Civil Society's role in Levelling Up – Submission to Comprehensive Spending Review 2020

1. Introduction

This submission is on behalf of a coalition of civil society organisations who support the Never More Needed campaign, including: Charity Finance Group (CFG), Directory of Social Change (DSC), Small Charities Coalition (SCC), Association of Chief Executives of Voluntary Organisations (ACEVO), Charity Retail Association (CRA), National Association for Voluntary and Community Action (NAVCA), Charity Comms, Wales Council for Voluntary Action (WCVA), Children England, Lloyds Bank Foundation for England and Wales, National Council of Voluntary Organisations (NCVO), Association of Charitable Organisations, Locality, Bond, Sign Health, Voluntary Organisations Disability Group (VODG), Equally Ours, LGBT Consortium.

The Covid-19 crisis has posed an unprecedented challenge and the government has had to respond swiftly and will continue to need to do so following the increase in infections and introductions of further restrictions. This crisis has highlighted the importance of people and communities coming together and the crucial way in which charities and community organisations have contributed. Charities and civil society groups are an essential vehicle through which people are able to express their care and we want to build on what has been achieved to date to give people and communities more agency.

This submission to the 2020 Comprehensive Spending Review sets out how the work that charities and wider civil society do, for specific beneficiaries and across our communities, is at the heart of the government's post-Covid recovery agenda and contributes to inclusive economic growth. Civil society organisations play a critical part in addressing shared aims for developing the UK economy, enabling more equal economic growth, developing skills and combatting disadvantage, all crucial to 'levelling up'.

Civil society organisations want to be able to fully contribute and continue to play their crucial role in tackling the crisis, in recovery and renewal. The following proposals will enable civil society to optimise its impact in delivering recovery and renewal and identify the commitments that would enable civil society to continue to make its vital contribution to the economy and society. Sector leaders have also outlined proposals to help bolster civil society's financial sustainability and therefore enable the delivery of the work they do for the public benefit in the Never More Needed Five Point Plan[1].

Civil society's role in the social and economic recovery from Covid-19

Charities and volunteers have been crucial to the national effort in helping communities across the country deal with the impact of Covid-19. The voluntary and community sector has worked in

[1] https://nmn.org.uk/2020/07/07/charities-send-five-point-plan-to-chancellor/

close coordination with local authorities and the government in supporting communities by providing people with essential food and social contact, supporting people into sustainable housing, improving their mental health and ability to find work, childcare and refuge.

Charities contribute £18.2bn to the economy every year[2] according to the UK Civil Society Almanac, and analysis by Pro Bono Economics puts this at over £200bn a year in 'gross value added'.[3] This economic value can be maintained and even increased, benefiting communities across the country if there is a clear focus on inclusive growth and investment in social infrastructure at the heart of government's spending plans. As we start to rebuild the economy, charities are already working to find ways to support the government and communities in the same way they have done throughout the pandemic. But to unlock the sector's full potential and to fully contribute to the 'levelling up' agenda, a clear focus on inclusive growth and investment in social infrastructure must be at the heart of the government's spending plans. The provision of social resources such as open spaces, sports facilities, healthcare, education and training, children's centres, social care and youth services, are crucial to people leading healthier lives and participating meaningfully in society and the economy. Charities and community groups are a vital component of a healthy social infrastructure, providing advice, services and support networks for communities, including the most marginalised.

However, Covid-19 has reduced the voluntary sector's capacity to provide support to those most in need. Throughout the crisis, charities have seen an increase in demand for services coupled with a significant decrease in income. A survey of charities between 23 March and 12 May 2020 [4] shows that during lockdown on average, respondent charities received 29 percent less income than budgeted. The July 2020 tracker survey conducted by Charity Finance Group, Chartered Institute of Fundraising and Pro Bono Economics has shown that two thirds of charities expect demand for their services to rise in the next six months. [5] It has also shown that a significant number of organisations expect the impact on their finances to persist for some time. 70 percent think it will take more than a year to return to pre-Covid levels, with a quarter stating that it will take more than 2 years.[6] Results from the very latest charity tracker survey, which ran from 14 to 20 September, indicate that 47% of charity respondents reported further reducing their financial forecasts from July. [7] These findings support earlier research conducted by Pro Bono Economics[8] which found that UK charities are facing a £10.1bn funding gap over the next six months with incomes expected to drop by £6.7bn while demand for support rises by the equivalent of £3.4bn.

The government has provided an unprecedented stimulus package to help the UK economy deal with the Covid-19 emergency. This included a £750m package of emergency support specifically for the voluntary sector, set against a c£4bn loss of income in the first three months of the crisis.

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[2] https://data.ncvo.org.uk/impact/

[3] https://www.probonoeconomics.com/news/charities-and-covid-19-scale-government%E2%80%99s-%C2%A3750-million-coronavirus-bailout-does-not-match

[4] https://www.institute-of-fundraising.org.uk/news/charities-are-facing-a-124bn-shortfall-in-income-for-the-year/

[5] https://www.probonoeconomics.com/news/collapse-charity-provision-looms-moment-greatest-need

[6] Ibid.

