

**PROPOSAL TO THE OFFICE OF THE PRESIDENT
OF THE FEDERAL REPUBLIC OF NIGERIA, DR.
GOODLUCK EBELE JONATHAN, GCFR,**

**ON REVAMPING, RESTRUCTURING AND
RESOURCING THE COMMUNITY AND
VOLUNTARY SECTOR IN NIGERIA.**



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**REVAMPING, RESTRUCTURING AND RESOURCING THE COMMUNITY
AND VOLUNTARY SECTOR IN NIGERIA.**

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BACKGROUND:

Nigeria will be celebrating 50 years of Independence on the 1st of October, 2010. The economy continues to grow in real terms even during the recession; but the poverty profile has continued to decline. Nigeria is blessed with a leader who ostensibly is ready to work for the good of the entire nation in a team-building spirit.

It is now timely and fruitful for government and civil society to work together to eliminate ills such as corruption; kidnapping, thug activities thrive in the country in the face of acute unemployment and near collapse of social infrastructure. Nigeria has witnessed unnecessary loss of lives due to conflicts that are largely preventable.

Nigeria is a nation that needs complete regeneration. The unyielding efforts of the President to build the “Team Nigeria” is salutary. His direct connection with one of the most disadvantaged peoples in Nigeria, in our opinion, gives him the legitimacy and right credentials to tackle the problems faced by the poor and vulnerable people in Nigeria. We believe very strongly that there is a window of opportunity for us as a people to re-engineer the polity.

This can only happen with the active involvement of the Voluntary and Community Sector (VCS). It is only by strengthening the capacity of the voluntary community sector as agents of change that this can happen. This project is geared to achieve that outcome and to contribute towards other projects with the objective of deepening democracy and good governance in Nigeria. We believe that it is by strengthening civil cross-ethnic organisations to play their role effectively that we can successfully combat corruption and entrench good governance in Nigeria.

Citing as a model of good practice, we shall use the UK voluntary and community sector as our reference point. The Voluntary and Community Sector in the United Kingdom has become very strong and in real terms contribute as much as 35% of the Gross Domestic Product to the country’s economy. The journey started somewhere and it was not too long ago. In 2002, the Government published a White Paper entitled: ***The Role of the Third Sector in Service Delivery***. (See Appendix I) The review was underpinned by the recognition of the substantial contribution that the Voluntary and Community Sector (VCS) makes to the delivery of high quality services, and - as set out in the Compact – the continued independence of the sector. The Term of Reference for the Review Panel was:

To examine the relationship between the voluntary sector and the Government in service delivery, taking account of the key role the sector can play in strengthening civil society and building capacity in local communities. The Review Panel will do this by:

- i. Mapping the extent and the variety of means by which the voluntary sector is already involved in overseeing and delivering services;

- ii. Examining best practice in effective partnership between the voluntary sector and the public sector, suggesting practical ways in which the principles of the Compact can be applied in the delivery of services;
- iii. Drawing common lessons to guide the public sector in working in partnership with the voluntary sector;
- iv. iv. Establishing whether and how barriers to voluntary sector involvement, and lack of capacity might be overcome to promote successful partnership with the public sector and how the Government might be able to assist to that end.

The report highlighted key areas for reform; all centred on building a strong and independent voluntary and community sector and made a number of recommendations:

- To involve VCS in the planning as well as the delivery of services
- To forge long term strategic partnerships with the sector
- To build the capacity of the sector
- To implement the Compact at all levels.

The above recommendations received government's approval and led to the establishment (and in some cases strengthening) of structures and infrastructures to deliver the outcomes that were intended. There is a web of infrastructure support available to the Third Sector (Voluntary and Community Sector) in the United Kingdom. Some of them are Political (for instance, the Office of the Third Sector with a Cabinet Minister overseeing the Office within the Cabinet Office), Regulatory (The Charity Commission) and Support (Capacity Builders Ltd, an Executive Agency of the Government with the mandate to develop the sector, ensuring that they are 'fit for purpose' and are able get the help they need to do their job). Finally, there is the Compact Commission (this agency helps to ensure that the relationship between the state and the sector is managed a manner that would engender respect for the independence of the parties and that would comply with the Compact Code of Practice).

UNDERLINING PHILOSOPHY

For Nigeria to develop in an equitable manner and for the voluntary and community sector to be in a position to develop and deliver outcomes that would foster national cohesion, we need to recognize some of the philosophy that underpins our suggestions:

1. RIGHT TO PARTICIPATE IN GOVERNANCE:

The right to participate in the decision making at all the tiers of government and the right to be consulted in formulating policies that affect the people are important elements that this project will seek to articulate. We are not unaware of the work of the elected law makers; but because of the weak engagement mechanism in Nigeria, it would be fair to say that the elected

officials are not truly representing the average common man. We will, therefore, use this project to empower the community and voluntary sector organisations to raise the voice of the people and create avenues for their voice to be heard. This right has to be campaigned and lobbied for and extracted from all the tiers of government in Nigeria. Finally, the right to participate in the delivery of frontline services especially to the most vulnerable people in the society is one that in the developed country is now taken for granted; but is still not properly harnessed in Nigeria. The governance structure needs to recognise the value of the contributions of the voluntary and community sector organisations. This will also need some capacity building and learning from the experience of other countries to achieve this ideal.

2. CAPACITY FOR SELF-HELP:

The peoples of Nigeria are very proud of their collective working. Each of the indigenous communities in Nigeria has a long history of collective self-effort in building their communities. Unfortunately, several decades of neglect by successive regimes content on developing their own hegemony to further their parochial self-interest has served to undermine that ideal. Hence, we have neglected our collective cohesive joint working and many individuals have been in pursuit of their own good to the detriment of the society. That is alien to our culture. Because this is such an important part of our culture, it would not be difficult to re-engineer this spirit in most of our communities in Nigeria. Unfortunately, the civil society community in Nigeria has failed to evolve this principle through the way it is formed, governed and operated.

Little is done to involve the local communities and service users in the way programmes are designed and run. We, therefore, need to re-invent the collective (or communal) self-help agenda in Nigeria through the voluntary and community sector organisations. A good example was the idea of co-operatives in the 1970s and 1980s. They were, indeed, well organised and they had good governance mechanism. Their lending and trading facilities were robust and there was equal access and opportunity for all the members and beneficiaries. We need to revisit this idea and see how it can help us to move things forward in the country. The new UK government has come up with the idea of a “Big Society” believing that it is the only way that the local communities can develop and ensure that people can make decision on issues that affect them. This also sounds compatible with the President’s own ideas manifest through the “Nigerian Project” which his government has taken much time and enthusiasm to articulate since his assumption into office.

3. COHESIVE AND SAFER COMMUNITIES:

The safety of any community depends on the cohesiveness of the people in such communities. Thug and rogue activities, robbery, election rigging, kidnapping and abduction of innocent persons happen only because things have fallen apart in our local communities and we no longer work as

communal communities. I remember that two and half decades ago, as a student in one of the South-Eastern states of Nigeria, I was spending Christmas in one of the small villages. As a complete stranger in that village, I used to converge with local village men to chat in the evenings over some drinks in the village square. Decisions about the progress and development of the village was discussed with a sense of brotherhood; but I am afraid, it would be a risk too many for anyone to attempt in Nigeria today. Our security strategy in Nigeria must be envisioned around the principles of cohesive and safer communities living in peace and harmony. In the United Kingdom, for instance, the safety of the people in every community is not left to the local police authorities to manage and actualize. In fact, policing in the United Kingdom, and in most part of the developed world, is based on the concept of the local police working with the local government, voluntary and community organisations as well as public spirited individuals in the communities working in partnership for the safety of lives and properties of every. If we must defeat the kidnappers, the election riggers, the robbers, etc, the solution will not come from technological equipment or software programmes; but through people who believe in the concept of communities and are ready to embrace programmes that can deliver real safer outcomes for all.

4. CONTRIBUTION TO SERVICE DELIVERY:

There is strong evidence that voluntary and community sector organisations are the closest to the local communities and because of their independent and non-partisan nature are able to deliver services without let or hindrance to those who are need of their services. In the United Kingdom and many other developed countries, it has been accepted that most of the grassroots services in areas of health, education, local community mobilisation and basic infrastructure management are better delivered by voluntary and community organisations. In the UK and other countries, they do work in strong partnership with the local authorities and together, they determine the Local Area Performance Indicators (Local Area Agreements). Each area through the Local Strategic Partnership determines their local priorities and work towards specific SMART outcomes. We need to evolve this culture and strengthen the local authorities and the voluntary community sector organisations to work together in this fashion without allowing politics to get in the way of delivering effective and efficient services to the people.

5. CONTRIBUTION TO EMPLOYMENT GENERATION:

Whilst we appreciate and salute the efforts of the government to create more jobs especially for young graduates and school leavers, the level of unemployment and under-employment in Nigeria is still very high. Related to that, the number of people living below the poverty line has only reduced tangentially in recent years. To achieve better result in generating employment, we need to look at the development of the voluntary and community sector in Nigeria and stimulate the sector to be able to generate employment for the teeming Nigerian population who are leaving school but

with no hope of what they would do after their graduation. For instance in the United Kingdom, the UK Civil Society Almanac for 2010 recorded that about 1.6 million people are employed in paid employment in one form or another by the Voluntary and Community Sector. It is a journey that we must embark upon if we must give livelihoods and opportunity to our school leavers and graduates to have a head-start in life. Furthermore, besides those who are in paid employment within the sector, it is the sector that uses volunteers the most. The number of people volunteering (whether in official volunteering or in informal volunteering) is estimated to be well over 2 million in the United Kingdom. Volunteers give their time to work for voluntary and community organisations and in turn receive the necessary satisfaction for what they do in the community; but more importantly, they gain experience, skills, confidence and networks which unemployment or even under-employment might not be in a position to offer them.

