



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

1 March 2017

cc: Rob Wilson, Minister for Civil Society  
Jane Ellison, Financial Secretary to the Treasury

Dear Chancellor,

### **Building a strategic partnership with the voluntary sector**

The voluntary sector and volunteers are an important partner in achieving the Prime Minister's vision of a shared society. The opportunity to strengthen local communities and encourage social action is widely recognised by those working and volunteering across our sector and beyond.

We are writing to you in advance of the budget as the largest membership body for voluntary organisations and volunteering in England. The National Council for Voluntary Organisations (NCVO) was founded in 1919 and now counts over 12,000 member organisations, from large household name charities to small and entirely volunteer led groups. We work to help voluntary organisations and volunteers to make a bigger difference.

### **Enabling voluntary organisations and volunteers to contribute more effectively**

Volunteering and voluntary organisations every day are helping build and support communities across many areas, from education, to employment, health and housing. We are a major provider of public services. The Office for National Statistics estimates that we contribute a gross value added of £12.2bn to the economy. The government has already taken many positive steps in recognising our role, as demonstrated by the emphasis placed on local and civic institutions and other 'soft' infrastructure within the government's industrial strategy, and the recent launch of the Public Services Incubator.

We believe that with your help we can make an even bigger difference.

If we are to meet the challenges and opportunities facing the country, we must continue to build and strengthen this partnership between voluntary organisations and government, and build the case for volunteering and social action. There remain barriers to people getting involved in their communities: by jointly addressing these practical issues we can help communities do more to help themselves.

Doing so will require a holistic approach across different departments and at all levels of government. It will also require collaboration on the part of voluntary organisations. There is a key role for the Treasury in developing the fiscal and spending framework that will encourage giving and volunteering, incentivise reciprocity, and enable voluntary organisations to become more involved in delivering services to the public.

The devolution deals provide an example of where involving local voluntary organisations can lead to better public services and more engaged communities. The impending review of the Social Value Act provides an opportunity to look at how government can encourage social action and deliver better value services by working with voluntary organisations. The Treasury's support of the Review will be critical in promoting good practice across all levels of government procurement.

We believe that the Treasury can also help the proceeds of libor fines make a bigger difference to this agenda by taking a different approach to their allocation. We would welcome the opportunity to work with the Treasury to identify how funds might be used to encourage donors to match these funds and increase the amounts distributed to good causes.

### **Targeted measures to support communities**

If we are to successfully address the challenges and opportunities posed by the decision to leave the EU, it is important for charities, business and government to work together, bringing together communities and systematically building social cohesion.

Pressure on local authority services has led to innovation and change in the provision of parks, libraries, leisure facilities and the use of other community assets. We believe that there is scope for further innovation and community involvement, including volunteering and social action in order to help ensure these important services remain available.

The government has already done much to improve the process of community asset transfer. We believe that, in partnership with voluntary organisations, more can be done to support local areas. Volunteering and social action is more likely to succeed if there are community assets from which they can operate.

In particular, retaining assets for community use that are being sold by local authorities will be a critical part of supporting places and communities in the way that the government envisions. Further engagement with sector proposals on the future of community asset ownership<sup>1</sup> presents a huge opportunity to unlock social action and strengthen local voluntary organisations' financial independence. This will have a long term benefit for local communities, and a limited impact on the Exchequer.

### **Stronger communities through tax policy**

We would like to work with you and your officials to enhance the tax system so that it further supports charities and voluntary action, and creates even more possibilities for people to give their time and money to the causes they believe in.

The government already engages the voluntary sector actively on charity tax issues through the HMRC Charity Tax Forum. Its commitment to existing reliefs such as Gift Aid and business rates relief has provided much needed certainty in a turbulent economic environment. Together, we could go further in developing a tax approach that enables charities and voluntary organisations to become more financially independent and to play a bigger role in delivering services used by the public.

The increasing role that charities play in today's society means that it has become more necessary than ever before to carefully appraise how wider fiscal policies may impact on sector organisations.

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<sup>1</sup> See Locality proposals in [Places and Spaces – The future of community asset ownership – November 2016](#)

To take the example of village halls or community centres, the cost of insurance will often be one of their greatest sources of expenditure, and the rise in insurance premium tax is likely to disproportionately affect their work. The National Living Wage, Apprenticeship Levy and business rates revaluation have similarly affected many charities.

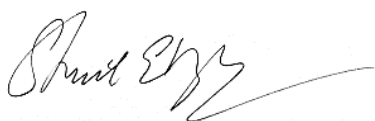
Many voluntary organisations are now telling us that the cumulative impact of these individual policies has put at risk the business model on which they operate. While they welcome the aspirations and aims of policies such as the national living wage, they are increasingly concerned about how they will maintain their viability, particularly in relation to the delivery of services under contract.

This matter is now pressing, and we strongly suggest that Treasury officials work through the mechanism of the Charities Tax Forum to measure the cumulative impact of changes in the tax system and assess whether policy change is required in the immediate term.

The longer term fiscal framework for charities also, we believe, requires consideration. NCVO aims to establish an independent commission tasked with undertaking a full review of the current charity tax system, and developing recommendations that will establish a long term framework for charity tax reliefs. Such a comprehensive exercise has not been carried out since 1997 and we think that now is the time for such a review.

Undoubtedly, the need to continue working together closely will only grow as Britain prepares to leave the European Union, presenting new opportunities to shape and strengthen our country's communities. As this moment approaches, we invite you to consider the many practical ways of building further upon the government's partnership with voluntary organisations and the wider volunteering community. This is a partnership that will help build a truly shared society, one that provides better public services to those in need, where individuals thrive and fulfil their potential, and where communities come together and build a stronger civil society.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stuart Etherington', with a long horizontal flourish extending to the right.

**Sir Stuart Etherington**  
**Chief Executive**