[7] Pro Bono Economics, Charity Finance Group, Institute of Fundraising charity tracker survey September 2020, results yet to be published

[8] https://www.probonoeconomics.com/news/charities-facing-%C2%A3101-billion-funding-gap-over-next-six-months

While this and the various business support measures that charities have been eligible for have provided a temporary lifeline for some charities, they have not been enough to prevent many others from having to make difficult decisions with regards to their workforce and significantly scaling back the level of services they can provide, with over half of charities from our most recent tracker survey expecting to scale back their services in the next six months.[9]

Without greater investment in social infrastructure, the charity sector that emerges from this crisis will be considerably reduced in size and scope, to the detriment of communities across the country.

The proposals set out below would boost investment in social infrastructure, community assets and enable the voluntary sector to play a greater role in supporting the government's goal of spreading opportunity and building a more inclusive economy through its 'levelling up' agenda.

2. Central government policy to 'level up' social and economic inequality

2.1 Strengthen long-term financial sustainability of local authorities with additional core government funding

The Local Government Association (LGA) reports that councils have incurred £4.8 billion of extra cost pressures and income losses as a result of the Covid-19 pandemic. While the £3.2 billion of emergency funding provided by government to councils has reduced some immediate pressures, councils are still facing an overall funding gap of £7.4 billion[10]. Many Local Authorities and charities enjoy a symbiotic relationship where shared objectives often lead to mutual support and reliance.

Even before the crisis, the National Audit Office calculated that local authorities have seen government funding reduced in real terms by almost half since 2010-11, and that 1 in 10 councils are now using their reserves at a rate which is not sustainable for more than three years.[11] The £2.9bn increase in Local Government Core Spending Power alongside an additional £1bn for grants for adult and children's social care announced at last year's Spending Round was welcome, but this will not reverse the significant cuts that councils have endured since 2010 and that have been exacerbated by the Covid-19 emergency.

Research from Lloyds Bank Foundation has shown that while councils have tried to reduce the effect of cuts on people that are most disadvantaged, their impact has fallen on marginalised and underrepresented groups in society. This has coincided with a marked increase in demand for services, particularly amongst communities that see the least financial investment by central government. This has seen councils being forced to spend on meeting immediate crisis need rather than preventative services.[12]

When services are withdrawn by local authorities, the voluntary sector often steps in to deal with the consequences. This has inevitably put significant pressure on the finances of many charities,

[9] https://www.probonoeconomics.com/news/collapse-charity-provision-looms-moment-greatest-need
[10] https://www.local.gov.uk/lga-analysis-covid-19-council-funding-gap-widens-ps74-billion
[11] https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/
[12] https://www.lloydsbankfoundation.org.uk/ourimpact/news/2018/09/12/a-quiet-crisis/

and has led to a reduction of their reserves.[13] This is not sustainable in the long-term, and there are increasing concerns about the financial resilience of many parts of the sector and therefore their ability to provide access to the support people need, especially in the event of a second wave of the pandemic.

Greater investment in the delivery of public services should be seen as an opportunity for inclusive, local economic growth and of ultimately long term economic value rather than a drain on the public purse. As such, the longer-term financial sustainability of local authorities should be a key focus for government as it prepares for the spending review. It is important that any additional funding provided takes the form of core government funding, rather than solely providing additional mechanisms for local authorities to raise revenue themselves. It is in the poorest communities, those that have been 'left behind', that local authorities will struggle most to raise the local revenue needed to fund the services that people rely on. Leaving areas solely reliant on council tax and business rates would further exacerbate inequality, not least because of the disproportionate impact that Covid-19 has had on deprived areas and communities.

2.2 Establish a UK Shared Prosperity Fund that invests in employment and skills programmes aimed at addressing economic inequalities within and between communities

The coronavirus crisis has had a severe impact on the country's labour market, with the low paid and the young bearing the brunt of the impact[14]. As we emerge from the Covid-19 pandemic and start to rebuild the economy, investing in employment and skills programmes that seek to address economic inequalities within and between communities will be paramount. Charities are working hard to adapt to make use of the government's Kickstart scheme and hope that it is just one element of an ambitious programme by the government to achieve 'levelling up'.

The government's proposed UK Shared Prosperity Fund (UKSPF) will be central to the delivery of this 'levelling up' agenda by supporting the creation of the social infrastructure needed to tackle structural and regional inequality and to improve the lives of people in deprived communities. Scheduled to be introduced in April 2021[15], the UKSPF will act as a replacement for the funding the UK has received from EU Structural Funds for decades. Communities across the country have benefited greatly from funds delivered particularly via the European Social Fund and European Regional Development Funding which focus on skills, employability, regional inequality and the low-carbon economy. The funds' equality and non-discrimination objectives ensured women, disabled, BAME and LGBT people and others facing disadvantage were included.

Despite the many successes of European structural funds, leaving the EU provides an opportunity to design a better, world-leading initiative that will replace the investment in a more efficient and effective way. By helping to create a fairer and more inclusive society where all communities have an opportunity to contribute to economic growth, an effectively designed UKSPF will help the UK fulfil its post-Brexit and post-Covid-19 potential. The SPF is also an opportunity to learn from past regeneration programmes which have invested in physical infrastructure, but not supported the social infrastructure to ensure it connects with the people who really need it.