FUNDAMENTAL CHANGES:

The fundamental changes we aim to achieve through this project are:

- i. Making it easier to register, run and report the value of an NGO, social enterprise or voluntary organization in Nigeria. This is possible through the establishment of the Charity Commission for Nigeria.
- ii. Getting more resources into the sector: strengthening its capacity, independence and resilience. This can be achieved through developing Grants Making Programmes by agencies of Government in a co-ordinated manner.
- iii. Making it easier for sector organizations to work with the State and influence decision-making and accountability. This is achievable through the creation of the Compact Commission with the Compact Code of Practice and the development of the Local Strategic Partnerships in every local government council area in Nigeria.
- iv. Develop the framework for consultation with civil society as a fundamental government practice especially between election periods.
- v. Improve the quality of local democracy.
- vi. Combat corruption by promoting transparency in decision making, accountability and probity in national, state and local government democracy especially working with “sister organizations” in the United Kingdom.
- vii. Making it easier for the sector to work in partnership accessing shared facilities in various charity hubs to be created in Nigeria.

EXPECTED OUTCOMES

1. Increased Civil Society visibility with proper matches between NGOs and public institutions jointly working to achieve sustainable development.
2. Improved confidence-building through measures dedicated to achieve good practices, Code of Conduct for cooperation between the NGOs and

- the public sector (Compact Code of Good Practice) enhancing capacity building for all stakeholders in an innovative manner.
3. Enable, empower, resource and facilitate civil society organisations to analyze, articulate and advocate on development issues particularly those concerning the poor and vulnerable groups in the society.
 4. Create an informed society and thus enhancing transparency and accountability in the system of economic and political governance, on a continuing basis.
 5. Develop systematic and effective flow of resources from the private sector, philanthropic foundations and international donor organisations to the civil society organisations in Nigeria for sustainable development.
 6. Create “Active Citizens” through a network of “Sister Organisations” (between UK and Nigeria) which will work together and support each other and share practical lessons and experiences in tackling issues of mutual concern.
 7. Build cross- sector/national civic organisations that will overcome tribal/religious barriers with a view to fostering cohesion in Nigeria.
 8. Advocate for the creation of the Office of Third Sector or Office of Civil Society within the Cabinet Office in the Presidency in Nigeria with a Minister who has the experience of working with the Third Sector and encourage the Federal Government of Nigeria to make budgetary allocations for grants available to Voluntary Community Organisations for Sustainable development in Nigeria.
 9. Mobilize Individuals and Corporate Organisations to follow the example of Gen. T.Y. Danjuma by setting up Foundations either to carry out grassroots development programmes or develop grant-making programmes that would fund such initiatives.
 10. Develop the framework for the **Charity Bank of Nigeria** – this will be modelled after the UK Charity Bank – it is run both as a Bank and as a Charity and it helps the charity sector with finance and financial advisory services.
 11. Develop the **Charity News** for Nigeria which will be the voice for the Charity Sector in Nigeria and also give better space for reporting what the sector is doing in Nigeria. It is intended to circulate widely and to mirror the achievements of the sector and the value of their contribution to the development of the country.
 12. Create the **Third Sector/Civil Society Research Centre** that would sit in one of our Nigerian University where broader understanding of the issues that affect the sector can be researched and learning disseminated to the sector and to the wider public.

EVIDENCE OF NEED:

We carried out needs analysis in Nigeria on the role of the Third Sector in Nigeria and the state of their development about 2 years ago and we had strong and compelling evidence of need from the organisations we interviewed that confirmed the criticality and urgency of this project. During the course of our research in Nigeria, we discovered an NGO working in Taraba State which has received generous support from Gen. T. Y. Danjuma

from its inception and still continues to receive support from the T. Y. Danjuma Foundation. The organisation, similar to the views of other organisations that we visited and interviewed, were enthused about the value of our intervention and believed that it was the most important contribution we could bring to the development of the sector in Nigeria. Furthermore, we have noted with a sense of optimism the various programmes of government through which real sectors of the economy have received financial support from the government in order to boost the economy or to strengthen the sector. For instance, the airline industry, the textile industry and banking sector have benefited from Government intervention programmes in the last few months. We believe very strongly that there is a case for the voluntary and community sector to benefit from such an intervention. The only caveat is that because their existing capacity is low and their governance and accountability mechanism is very weak, an immediate revamping and restructuring of the sector with proper legislative framework should be addressed before financial investment is made into the sector. For instance in the United Kingdom, the voluntary and community sector organisations had a total income of about £35.5 billion (Thirty five and half billion pounds) in the year 2008/2009. A third of that amount came in form of grants from the statutory sector. Once the Federal Government can embark on this much needed revamping and restructuring of the sector and it is able to resource the sector, such investment would leverage further resources both from private foundations as well as other international non-governmental organisations.

OUR EXPERTISE:

Patrick Tolani is the Chief Executive Designate for the Redeemers Relief Agency International (RAIN). While working at the Oxfordshire Equality and Human Rights Council (OEHRC) Patrick Tolani together with his team of experts have spent the best part of the last 3 three years on a similar project running in Oxfordshire – Improving Reach Project funded by Capacity Builders with the outcome of strengthening Third Sector Infrastructure Support for Community Voluntary groups in Oxfordshire. The project had a budget of £225,000. Concurrently, Patrick also served as the Chair of the Steering Group for the Big Lottery Fund (under the Basis Stream) - StepUp Project which was for the development of the capacity for the Third Sector Black and Minority Ethnic (BME) organisations across South East of England. This project also had a budget of £500,000. Nigeria is the home country for some of our Staff members and Trustees, so we have a good understanding of complex issues and conditions in Nigeria. We have also worked as a Third Sector Infrastructure organisation in the UK and we have learnt lessons from other countries on the role of Third Sector organisations in delivering change and effective service to the grassroots especially the most vulnerable people in their countries.

We have learnt from hosting Chinese and Polish delegations (mixed representation from civil society and public sector) how important sharing examples of good practice and having experienced and independent mentor organisations can be for civil society organisations in emerging countries.

Such an empowerment can be very useful in strengthening civil society organisations to feel supported and empowered to contribute to good governance and deliver more effective and efficient services to those who are need. Prior to his role as the CEO of the Oxfordshire Equality and Human Rights Council, Patrick served as the United Nations Development Programme (UNDP) Principal Adviser for International Trade and Development for East- Timor where he also worked for small producer and community organisations in the area of commerce and livelihoods.

Recently, our organisation has been shortlisted by the British Council in the United Kingdom to be part of its Active Citizenship Programme. The purpose of the Active Citizens programme is to increase the contribution of those adults who have a social network within their local communities (e.g. further education students, youth, women's, religious, cultural and recreational groups) towards achieving sustainable development both locally and globally. The programme focuses on particular leadership skills and knowledge, such as understanding global interdependencies, empowering and motivating individuals to action and the art of intercultural dialogue in social action.

Given our wealth of experience in this field, we are strongly motivated by the call of the President for every well-meaning Nigerian to join in the process of nation building. Nigeria can only develop to the level where we all want it to be if we can all pull together for her prosperity. Furthermore, taking into account the strategic position that Nigeria occupies in Africa, a project of this nature could trigger similar initiatives in other countries in Africa. Our leadership position in African can only be recognised if we start to do innovative programmes that could be replicated in other countries of Africa. It is also worth noting that the International Non-Governmental Organisations in Nigeria will be very relieved to find competent and efficient local partners with whom they can carry out their programmes in the country.

RECOMMENDATIONS:

COMPOSITION OF THE PRESIDENTIAL COMMITTEE:

We would like to urge the President to consider setting up as a matter of urgency a Presidential Committee consisting members from:

- (i) The Voluntary and Community Sector in Nigeria particularly from the various Consultative Forums we have in Nigeria.
- (ii) Nigerian Senior Staff of International NGOs operating in Nigeria
- (iii) Senior Staff of UN Agencies Operating in Nigeria
- (iv) Chairman or Chief Executives of Local Foundations in Nigeria such as the T.Y. Danjuma Foundation, etc.
- (v) Representatives of Relevant Government Departments, e.g. Women Affairs & Social Development, Health, Youth and Social Welfare, Office States and Local Government, etc.
- (vi) Persons of good standing in the Society who have no political agenda and one of them can Chair the Presidential Committee.

- (vii) Representative of the Central Bank of Nigeria working on Community and Rural Development Programmes
- (viii) A Senior Special Assistant in the Presidency who can manage the Secretariat to the Committee
- (ix) We are willing to work with the Committee as Technical Adviser and to facilitate access to information and institutions in the United Kingdom and elsewhere and to guide the Committee in its work.

TENURE OF THE COMMITTEE:

Due to the political environment in the country, the Presidential Committee should be mandated to develop and submit its report to the President within four months of its inauguration.

TERMS OF REFERENCE:

The Presidential Committee should be tasked to report and make recommendation to the Federal Government through the President on the following issues:

1. The legal framework for creating the office of the Third Sector in Nigeria.
2. The legal framework for creating and developing the Charity Commission for Nigeria.
3. The establishment of an Executive Agency of Government or a government agency that can be responsible for developing the voluntary and community sector in Nigeria with Grants Making remit.
4. Development of the Independent Compact Commission in Nigeria that would manage the relationship between the Government and the voluntary and community sector in Nigeria.
5. Evolvement of the concept of Local Strategic Partnership (LSP) into the fabric of local governance in Nigeria.
6. Development of the framework for integrating the voluntary and community sector into local service delivery plan in Nigeria using the model of commissioning and procurement to enhance efficiency and competitiveness and reducing the level of corruption in governance in Nigeria.
7. Developing robust process of transparency, accountability and stimulating public engagement through consultation and involvement of the voluntary community sector organisations in decision-making across the spectrum of governance in Nigeria.

Appendix I:

The Role of the CVS in Service Deliver – A Cross- Cutting Review

The Role of the Voluntary and Community Sector in Service Delivery

A Cross Cutting Review

THE ROLE OF THE VOLUNTARY AND COMMUNITY SECTOR IN SERVICE DELIVERY

A CROSS CUTTING REVIEW

September 2002

Further copies of this document are available from:
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FOREWORD

This Government is passionately committed to the work of the voluntary sector. We believe that voluntary and community sector organisations have a crucial role to play in the reform of public services and reinvigoration of civic life. We in government cannot do this on our own.

