

**The Rt Hon Francis Maude MP**

Minister for the Cabinet Office

70 Whitehall

London

SW1A 2AS

**Nick Hurd MP**

Minister for Civil Society

Dear Colleagues,

We are writing to update you on the outcome of the Spending Review and the opportunities and challenges it presents for charities, social enterprises, voluntary and community groups.

Our country faces a huge challenge in reducing the public sector deficit. Everyone has a role to play in addressing this, and the voluntary, community and social enterprise sectors cannot be immune. However, we also know that civil society has an enormously important role to play in supporting people; helping people find a voice and in shaping and delivering better public services. That is why we invite you to be the key partners in building the Big Society.

### **Spending Review outcome**

Given the tough spending context, we are pleased that the Office for Civil Society has secured a strong settlement in the recent Spending Review. The allocation is around £470 million in total. The role of the Office for Civil Society is to support and strengthen civil society. The settlement enables us to fund the key programmes, all of which are designed to build the capacity of individuals, neighbourhood groups and civil society organisations to respond to the Big Society agenda and make a positive difference to their communities. These include the National Citizen Service pilots, the training of Community Organisers, the creation of a new neighbourhood grant programme; the matched funding of local endowments; support for employee led mutuals and investment in improving the support for front line organisations. Attached for information is a short note on progress on these headline Office for Civil Society programmes.

There are difficult times ahead, but we are confident that we are putting in place firm foundations for delivering on the three longer term strategic priorities we set out during the election:

1. Making it easier to run a voluntary or community sector organisation
2. Getting more resources into the sector to underpin its resilience and independence
3. Making it easier for charities and social enterprises to help the state deliver better public services



## **Future opportunities**

Our recent strategy document *Building a Stronger Civil Society* set out the Government's policy and plans for the new relationship between the sector and the state, including our determination to maximise the opportunities for the sector to compete to offer high quality services to the public. Our approach to the sector is therefore about far more than funding for OCS's programmes.

We want to see voluntary, community and social enterprise sector organisations have a much greater role in running public services. We are working to open up the opportunities to compete for contracts to more providers from the sector, including through making more information available about existing contracts. The Government has already committed to a range of reforms to enable the sector to increase its service delivery role, for example in health and social care, the criminal justice system and welfare to work. We also want to make it easier to set up employee-owned cooperatives. We are continuing to develop these and other opportunities, and further plans will form part of a white paper on public service reform early in the new year.

In the longer term, we want to help build a social investment market to unlock new and different sources of finance for social enterprises and other civil society organisations. The Big Society Bank will work through social investment intermediaries, and will be funded using money from Dormant Accounts.

We believe that the debate around the Big Society is about encouraging individuals and organisations to think about the contribution they can make whether that is in the form of philanthropy, and social investment, or giving up time and expertise through volunteering or community service. It is also about enabling people to have a voice in shaping the communities and areas around them through mobilising local networks (community organisers) and encouraging civil responsibility (National Citizen Service). Creating more responsible and active communities where people play a part on making society a better place will only serve to benefit the voluntary and community sector.

## **Immediate actions**

We do recognise that many organisations are dependent on funding streams from the public purse whose future is precarious. Included in the settlement is a £100 million Transition Fund. The Fund will be delivered by the BIG Fund, the non Lottery funding operation of the Big Lottery Fund, and will be open to organisations with an income of between £50,000 and £10 million who are most vulnerable to short term reductions in public spending. BIG Fund will be drawing on relevant expertise from ACEVO and Capacitybuilders, among others, to ensure that this money helps excellent organisations throughout England prepare effectively for the future. Detailed

eligibility criteria will be available shortly and we expect applications to open at the end of this month.

We are determined to ensure that cuts are fair and not disproportionate in their impact on the sector. The Prime Minister has made it clear that councils should not take the easy option of trimming budgets by cutting funding to the voluntary and community sector. As well as refreshing the national Compact, we are working with the Local Government Association and local authorities to identify examples of positive collaboration with their voluntary, community and social enterprise sectors. Two important documents collating examples of positive collaboration and sources of information and support for local authorities on working with their voluntary, community and social enterprise sectors were published on the Cabinet Office website. *Better Together* and *Exposure to Cuts* provide support for those authorities who recognise the value of working with their voluntary, community and social enterprise sectors to achieve more for their communities.

In addition, we have just announced our commitment to continuing investment in the National Training Programme for Sector Commissioners, and the development of a second phase of the Partnership Improvement Programme, supporting local civil society organisations and statutory partners to strengthen their working relationships.

We recognise that you will need support to help you prepare for the new opportunities ahead and we want to know how central Government can best play a role in improving the effectiveness of support to front line organisations. That is why we launched a consultation *Building a Stronger Civil Society*, to understand how Government Funding can best be targeted, and we urge you to give us your views.

In addition, we are looking to help organisations save time and money by reducing bureaucratic burdens on them. Lord Hodgson has set up a task force to look at red tape we can cut.

In conclusion, we believe that our agenda is creating significant long term opportunities for social enterprise, charities and wider civil society. We also recognise that the transition period will be challenging and we are committed to helping you manage the change and seize the opportunities.

