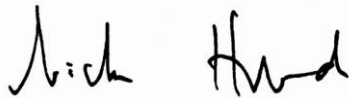
We see great potential to make better links between business and civil society, not least because the value can be two way. This is particularly true when we talk about the transfer of skills. In his speech 'Every Business Commits', the Prime Minister made it clear that businesses are an integral part of the locality where they are based and he encouraged businesses to further support these communities. One consequence of that speech is that Business in the Community are developing a network of Business Connectors whose role is to make better connections between what communities need and what local businesses have to offer. This role clearly complements the work of the Community Organisers we will be training to help communities do something about the problems that undermine their neighbourhoods.

Opportunities and Risks

This agenda of opportunity has to be reconciled with the urgent need to reduce Government borrowing. What is at stake is an economic recovery which the social sector needs to see as much as everyone else. A sector which receives £13 billion of taxpayers money a year cannot be immune from the painful but necessary process of reducing Government expenditure. With the support of strategic partners, we have worked hard to try and mitigate the short term damage to the capacity of the sector. The £107 million Transition Fund was created and executed quickly to support over 1000 of the most vulnerable organisations. Local Authorities could not have received a clearer message from Ministers about the tests of reasonableness and the need to prioritise internal savings before cutting funds to the local voluntary sector. Many have responded very positively and indeed have maintained or even increased investment. However we know that this is not the case everywhere and that cuts have created real frustration and difficulty for the significant minority of charities and social enterprises who rely heavily on public funding.

In attempting to approach these issues we will continue to work closely with our strategic partners, who enable us to fully link with the sector and continually allow us to hear the front line.

There is no doubt that we are working together in a very challenging environment. However this is also a time where tough circumstances are requiring us to think harder about efficiency and finding better ways of doing things. The proud history of Civil Society in this country is characterised by tenacity, inventiveness and the ability to adapt to change. These qualities are needed now more than ever.

A handwritten signature in black ink that reads "Nick Hurd". The signature is written in a cursive style with a light grey background behind the text.

NICK HURD