So, as we begin the 21st century we look again to the voluntary and community sector to help us rekindle the spark of civic services that fires the building of strong civic communities; to reform the operation of public services and build a bridge between the needs of individuals living in those communities and the capacity of the state to improve their lives.

Our aim must be to build a new partnership using the sector's strengths to challenge and stimulate new ideas, complement our shared objectives and take forward the development of social policy generally. This partnership is about fresh ways of thinking through the role and structure of government and the voluntary sector and the way we deliver public services.

The proposals in this report build on and refine the work that has already been done to give greater voice to the sector's work. The 1996 Deakin Commission Report charted a way forward for the sector and the 1998 Compact set out how the Government and the sector should work together. And now, following on from this report, the Government's Strategy Unit, taking on the work of the Performance and Innovation Unit, will shortly be publishing proposals on the legal and regulatory framework for charities and the Regional Co-ordination Unit will publish its study of access to regeneration funding.

This report provides a template for how government and the sector should work together – we need to implement the Compact, get the funding relationship right and build capacity in the sector. But the report and its proposals alone are not enough. We need to back our vision with action and resources. This is why we allocated £188 million to the Active Community Unit at the Home Office, of which half is for implementing this review, in full and a further £125 million for the creation of “*futurebuilders*” – our new one-off investment fund to help voluntary and community organisations in their public service work. Moreover, it is why this report comes with a detailed implementation plan showing how the recommendations will be delivered over the next three years.

This report signals an exciting new phase in the relationship between the Government and the voluntary sector and I look forward to working with them to deliver our joint vision of better services in a more caring and cohesive society.

Many people have worked together in quite a unique way to bring us to this point. I am particularly grateful to Mavis McDonald for chairing the review, to all those from the VCS and across government who contributed and the small team in the Treasury who undertook the detailed work.



INTRODUCTION

- 1.** The Government has embarked upon a radical programme of public service investment and reform. The goal is world-class public services to extend opportunity, tackle poverty and improve the quality of life for all.
- 2.** Securing reform will take time, but the key principles are clear: services need to be more responsive to customer concerns and they need to be flexible enough to meet the needs of particular communities and groups. This means that there must be more discretion at the local level about how best to deliver services and more community involvement in helping to shape services, against a backdrop of national standards.
- 3.** Voluntary and community organisations (VCOs) including social enterprises have a key role to play in this. They grow out of the determination to provide high quality support to particular groups, are often uniquely placed to reach marginalised groups and enable individuals to participate actively in their local communities.
- 4.** Britain has a long tradition of voluntary action and service delivery. The philanthropists of the 19th century drove social change and paved the way for tackling illiteracy, poverty and ill-health. Many of the services that now form an integral part of the statutory sector began in the voluntary and community sector (VCS). Perhaps the best-known example is the NHS.
- 5.** The VCS continues to make a significant contribution to service delivery and strengthening communities. It is a key partner in delivering government policies.
- 6.** The Government is strongly committed to creating a framework in which the sector can continue to flourish, be strong and independent. The 1998 Compact set out the building blocks for effective partnership working and underlined the Government's respect for the independence of the sector. This is critical if government is to understand the impact of policies on the ground – from those who know and have direct, hands-on experience.
- 7.** This review of the role of the VCS in service delivery set the strategic framework for the discussions in this year's spending review. Its overall objective was to explore how central and local government can work more effectively with the sector to deliver high quality services, so that where the sector wishes to engage in service delivery, it is able to do so effectively. (The full terms of reference for the review are at Annex A.)
- 8.** Key aspects of this review have been identifying the barriers that VCOs face, understanding the variety of ways they can be involved in the service delivery agenda and developing an approach to tackling these issues that takes account of the needs and aspirations of the very different parts of a diverse sector.
- 9.** Key to getting things right is effecting change where it is needed, throughout government and the VCS. It is estimated that 70 per cent of VCOs operate at local level, so the local dimension is crucial if we are to make a difference.
- 10.** As with all reviews of this kind, while many questions have been answered, others have been raised. In addition to implementing the recommendations of the review, it will be important to sustain the robust dialogue between the Government and the VCS that has been an enriching feature of this process.

PROCESS

1.1 The cross cutting review of the role of the VCS in service delivery was one of seven announced as part of the 2002 Spending Review.

1.2 The work of the review was steered by a Ministerial group chaired by the then Financial Secretary to the Treasury, Paul Boateng. At official level a steering group was established with Mavis McDonald, then Permanent Secretary at the Cabinet Office, as chair and included representatives from the VCS.¹

1.3 From the outset, the review was both inclusive and transparent, based on respect for the independence of the sector. Much of the detailed work was carried out in five working groups covering:

- service delivery;
- social and community enterprise;
- capacity;
- the funding relationship; and
- development of the Compact.

1.4 A separate working group under the aegis of Home Office researchers carried out work on mapping the funding flows from government to the VCS. This work contributed to Chapter 2 of the current report.

1.5 All working groups included representatives from the VCS and were supported by Treasury officials. Each met three or four times to discuss papers prepared by the review team or volunteered by members of the working groups.

1.6 The review team also sought to engage as wide an audience as possible. Information meetings were held in different regions, written submissions invited and a website and exclusive mailbox set up for the public and the VCS to offer their views.

1.7 An interim draft of the report was discussed at an awayday attended by all working group members and members of the Official Steering Group. The key recommendations and draft technical papers went to Ministers in early summer with some key outcomes announced alongside the Spending Review in July. This final report distils the essence of the review and sets out the recommendations. More detailed background papers will be available on the Treasury website at www.hm-treasury.gov.uk.

1.8 Although there were some differences of emphasis during the review process, this report reflects a remarkable consensus between the Government and the VCS on the key issues, the barriers that need to be tackled and what, specifically, needs to be done if the VCS is to be effective in delivering public services.

¹ For the purposes of the report, the 'voluntary and community sector' has *not* been tightly defined. It is intended to be wider in scope than "general charities" and the "voluntary sector", inclusive of organisations reflecting the characteristics of social enterprise but narrower in scope than "non-profit", "third" sector or "social economy".

INTRODUCTION

2.1 There are around half a million voluntary and community organisations (VCOs) in the UK. These range from small, local community groups to large, established, national and international organisations. Some have no income at all and rely on the efforts of volunteers; others are, in effect, medium-sized businesses run by paid professional staff.

2.2 Because individual organisations and government departments often record financial information in different ways it has proved difficult to collect comprehensive, consistently-based and accurate information about the funding flows to VCOs.² Nonetheless, it is possible to make reasonably robust high level statements about funding flows.

INCOME OF THE VCS

2.3 There is no one definitive source of information on the total income of VCOs. However, the National Council for Voluntary Organisations (NCVO) estimates that the 140,000 'general charities' in the UK had a total income of £15.6 billion in 2000–01. It also estimates that those organisations that had incomes of over £1 million per year (1.4 per cent of the total) accounted for 61 per cent of total income and the largest two hundred-odd organisations, for 34 per cent of total income.³

2.4 NCVO also provides an overview of income in two English regions. It estimates that 'general charities' in London and the North West had annual incomes of £7.5 billion and £1 billion per year, respectively, in 1998–99. Those organisations that had incomes of over £1 million per year (5.3 per cent of the total in London and 0.6 per cent in the North West) accounted for 84 per cent of total income in London and 60 per cent in the North West.⁴

2.5 The Home Office's Local Voluntary Activity Surveys (LOVAS) show that the average income of VCOs in fourteen socio-economically representative areas in England *varied by more than tenfold*, from around £7,000 in Whitehaven to over £75,000 in Smethwick in 1995–96. However, analysis shows that there is no simple relationship between average income per organisation and area characteristics such as rurality or degree of deprivation.⁵

2.6 From the data a picture emerges of a diverse sector with a large number of small organisations but dominated, in funding terms, by a subset of large organisations.

² Full analysis of the available data and its reliability will be available in the more detailed technical report on the HMT website at <http://www.hm-treasury.gov.uk>.

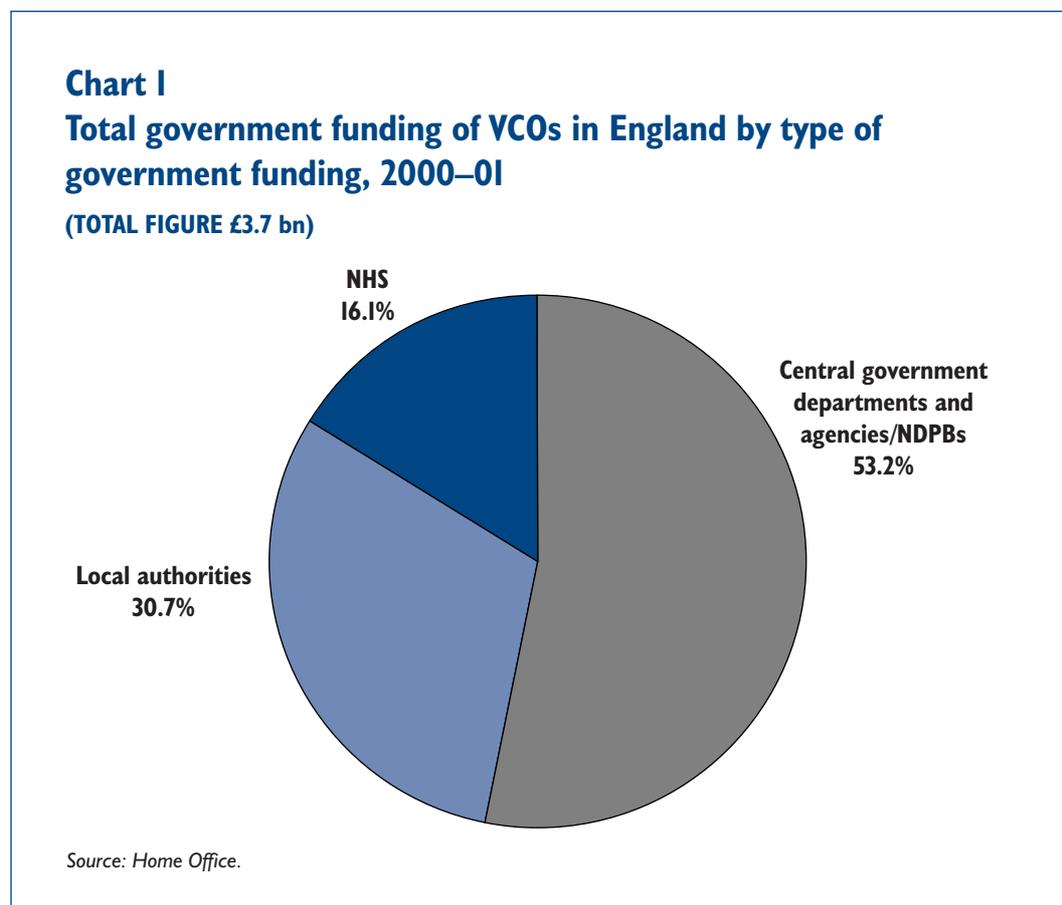
³ Jas, Wilding, Wainwright, Passey and Hems, *The UK Voluntary Sector Almanac 2002* (London: NCVO, 2002), 28, 49, 154.