[13] https://data.ncvo.org.uk/
[14] https://www.resolutionfoundation.org/publications/the-full-monty/
[15] https://www.conservatives.com/our-commitments/uk-shared-prosperity-fund

The UKSPF should invest in services that support people and communities experiencing disadvantage and discrimination neglected by mainstream state provision and moreover, local communities and civil society organisations must be involved in the design and delivery. Research shows that approaches which put communities in control of how investment is spent and which interventions will work for their places do not just provide good social outcomes but are also proven to create stronger local economies.[16]

In line with this, devolved administrations should manage the SPF in their nations, to best align with local need as well as differing legal and policy frameworks. This will help tackle the UK's current skills gaps and productivity challenges and deliver a thriving labour market in line with the government's 'levelling up' agenda. Importantly, communities will also be better positioned to generate local opportunities for themselves and withstand the impact of economic shocks by becoming more economically resilient.

2.3 Ensure International Development priorities are maintained to maintain the UKs position as a global leader in eradicating poverty and countering shared threats to peace, security and prosperity

We support the position of Bond[17] that regardless of which department spends the UK's aid budget, it is critical that UK official development assistance (ODA) remains focussed on eradicating poverty and providing life-saving assistance. The government should ensure that the high standards that DFID has set are maintained by the new department and that the three policy priorities for international development outlined by Bond are maintained at this Spending Review.[18]

3. Unlocking and investing stranded assets in community revival

There are a number of opportunities for unlocking stranded assets, which if deployed correctly, would enable the sector to support the government's plans to build a more equitable economy while minimising the cost to the exchequer.

3.1 Unlocking dormant assets for a Community Wealth Fund

Money from the next wave of dormant assets should be used to establish a Community Wealth Fund, a national endowment for the most deprived communities that have not benefited from previous economic prosperity.

In 2017, the Dormant Assets Commission identified that up to £2billion could be accessed from dormant financial assets, including from pensions, insurance and investments[19]. The current Dormant Accounts scheme, established through the Dormant Bank and Building Societies Act 2008, has already delivered around £1 billion from dormant bank accounts. This has been directed to the three priorities set out in this legislation: social investment; financial inclusion; and young people. Through the scheme, funding has been secured for many transformational initiatives,

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[16] Coops. 2017. 'Community Economic Development: lessons from 2 year action research.' Available at: https://www.uk.coop/sites/default/files/uploads/attachments/ced_report_2017.pdf

[17] https://www.bond.org.uk/

[18] https://www.bond.org.uk/news/2020/07/dfid-fco-merger-3-priorities-for-international-development

[19] https://www.gov.uk/government/organisations/dormant-assets-commission

often through voluntary and community sector organisations that are working within communities, tackling the huge social challenges our country faces.

One of the opportunities for the next wave of dormant assets should be to establish a Community Wealth Fund.[20] By doing so the government will create a national endowment for the most deprived communities that have not benefited from Britain's wider economic prosperity. This could include investment in community ownership of land and buildings, endowments to community foundations, and strategic investment in skills and capacity building around income generation and fundraising. These investments could have a strategic focus on tackling the structural inequalities that create additional barriers and disadvantage within communities for women, BAME and disabled people, that have been thrown into sharp relief by the Covid-19 pandemic.

Importantly, funding decisions would be devolved directly to residents within neighbourhoods, in order to build the confidence and capacity of local residents, whilst providing them the support to deliver sustainable change for their area. This would put local people in control of independent community services and community spaces and provide them with the capabilities and resources to achieve their aspirations for their areas.

As the government's response to the Dormant Assets Commission highlighted, new legislation will be needed to access dormant assets. This presents an ideal opportunity to also consider the remit of how the assets should be designated and aligned to the priorities and vision of the government's post-Covid-19 recovery efforts and 'levelling up' agenda. Developing new approaches in areas that have not benefited from growth will help the government address the UK's low productivity problem.

3.2 Release of the National Fund to benefit UK charities

The National Fund[21] is another example of a stranded asset that could be deployed as part of a long-term recovery plan for deprived communities. The National Fund is a charity with over £500 million of assets, none of which has ever been spent on any charitable activity. The charity was originally established to pay off the national debt accumulated from World War I - a purpose that cannot possibly be achieved since while the value of the fund grows, the national debt grows exponentially more. Currently the value of the Fund is a minute fraction of the national debt: less than 0.03%.

Although these assets cannot be spent on meeting the specific charitable purpose for which the National Fund was established, they present a substantial opportunity for investing in the long-term resilience of communities as we emerge from the Covid-19 pandemic. There is a sound legal basis for the National Fund to distribute funds to good causes: releasing the fund in order to support the work of our country's charities would ensure that the charitable nature of the funds is maintained, allowing charities to do more to support recovery efforts.

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[20] https://localtrust.org.uk/policy/community-wealth-fund-alliance/

[21] https://beta.charitycommission.gov.uk/charity-details/?subid=0&regid=1046814