The image shows two handwritten signatures in black ink. The signature on the left is 'Francis Maude' and the signature on the right is 'Nick Hurd'. Both are written in a cursive, flowing style.

**FRANCIS MAUDE**

**NICK HURD**

## **Background note on key OCS programmes**

### **Big Society Bank**

- The Government has committed to setting up a Big Society Bank to grow the social enterprise market and so make it easier for social entrepreneurs to access capital. It will help prove to mainstream investors that you can invest for social impact and get a financial return. In doing so it will open up a new pillar of funding to the sector to sit alongside philanthropy and public investment.
- In order to build the market and not distort it, the Big Society Bank will act in a strictly wholesale capacity. Therefore it will invest only through new and existing social investment intermediaries and will not deal directly with front line organisations. The Bank will be set up using money from dormant accounts available for spending in England. These are deposits of money that people have forgotten about or lost track of in bank and building society accounts and that have been untouched for at least 15 years.
- In July the Prime Minister announced that 100% of dormant accounts money for spending in England would be used to fund the Big Society Bank, demonstrating the strength of government commitment to supporting investment in civil society.
- Co-operative Financial Services will shortly be putting in an application to act as the Reclaim Fund, and has been working closely with FSA to speed the approval process. The British Banking Association has also confirmed that the banks are complying with the scheme and are actively managing the process of engaging with relevant customers.

### **National Citizens Service**

- NCS will connect more young people with their communities and their own power to make a contribution. It is designed to promote a more cohesive and responsible society.
- NCS will bring 16 year olds from different backgrounds together in a residential and community based programme of activity. They will be challenged through an outward bound experience, encouraged to use their skills in the community and be asked to design and deliver their own community project.
- Having run a commissioning process for the delivery of the 2011 pilots, we are aiming to announce the list of chosen providers in early November.

- We are developing longer term options for the delivery of NCS in 2012 and beyond, including delivery mechanisms, evaluation, communications and national fundraising.

## **Community First**

- A Community First Fund will be available to help neighbourhood groups implement their own plans to improve the neighbourhood. This grant programme will be supported by our commitment to continue matching local endowments.
- We are committed to working with a national distribution partner and will be announcing a process to choose that partner during November.

## **Community Organisers**

- Around 5000 Community Organisers will be trained over the lifetime of this Parliament. Within local areas these Community Organisers will build and mobilise local networks and leadership to drive the change that the community needs. The voluntary and community sector can be key partners in those networks and those campaigns.
- Community Organisers will be encouraged to work with neighbourhood groups that want to apply for the Community First Fund.
- We are aiming to issue the procurement specification shortly.

## **Support for co-operatives and mutuals**

- We launched the first wave of mutual pathfinders in August, and a second wave is expected in December.
- The pathfinders will be supported by expert mentors from some of the country's most successful businesses and leaders in employee ownership models. The mentors will include staff from the John Lewis Partnership, probably the country's best-known co-owned business, as well as from PWC, KPMG, Tribal, Baxi Partnership, Care and Share Associates, Sunderland Home Care Associates, Central Surrey Health, Local Partnerships, Godrevy, GLL (Greenwich Leisure), and The Office for Public Management will also be providing mentors.

## **Support for capacity building**

- The OCS consultation on proposals to improve infrastructure support for frontline organisations is in progress and will end on 6 January 2011. We are very keen to hear about how we can make the support for frontline organisations more relevant, simpler to obtain, and in keeping with our Big Society agenda. Details about the consultation can be found at [www.strongercivilsociety.org.uk](http://www.strongercivilsociety.org.uk)

- The key proposals in the consultation are:
  - Streamlining online support and resources
  - Consolidation grants for infrastructure bodies
  - Improved brokerage and relationships with pro bono volunteers from the private sector/larger charities/public sector
  - Bursaries for specialist skills that cannot easily be developed through the interventions above
  - Targeted interventions to improve relationships among infrastructure bodies and with statutory partners
  - Renewed relationships with national partners (Strategic Partners programme.)

## **Public services**

- Work is underway to have a renewed Compact in place for launch in late November. Since the Commission for the Compact is being abolished, there are also plans to strengthen the accountability arrangements and announce these around the same time.
- The Government intends to publish a White Paper in the new year on public service reform. OCS will be publishing a consultation paper on reforming commissioning and will be seeking views from the sector during the autumn. The responses from this consultation will feed into the white paper.

## **Red Tape Task Force**

- The Government has made a commitment to make it easier to run a charity, social enterprise or voluntary organisation. This includes reducing the amount of regulation, monitoring and reporting that is imposed on charities, social enterprises and voluntary organisations.
- A commitment was made to set up a task force to look at how we can cut red tape for small Civil Society organisations.
- Lord Hodgson agreed to chair the taskforce and appointed five members. The taskforce is supported by a secretariat in Cabinet Office and BIS.
- The taskforce is currently seeking views of the sector on the biggest burdens on them and how they might be reduced. So far, the taskforce has received nearly 550 responses to its calls for evidence. The taskforce is using this evidence to determine priorities for further investigation.
- The taskforce intends to report to Ministers early in 2011. Its members are determined to make practical, achievable, recommendations that will make a difference to the sector.