⁴ Ponikiewski and Passey, *The London Voluntary Sector Almanac 2000* (London: NCVO, 2000), 32, 51, 99-101.

⁵ Marshall, Tony, *Local Voluntary Activity Surveys (LOVAS): Research Manual* (1997).

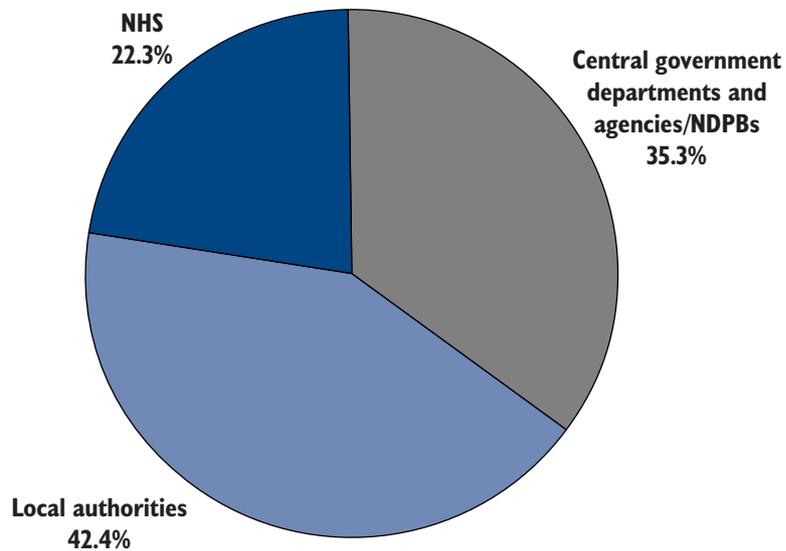
FUNDING FLOWS FROM GOVERNMENT

2.7 NCVO estimates that almost 30 per cent of the income of 'general charities' in the UK in 2000–01 came from government. In England government provided funding to VCOs, including registered social landlords (RSLs), of £3.7 billion, in 2000–01.⁶ This funding was distributed as in **Chart 1** below:



2.8 If funding of RSLs is excluded, the chart looks quite different – local authorities, and not central government, are the largest funder.

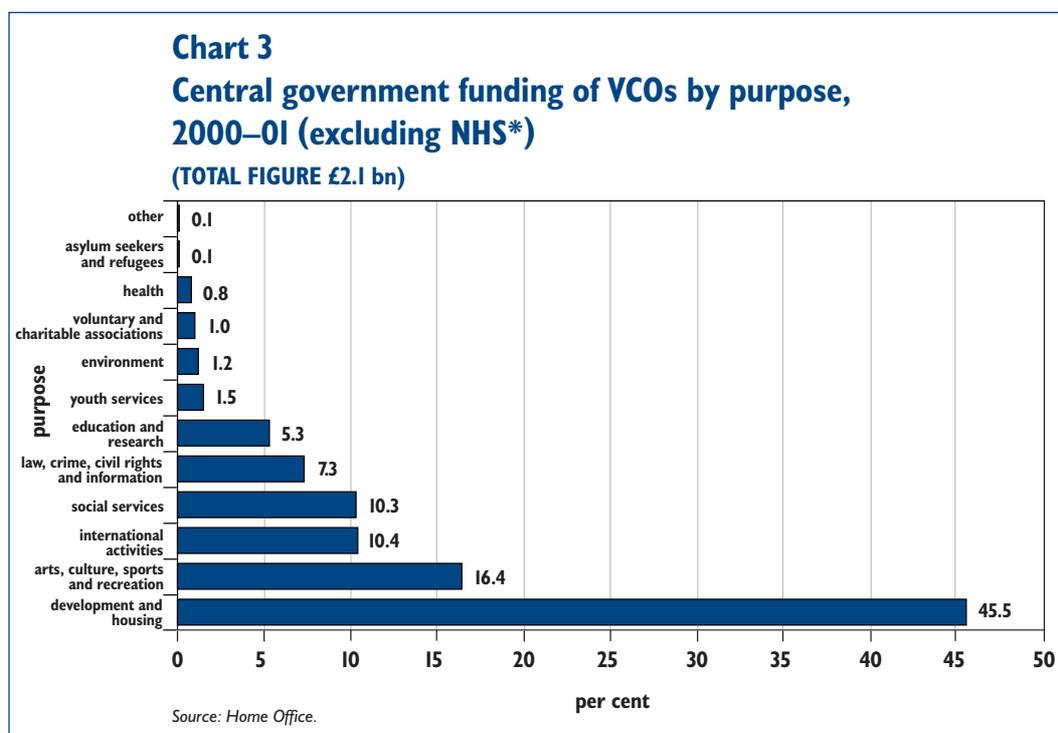
⁶ *UK Voluntary Sector Almanac 2002*, 29, 44; *London Voluntary Sector Almanac*, 46, 51; *Valuing the Voluntary Sector in Sutton* (London: Sutton Centre for Voluntary Service, 1999), 4, 44.

Chart 2**Total government funding of VCOs in England by type of government funding, 2000–01 (excluding RSLs)****(TOTAL FIGURE £2.5 bn)***Source: Home Office.***REGIONAL DISTRIBUTION**

2.9 Government funding for the VCS, including RSLs, is not uniformly distributed between the English regions. In 2000–01 London received around twice as much funding per person (£117) as the rest of the regions. This funding ratio is explained by the special needs of inner London areas and the concentration of organisational headquarters in London. The North East and the North West came second to London, albeit on a much-reduced scale (£54 and £53, respectively), and the East received the smallest amount (£41).

ACTIVITIES FUNDED BY GOVERNMENT

2.10 In 2000–01 central government departments and their associated agencies/non-departmental public bodies provided funding of £1.8 billion to VCOs in England. **Chart 3** below shows the distribution of funding in England among the various service areas:

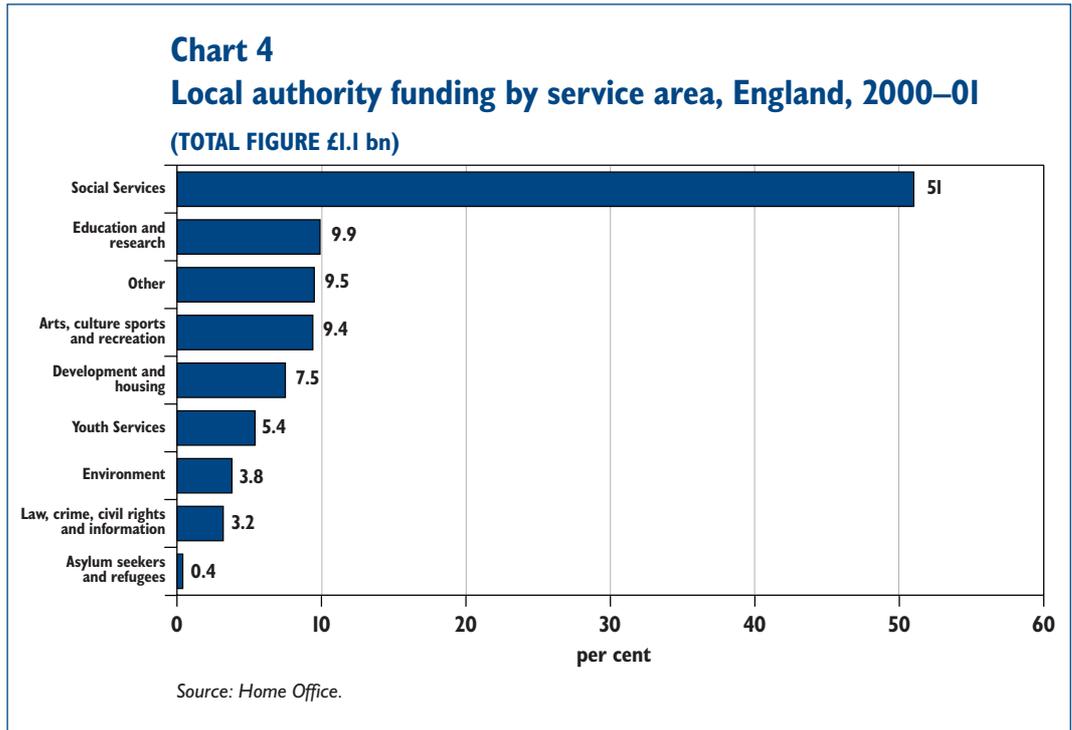


* The figure for total central government funding differs from that shown in Chart 2 because it includes funding for overseas activities and UK-wide funding in two or more countries (not possible to exclude).

2.11 Development and housing was by far the most significant service area, followed by arts, culture, sport and recreation; international activities; social services; and law, crime, civil rights and information.

2.12 In 2000–01 local authorities allocated a total of £1.1 billion to VCOs in England. The funding of VCOs as a proportion of total local authority spending remained at about 1.5 per cent for most of the 1980s. Since then it has doubled to around 3 per cent, which reflects the impact of community care reforms and other special funding programmes.⁷ **Chart 4** below shows the distribution of this funding in England among the various service areas:

⁷ For trend information see Ian Mcroft, 'The survey of local authority payments to voluntary and charitable organisations for 1997–98', in Andrew Steeds (ed.), *Dimensions 2000*, vol.1, *Income from Government sources: Best Value for care in the new millennium* (West Malling, Kent: Charities Aid Foundation, 2000).



2.13 For local authorities social services was by far the most significant service area followed by education and research; arts, culture, sport and recreation; and development and housing.

2.14 In 2000–01 it is estimated that the NHS in England allocated a total of £0.6 billion to VCOs. That is 1.4 per cent of total NHS spending.

CONCLUSION

2.15 Existing sources of information can yield only headline estimates of government funding allocated to VCOs. Data problems mean that comprehensive, accurate, consistent and comparable information is not readily available. But it is clear that government is an increasingly important source of income for the sector and that more of this income is being provided to fund VCOs work in delivering services. If policy making is to be based on the best possible evidence then there needs to be:

- commitment at the highest level to **improving the quality of information**;
- **consultation** with government and other funders, appropriate professional organisations and specialist researchers;
- **agreement of standards for recording**, reporting and compiling information; and
- agreement of a **timetable for implementation** of new/revised information systems.

3.1 If it is determined that a particular service should be funded by the State there are three broad ways in which the service might be delivered:

- i. by the State itself directly – at either national or local government level;
- ii. by the market or “for profit” sector;
- iii. by the VCS.

3.2 Some hold that there are services – especially those to vulnerable or hard to reach groups – that the VCS is especially better placed to deliver than either the State or the market. And others go even further and claim that the VCS’s ability to bring special skills and experience to service delivery – to bring its own unique “added value” – make it the presumed provider of *all* public services.

3.3 The academic literature on the ‘value added’ of the sector yields mixed results. In 1978 The Wolfenden Committee⁸ sponsored research that suggested that voluntary organisations were, “cost-effective, innovative, flexible and pioneering”. But more recent work by Martin Knapp⁹ has highlighted the difficulty of trying to quantify these apparent benefits.

3.4 Knapp and his colleagues considered a list of potentially distinctive features of the sector, including:

- the provision of different/specialised services;
- cost-effectiveness of provision;
- flexibility and innovation;
- advocacy; and
- citizen participation.

3.5 It was concluded that some of these apparent advantages were difficult to test and that for others the empirical evidence was inconsistent. Other researchers have reached similar conclusions. Diana Leat¹⁰ examined six broad groups of suggested differences between for-profit and non-profit organisations – their goals and values, financial strategy, structure, staffing and skills. Her conclusion was that it was difficult to differentiate the two types of organisation on these dimensions.

3.6 Nonetheless, more recent work suggests that the story may be more complex. Although not always inherently better than other providers VCOs may yet have a *comparative advantage* in relation to other sectors in *certain kinds of policy environments*. VCOs share certain distinctive common features.¹¹ From this one can construct this argument:

- there are inherent structural characteristics of organisations in each sector;
- these predispose them to respond more or less sensitively to “states of disadvantage” experienced by service users; and

⁸ Wolfenden Committee (1978) *The Future of Voluntary Organisations*, Croom Helm, London.

⁹ Knapp, M., E. Robertson and C. Thomason (1990) ‘Public Money, voluntary action: whose welfare?’ in H.K. Anheier and W. Seibel (eds) *The Third Sector: Comparative Studies of Nonprofit Organisations*, de Gruyter, Berlin.

¹⁰ Leat, D. (1995) ‘Theoretical differences between for-profit and non-profit organisations’, Appendix One in D. Leat, *Challenging Management*, VOLPROF, City University Business School, London.

¹¹ Billis and Harris (1996) *Voluntary Agencies: Challenges of Organisation and Management*, Macmillan, London.

- VCOs may have a *comparative advantage* over agencies in other sectors in some areas of disadvantage because of their particular structures.¹²

3.7 The approach adopted by Billis and Glennerster is to, “group the various states of severe welfare problems that might beset citizens and lead them to be incapable of benefiting from traditional supply mechanisms”.¹³ These states of disadvantage are:

- financial – individuals who lack market power;
- personal – potential users who cannot articulate a coherent preference;
- societal – individual or groups who are stigmatised;
- community – people who live in a community where the usual civil structures have broken down.

3.8 Billis and Glennerster’s ‘states of disadvantage’ might now be characterised as different forms of social exclusion which present obstacles to an individual or group accessing services.¹⁴ The most excluded groups suffer from a *combination* of these states of disadvantage. (Drug addicts may suffer stigmatisation but if they are wealthy they can access treatment in the private market.) Billis and Glennerster conclude that, “voluntary agencies have a comparative advantage over other sector agencies in areas where their distinctive ambiguous and hybrid structures enable them to overcome problems,” which are endemic in public sector or market delivery.

3.9 VCOs may therefore be able to deliver services more effectively to certain groups because their particular structures enable them to operate in environments which the State and its agents have found difficult or impossible. *And these structures enable them to demonstrate more easily a range of specialised skills and experience needed to deliver services.* The crucial features which VCOs, at their best, may be better able to demonstrate are:

- Specialist knowledge, experience and/or skills.** This may come through direct experience of the user perspective. An example of this might be ex-addicts working on a drug rehabilitation programme or ex-offenders working with young criminals.
- Particular ways of involving people in service delivery whether as users or self-help/autonomous groups.** An example here would be an organisation working closely with users themselves or their families and friends to plan and deliver services.
- Independence from existing and past structures/models of service.** VCOs are not bound by structures or rules in the ways in which more traditional public sector agencies are. They are independent and so can try to deliver services in new and innovative ways.
- Access to the wider community without institutional baggage.** Public service workers are often perceived as representatives of an authority which certain groups have learned to mistrust. The VCS is independent of government and therefore free to be unequivocally on the user’s side.¹⁵

¹² For this suggestive argument in full see Billis and Glennerster (1998) ‘Human services and the voluntary sector: towards a theory of comparative advantage’, *Journal of Social Policy*, 27(1): 79–98.

¹³ Billis and Glennerster, *ibid*, p87.

¹⁴ On social exclusion see Billis’ later essay, ‘Tackling Social Exclusion: The Contribution of Voluntary Organisations’, in *Voluntary Organisations and Social Policy in Britain*, Harris and Rochester (eds) (2001).

¹⁵ During a consultation event a voluntary sector worker was asked, “But why don’t people round here go to the local authority for that?” and gave the reply, “Because they can’t stand the local authority, that’s why.”

- v. **Freedom and flexibility from institutional pressures.** The sector can offer responsive services which are user-centred as they are not driven by budgets and targets within the public sector. At best they can be flexible and innovative rather than prescriptive.

3.10 The argument above suggests that there are areas where the VCS may be best placed to deliver services as its structures make it easier to display the kinds of skills necessary to reach vulnerable groups. Insofar as VCOs display the features listed above then they will be well placed to deliver services to these excluded groups. Given that the specification for the delivery of certain services considers essential the kinds of feature that the VCS is said to possess, the sector, if it does possess them, will often be the preferred supplier of these services.¹⁶

“ADDED VALUE” – ANOTHER SENSE

3.11 There is a quite separate sense sometimes given to “added value”. This sense reflects the additional benefits that the VCS may bring to service provision from the use of volunteers and donations and from the re-investment of surpluses. In such circumstances the extra welfare gain is *wholly additional* to the service provided under contract. Neither volunteers nor donations should be used to fund statutory services – Charity Commission guidance underlines this – but charities may nonetheless choose to fund from their own resources services that are above and beyond those contracted for by the State.

KEY LESSONS

3.12 As part of the review a number of detailed case studies of the sector at work were carried out. These studies attempt to illustrate the key skills of the VCS at work in a practical setting. Full details of these studies can be found at www.hm-treasury.gov.uk.

3.13 The case studies highlight some key lessons. **First**, there are many different ways in which the VCS can add value to service delivery – from designing and planning services to direct service delivery. There is not one option but a spectrum of options for engagement.

3.14 **Second**, the VCS can innovate but innovation needs to be managed, nurtured and evaluated.

3.15 **Third**, in contracting with the VCS to deliver services, Government must ensure that regulation is proportionate and the independence of the sector is recognised. The greater the regulation the greater the risk that the best features of the sector are smothered.

3.16 **Finally**, policy makers need to recognise that there is a significant lead-in time where new partnerships are being established to deliver services. The profile of funding and monitoring of outputs needs to reflect this.

¹⁶ A prime example is the National Minimum Standards for Care Homes for Younger Adults which require, e.g., involvement of the service user in planning their own services, involvement of service users in service decision-making, supporting service users in becoming active participants in their local community. These are all typically the kinds of attributes normally associated with strong voluntary sector providers. So, the way in which the State now says it wants services delivered plays to the strengths of the sector. See, [Children’s Homes: National Minimum Standards](#). (DoH) London: The Stationery Office, 2002.

INTRODUCTION

4.1 Chapter 3 showed how the VCS has the potential to bring substantial benefits to service delivery. Government and the VCS have, therefore, a **mutual interest** in ensuring that the VCS has the capacity to deliver.

4.2 This chapter examines the different aspects of capacity and assesses the sector's ability to engage in service delivery effectively. It outlines some of the constraints facing VCOs and makes recommendations for how these should be tackled.

4.3 Black and Minority Ethnic (BME) VCOs experience many of the same constraints as mainstream VCOs, but more acutely. They also face specific constraints – they are a less well developed sector and can suffer discrimination and disadvantage.

CAPACITY BUILDING

4.4 Capacity building is about ensuring that VCOs have the skills, knowledge, structures and resources to realise their full potential. It is second tier activity that supports front line delivery and typically involves removing barriers to involvement and investing to maximise the contribution that VCOs can make. It is as much about releasing existing capacity as about developing new capacity.

4.5 There are broadly four different kinds of capacity:

- organisational capacity;
- technical capacity to deliver specific services;
- infrastructure capacity; and
- community capacity.

4.6 The maintenance and growth of a healthy and vibrant VCS is dependent on achieving the right level and mix of support across all these areas. The review focused on the first three of these but included community capacity building in respect of community involvement in the design, delivery and monitoring of services.

ASSESSING CAPACITY

4.7 Government programmes often presume that the VCS has the capacity to participate or that this capacity can be built quickly. The presumption is often unjustified and can lead to unrealistic expectations of VCOs and poor performance. If government wants effective participation then there is a prior need to understand the underlying strength of the VCS.

4.8 The review considered the potential for developing **tools to undertake a capacity check**. For individual VCOs, this would include an evaluation of organisational capacity including performance management and standards. Government departments and Local Strategic Partnerships (LSPs) should have a clear picture of their specific VCS provider base and its needs.

INFRASTRUCTURE

4.9 The VCS infrastructure provides support for organisational capacity, a voice for VCOs and access to representation and policy making. Some organisations also provide specialist support – for example, for services for young people or children, or to particular groups of staff such as finance managers. The majority of these organisations receive some measure of strategic funding from government.

4.10 The current infrastructure has developed piecemeal and, while some parts of the sector are well served, the overall coverage is variable in quality and fragile. There are significant gaps in networks and some duplication. There is further scope for collaborative working between existing organisations.

4.11 Central government supports VCS infrastructure by providing technical support for specific projects and building capacity within small community groups. But current practice across Whitehall is inconsistent. The value of this investment would be enhanced if it were brought together into **one cross government strategy for VCS capacity building and infrastructure support**, with common purposes, resulting in more coherent and effective delivery.

4.12 The contribution of local government also varies considerably. Many local authorities provide direct support to the VCS and there is long established support for infrastructure in some areas.

FINANCING THE VCS INFRASTRUCTURE

4.13 Investment in infrastructure needs to be financed. But research for the Baring Foundation¹⁷ concluded that, while there were opportunities for VCS infrastructure organisations to increase earned income, they would continue to need external funding – from government, the wider private sector and the general public in order to fulfil their leadership role. Government already makes a significant contribution but the key question is **how to make best use of this, how to make best use of the existing VCS infrastructure, and how to tackle any areas of weakness.**

INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

4.14 The use of ICT in the VCS is low compared with other sectors. The picture does not change with organisational size, except for the very largest organisations. Raising awareness of the potential of ICT and assistance with increased use of equipment, training and on-going technical support should be investigated, starting with current initiatives and programmes.

4.15 **A broad strategy is needed to address these issues**, building on the funding website being developed by the Active Community Unit (ACU), the specialist site on partnerships being developed by the Centre for Management and Policy Studies and the Regional Coordination Unit's (RCU) proposals for an electronic registry of service providers.

¹⁷ *Voluntary Sector Infrastructure: the issues for grant making Trusts*, Ball and Unwin, 1998.

STAFF DEVELOPMENT AND LEADERSHIP

4.16 Research by the Voluntary Sector National Training Organisation (VSNTO),¹⁸ found significant skills gaps in the sector-specific skills of, fundraising, volunteer management and trusteeship. The VCS also requires support to develop leadership and management skills.

4.17 **Government and the VCS need to work together to understand better the skills gaps and how they might be closed.** One suggestion supported by the VCS is for a dedicated VCS Skills Council. The VCS are currently negotiating with the new Sector Skills Development Agency (SSDA) on this. An alternative may be the establishment of skills centres in the VCS.

INVOLVING THE SECTOR IN ALL ASPECTS OF THE SERVICE DELIVERY AGENDA

4.18 Partnerships are of increasing importance in service delivery but can be hard both to build and sustain. Meaningful involvement can be a problem, particularly for small VCOs including social enterprises who continue to report some common difficulties with new programmes which include:

- VCOs are expected to respond unrealistically quickly;
- lack of development funding;
- insufficient shared planning – this is a particular concern of BME VCOs; and
- lack of involvement in target setting.

4.19 The involvement of the VCS earlier, and throughout the process, would avoid many of these difficulties. **A new protocol of guiding principles and best practice** in service and programme development could provide an effective framework for joint planning.

ENGENDERING A BETTER UNDERSTANDING OF THE VCS

4.20 Many of the barriers that VCOs face are the consequence of a lack of understanding of the sector by people in government. The RCU study on access to regeneration funding also identified this as an issue that needs to be addressed. There is a need for concerted action by government to develop the skills of staff in working with the VCS. There is considerable scope to build on current initiatives and for **the public sector and VCS to work together to achieve the necessary change.**

CONCLUSION

4.21 The aim of removing barriers and building capacity is to maximise the distinctive contribution that the VCS brings to service delivery. It is about designing and delivering services in a way that plays to VCS strengths, and about developing the skills, knowledge and resources of VCOs to take advantage of the opportunities to engage with government if they choose to do so. Building the capacity of the sector will result in organisations that are more sustainable and better services for users.

¹⁸ *Skills Matter: A skills foresight for the voluntary sector across England, Scotland and Wales*, VSNTO 2000.

DEFINING SOCIAL ENTERPRISE

5.1 Social enterprises are not for profit businesses driven by social objectives. They are an expanding part of the wider voluntary sector. And, in reality, there are a substantial number of VCOs that share some of the characteristics of social enterprises. A social enterprise is defined by DTI's Social Enterprise Unit (SEnU) as:

“a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community. (Social enterprises) include local community enterprises, social firms, mutual organisations... and large-scale organisations operating nationally or internationally.”¹⁹

5.2 Understanding social enterprise is therefore about identifying key characteristics common to such businesses rather than defining specific organisational forms. Social enterprise has more to do with what drives an organisation than how it is constituted. That is why social enterprises are said to be, “value-led, market driven”.²⁰

SOCIAL ENTERPRISE AND SERVICE DELIVERY

5.3 The data mapping group established by the SEnU concluded that it was difficult to determine the number, or economic contribution, of social enterprises. They further concluded that more carefully defined research is needed to map fully the social enterprise sector if robust evidence is to be available for policy makers. **This report endorses that recommendation.** Because of the lack of hard data and research the impact of social enterprise on service delivery was considered through a number of case studies the details of which will be on the website at www.hm-treasury.gov.uk. These case studies illustrate how social enterprises can:

- demonstrate entrepreneurial leadership;
- act as intermediate organisations delivering a wide range of services under contract;
- create training and employment opportunities, especially for excluded groups;
- build social capital; and
- lever in additional finance.

¹⁹ *Social Enterprise: A Strategy for Success*, DTI, July 2002, p7.

²⁰ *Value-Led, Market-Driven*, Westall (2001), IPPR.

SUPPORTING SOCIAL ENTERPRISE

5.4 Many of the barriers to engagement in service delivery faced by social enterprises are similar to those faced by the wider VCS. Nonetheless, there are specific actions that would help to support social enterprises. In particular the review recommends that the SEnU should **raise awareness of what the Small Business Service and Business Links** have to offer.

5.5 In addition, there needs to be **more training** of Business Links advisers on how to work with social enterprises. The Regional Development Agencies also have a role in ensuring that there is a **strong and complementary network of business support and training** for social enterprises and that it is properly publicised.

5.6 Finally, there is a continuing role for the SEnU in raising awareness and understanding of the potential of the social enterprise sector, building on their recently published Social Enterprise Strategy which sets out in detail the Government's policy towards the sector.

6

THE FUNDING RELATIONSHIP

6.1 Getting the funding relationship right is increasingly important if the financial stability of service delivery organisations is to be assured and if government can look confidently to the sector to deliver quality services in the medium to long term. For service delivery the main mechanism for funding from government is via contracts.

6.2 The major concerns identified during the review were:

- ensuring that the cost of contracts for services reflects the full cost of delivery – including any relevant part of the overhead costs;
- streamlining the application system;
- end loading of payments – with the VCS bearing upfront risk;
- moving to a more stable funding relationship – longer contracts and longer term partnerships; and
- creating a level playing field in competition for service delivery – particularly around VAT.

FULL COST RECOVERY

6.3 All VCOs have fixed or overhead costs. There is a strong view within the VCS that funders are often unwilling to finance these costs and a common perception by funders that other sources of finance are already being used for this purpose.

6.4 But there is no reason why service providers should not include **the relevant portion of overhead costs** within their bids for service contracts. These are part of the total costs of delivering a service. To do this, the VCS needs to be able to apportion overhead costs effectively. But there is no reason why service funders should be opposed in principle to the inclusion of relevant overhead costs in bids. Clearly, different providers will want the autonomy to decide how to structure individual bids and funders will want to award service contracts on a Best Value basis.

STREAMLINING ACCESS

6.5 In June 2002 the Regional Co-ordination Unit (RCU) was asked to examine how regeneration funding could be made more accessible to the VCS. In November 2001 they produced an interim report which proposed:

- using a “lead funder” wherever possible – that is, agreeing that one funder will arrange monitoring and inspection and passport information to others;
- developing an electronic registry of providers;
- ensuring officials fully understand the implications of Government Accounting;

- consistent application procedures through HMT-endorsed guidance to funders; and
- establishment of an implementation unit.

6.6 The review broadly endorses these proposals but believes that implementation should build on existing structures. Full details of the implementation proposals for the review are in Chapter 8 and Annex B.

END LOADING OF PAYMENTS

6.7 For organisations engaged in service delivery this is widely perceived to be a major problem and a significant deterrent to working in partnership with government. It is also a concern for social enterprises as they seek to manage cash flow and risk.

6.8 There are two aspects to risk:

- the risk associated with the funder making assumptions about likely levels of demand for a service which turn out to be unrealistic;
- the risk which comes with the responsibility of delivering output goals.

6.9 It seems unrealistic to expect providers to absorb all the risk associated with the first of these risks but the second is slightly different. Provided the output goals are discussed and agreed in advance it seems reasonable for the provider to bear the risk of non-delivery in return for a degree of flexibility in how services are delivered.

6.10 Part of the problem for some groups has been a lack of consistency in the interpretation of Government Accounting rules. There is a widespread perception that so-called “Treasury rules” are inflexible so, for example, no payments ahead of actual expenditure are possible. This perception is simply incorrect – in the latter case the principle is that no payment should be made in advance of *need*. Many funders have taken the position to be that need can only be demonstrated by the expenditure having been actually incurred.

6.11 What this experience demonstrates is the need for clear and consistent guidance on funding issues, endorsed by HM Treasury, which both the VCS and funders can use confidently. This review **recommends** that the Treasury issue such guidance.

STABILITY IN THE FUNDING RELATIONSHIP

6.12 Lack of long term funding arrangements is a continuing problem for the VCS. As far as service delivery goes, the use of renewable one year contracts is the principal cause for concern. This can lead to the diversion of valuable VCS resources into bidding to retain contracts and away from delivering better services. Funders have sometimes complained that longer contracts reduce financial flexibility.

6.13 But the move to three year spending settlements when combined with end year flexibility means that departments already have considerable flexibility. Funders should consider carefully the benefits of entering longer term funding relationships subject to satisfactory performance.

IRRECOVERABLE VAT

6.14 The Treasury Review of Charity Taxation in 1999 looked carefully at the problem of irrecoverable VAT and concluded, for reasons of principle and affordability, that no changes should be made to the existing scheme. In response to representations during the review the Government considered the issue afresh to determine once and for all whether the obstacles presented by irrecoverable VAT can be overcome. Having considered all the options available, including a targeted compensation fund, the Government has concluded that no fundamental changes should be made to the way in which the VAT system operates and that the available resources would be better deployed through the new investment fund, *futurebuilders*, than otherwise.

7

DEVELOPING THE COMPACT

7.1 The 1998 Compact set out a framework for effective partnership working between Government and the VCS, as well as underlining the Government's commitment to a strong, vibrant and independent sector. Its publication was followed by a series of more detailed Codes covering:

- Black and Minority Ethnic VCS;
- Consultation and Policy Appraisal;
- Funding;
- Volunteering; and
- Community (currently out for consultation).

7.2 The Compact is a guide to good practice working and is not legally binding. The review found a remarkable consensus that the Compact was, on the whole, "a good thing" and there is little support for its abolition or wholesale replacement. Yet there are three main criticisms:

- lack of awareness;
- poor implementation; and
- limited scope.

7.3 Action is needed at a senior level in government departments. Senior officials within Government need to see adherence to the Compact as a priority for their staff. To effect this cultural shift, a senior official within each department should be held personally responsible for effective implementation of the Compact and its Codes – **the departmental "Champion"** – and help take forward the implementation of this review.

7.4 The senior responsible official should **establish a baseline for the department and articulate a vision for the future**. Attention should be focused in the first instance on those departments with the greatest interaction with the sector – Health, DWP, ODPM, Home Office and the DfES.

7.5 The Government's vision is that the Compact be effectively **"locked in" or mainstreamed**. Implementation should be part of each department's normal business as conducted by all staff. Resources allocated to departments for 2003–06 are conditional on effective implementation of the Compact.

7.6 There is also concern about the scope of the Compact. The Government should also commit itself in the medium term to **increasing the number of local Compacts**. Sensible targets for the development of local Compacts and the spreading of best practice should be actively negotiated between the ACU, the Office of the Deputy Prime Minister (ODPM), and local government.

7.7 There is a lack of clarity across the statutory and voluntary sectors about the Funding Code. It is widely thought that the Code only applies to grants. As it stands, the Code applies to grants, contracts and service agreements alike and should be observed by all government departments and executive agencies. An increasing proportion of funding relationships are based on service agreements and contracts and **a supplement to the Funding Code is being developed to bridge any gaps**.

IMPLEMENTATION I : IMPLICATIONS FOR GOVERNMENT

8.1 The Government is determined that this review will make a difference. The work of the last year, culminating in the announcements of the Spending Review and this report are the end of the beginning of the process. The next step – and it is of crucial importance – is the translation of the recommendations into practical action. The Government is committed to implementing the review in full by April 2006. To ensure delivery by that date an Action Plan has been drawn up that sets out in detail what the implementation process will be.

8.2 The ACU in the Home Office will have the lead responsibility for driving change across government, working closely with a small group of key officials. This core group will report through a co-ordinating group, chaired by the Permanent Secretary at the Home Office, to the Cabinet Committee for Domestic Affairs, Active Community and Family (DA/ACF) which is chaired by the Home Secretary. The composition of the co-ordinating group will be drawn from government and the voluntary sector. The Government is determined that, just as the review was carried out in close consultation with the sector, so the sector will be similarly involved with ensuring effective implementation.

8.3 Reflecting the ACU's new focus, its budget has been increased by an average of 20 per cent annually to £188m over the three years of the 2002 Spending Review with half of this sum allocated to implementation of this review. Most of those resources will be directed towards capacity building and infrastructure, including e-enabling the sector, and to streamlining access to, and reporting for, government funds.

8.4 Of course, all government departments need to play their part in implementing this review. They will:

- work constructively with the ACU to ensure the review is implemented;
- involve the VCS actively in the planning as well as delivery of services;
- incorporate the review's funding recommendations fully into their procurement policies by ensuring that the price for a contract reflects the full cost of the service including the legitimate portion of overhead costs;
- participate actively in the ACU review of capacity building and infrastructure support leading to an integrated cross-Government strategic approach;
- appoint a senior official (at about Director level) to champion the Compact within their department and establish a baseline assessment of how well it is observed and agree an action plan for full implementation; and
- improve skills across the department in working with the VCS through appropriate training and development of staff.

8.5 The 2002 Spending Review Settlement reflects fully, for all departments, the cost of implementing the review. There may be some indirect costs to some departments, principally through implementation of full cost recovery in contracts for services and service level agreements. But all departments will meet these costs over time as contracts come up for renewal.

IMPLEMENTATION II : IMPLICATIONS FOR THE VCS

8.6 The review presents a challenging agenda for change for the VCS itself. The Government does not expect the sector to respond to these challenges alone, but with assistance. First, the sector needs the capacity to participate fully in the implementation of the review, including taking a lead in taking forward specific recommendations. Financial provision up to £0.5 million per year has been made available to enable this to happen.

8.7 Second, for the review to be effective, the benefits need to be experienced locally by VCOs that work with local government and other public sector partners. This will take time but will be achieved by April 2006.

FUTUREBUILDERS

8.8 Finally, new resources have been allocated for those VCOs who deliver key public services for government. The new investment fund, “*futurebuilders*”, will provide a one off, three year investment of £125 million to assist VCOs in their public service work.

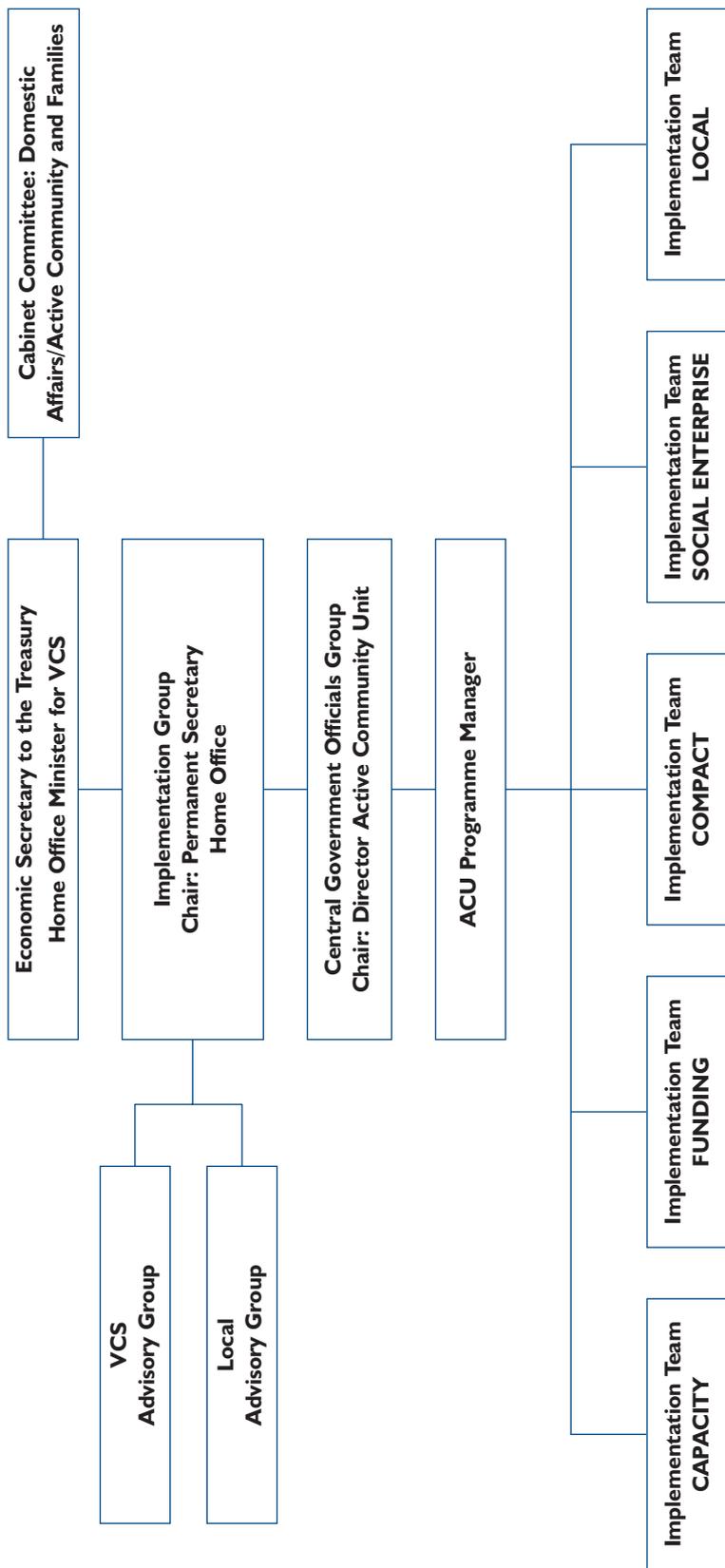
8.9 The fund offers a unique opportunity for organisations to take advantage of the new framework that the implementation of this review will create and to strengthen their service delivery role. The fund will provide strategic investment to modernise the sector. It will be directed towards organisations directly involved in delivering key services in the areas of health and social care, crime and social cohesion, in education and for children and young people. It will harness the vision, specialist knowledge and expertise of service providers to transform their capability, push out the boundaries and, most importantly, improve service outcomes. High quality schemes that exemplify good practice, encourage partnership working and replicate success will be candidates for funding.

8.10 The fund and its administration will be designed with the VCS and will be closely tied in to the Compact mechanism. The Treasury will lead in setting up the fund and this process will be initiated with a paper setting out the proposed approach to the Compact Working Group on 23rd September 2002.

PROCESS

8.11 A diagram of the implementation process follows. The full implementation action plan is at Annex B. There are a large number of actions in the implementation plan, to be taken forward in diverse ways by central and local government and the VCS. Implementation of a number of the recommendations involves raising awareness and spreading understanding as well as learning new ways of working. Every effort will be made to co-ordinate the dissemination of learning opportunities, particularly as the review is cascaded to local level, in order to form a coherent package for change.

Implementation process



Note: Each Recommendation Implementation Team Leader will report regularly on progress to the Programme Manager who in turn will report to the Implementation and Stakeholder Groups. One or two members of each Stakeholder Group will sit on the Implementation Group.

A

TERMS OF REFERENCE

To examine the relationship between the voluntary sector and the Government in service delivery, taking account of the key role the sector can play in strengthening civil society and building capacity in local communities. The review will do this by:

- i. mapping the extent and the variety of means by which the voluntary sector is already involved in overseeing and delivering services;*
- ii. examining best practice in effective partnership between the voluntary sector and the public sector, suggesting practical ways in which the principles of the Compact can be applied in the delivery of services;*
- iii. drawing common lessons to guide the public sector in working in partnership with the voluntary sector;*
- iv. establishing whether and how barriers to voluntary sector involvement, and lack of capacity, might be overcome to promote successful partnership with the public sector and how the Government might be able to assist to that end.*

Recommendation	Action
<i>Issue: Effective engagement with the sector to mutual benefit.</i>	
<p>1. Policy makers – including in local government – should involve the VCS at an early stage in the design and planning of services and consideration should be given to the full range of options for VCS involvement.</p>	<p>The ACU will lead, in consultation with other departments, in creating a protocol of common principles and procedures for service and programme development. This needs to ensure the inclusion of evaluation of innovative programmes into project design. (see recommendation 8)</p>
<i>Issue: Maintenance of the sector's independence and capacity for innovation in service delivery.</i>	
<p>2. In drawing up contracts providers should always consider innovative methods of working. Innovative projects should be subject to proportionate evaluation with the results being actively shared.</p>	<p>The protocol on programme development will include innovation. (see recommendation 8)</p>
<p>3. Local authorities should include local VCS representation on Best Value Review Teams working in key service areas.</p>	<p>(see recommendation 37)</p>
<i>Issue: Working together to deliver services locally.</i>	
<p>4. The Best Value Inspectorate should report on whether the full spectrum of options for involving the VCS in service delivery has been explored and this should form part of the comprehensive performance assessment being developed by the Audit Commission.</p>	<p>(see recommendation 38)</p>
<p>5. Local authority staff dealing with the VCS should receive appropriate training to ensure greater understanding of the different ethos and values of the VCS.</p>	<p>(see recommendation 39)</p>

Recommendation	Action
<i>Issue: Assessing capacity and capacity building.</i>	
<p>6. Assessment tools should be developed for undertaking a “capacity check” of the strength and depth of the VCS for individual organisations, within specific service sectors, across geographical areas and for umbrella groups providing support within the sector.</p>	<ul style="list-style-type: none"> • The VCS will lead in developing and piloting appropriate ways forward in assessing the capacity of individual VCOs, including performance management, to deliver (i) a strategy for standards in the VCS; and (ii) ways of assessing capacity to engage with the service delivery agenda. By: April 2005 • ODPM will work with the ACU to evaluate the extent of VCS involvement in the development of community strategies and to produce a “tool kit” to allow local authorities, with other partners, to undertake an initial assessment of VCS capacity, covering strengths, gaps, areas of risk and potential for growth. By: April 2004 (see recommendation 41) • Where not already available, each Local Strategic Partnership, as part of preparing its community strategy, will undertake this initial assessment. By: April 2006 (see recommendation 42) • Within service sub-sectors, each central government department will assess how its funding relationship with the sector supports or potentially weakens the provider base. This should build on the DfES work ‘Getting the Best from Each Other’. (The ‘Getting the Best from Each Other’ framework was published on 15th July 2002 and can be accessed at: www.dfes.gov.uk/gettingthebest). By: April 2005
<i>Issue: Differing interpretations of capacity building, levels of investment, and methods of delivery.</i>	
<p>7. Government and the VCS should develop a coherent shared strategy to underpin capacity in the sector. This should include:</p>	<p>The ACU will lead on engaging key departments, local government, the VCS and other partners to:</p>

Recommendation	Action
<ul style="list-style-type: none"> • an assessment of the effectiveness of existing government resources devoted to capacity building; • the development of an interdepartmental framework for strategic support to the sector; • tackling any weaknesses in capacity, including the role of government and the VCS. 	<ul style="list-style-type: none"> • undertake a comprehensive review of different types of capacity building. By: April 2003 • In parallel the NRU will review the role and effectiveness of their community programmes, including options for mainstreaming CEF. This work will feed into the ACU review with the intention of mainstreaming CEF. By: April 2006 • develop a framework for integrated support, based on identified needs and including setting standards for provision. By: July 2003 • the Office of the e-Envoy will work with the ACU to draw together the various ICT initiatives into a coherent investment strategy, identify necessary resources and agree how to implement. By: July 2003 • take action to implement the agreed strategy to achieve a sustainable baseline of infrastructure support at local level, regionally and nationally, and include action to be taken by central and local government and the VCS. By: October 2004 (see recommendation 42) • The ACU will lead on producing guidelines on good practice in capacity building and infrastructure support and to consider issuing this as a supplement to the Compact. By: October 2004
<p><i>Issue: Capacity constraints: maintenance of the sector's independence and capacity for innovation in service delivery; effective engagement with the sector to mutual benefit; enabling the sector to deliver.</i></p> <p>8. A new protocol should be developed for service and programme development, setting out best practice for collaboration and joint planning of services.</p>	<p>The ACU will lead on the production and introduction of a protocol of common principles and procedures for service and programme development. This will be incorporated into the Compact Code of</p>

Recommendation	Action
<p>9. Policy makers, including those in local government, should involve the VCS at an early stage in the design and planning of services and consideration should be given to the full range of options for VCS involvement.</p>	<p>Good Practice on Consultation and Policy Appraisal. By: October 2003</p>
<p><i>Issue: Learning and skills development.</i></p>	
<p>10. There should be joint working to ensure that sector-specific skills are better understood and skills gaps tackled.</p>	<p>The VCS will lead on liaising with DfES (and in particular the Sector Skills Development Agency) and ACU to find a way ahead to meet the specific skills needs of the VCS in trusteeship, fundraising and volunteer management. By: April 2003</p>
<p><i>Issue: Partnership working.</i></p>	
<p>11. Government and the VCS should establish a joint programme to develop the capacity of government officials and members of the VCS to work effectively together.</p>	<p>See recommendation 30.</p>
<p><i>Issue: Weaknesses in the data on government funding of the VCS.</i></p>	
<p>12. Government should establish a unified information system for data collection and analysis on government funding for the VCS.</p>	<p>The ACU will lead cross-departmental work to put in place a unified information system. This will involve: (i) scoping and piloting; (ii) phased introduction according to defined milestones; and (iii) the development of individual strands to support implementation of the review, including data on the Compact, on capacity building and infrastructure, and on funding going to the sector. By: April 2006</p>
<p><i>Issue: Full cost recovery.</i></p>	
<p>13. Funders should recognise that it is legitimate for providers to include the relevant element of overheads in their cost estimates for providing a given service under service agreement or contract.</p>	<p>All departments will incorporate the review's funding recommendations fully into their procurement policies by ensuring that the price for contracts reflects the full cost of the service, including the legitimate portion of overhead costs. By: April 2006</p>

Recommendation	Action
<p>14. Central government should learn from the experience of programmes that have already sought to tackle this issue in a fair and transparent way.</p>	<p>DfES, working with OGC and ACU, building on experience to date and on work being undertaken by DfES as part of 'Getting the Best from Each Other', will develop guidance for good practice in the procurement of services. This work will contribute to a supplement to the Compact Code of Good Practice on Funding for service contracts and agreements.</p> <p>All departments and agencies will agree a common approach in line with this guidance and Treasury guidance in preparation for implementation from April 2004.</p> <p>By: October 2003</p> <p>DCMS will consider amending the rules and working practices of the lottery distributors in order to reflect the key recommendations of the review.</p> <p>By: April 2003</p>
<p>15. The VCS should develop accounting guidelines for allocating overhead costs.</p>	<p>The VCS will produce guidance for the sector, building on the work currently being undertaken by ACEVO, and to consider (in consultation with the Charity Commission), the scope for linking to SORP guidance.</p>
<p>16. The VCS should consider building on the experience of larger voluntary organisations to establish whether there is a useful role for benchmarking unit costs in client specific service areas.</p>	<p>By: April 2003</p>
<p><i>Issue: Streamlining access and performance management requirements for multiple, often small, funding streams.</i></p>	
<p>17. Government should develop a common point of access and a common application process for central government grant aid and strategic funding.</p>	<p>The ACU will build on its Invest to Save project to develop an electronic portal to give a common point of access to Government grant funding for the VCS in order to provide a common application process.</p> <p>By: April 2004</p>
<p>18. Government should take forward the "passporting" of financial information about VCS service providers between different departments, including developing the "lead funder" concept.</p>	<p>Over the medium term, the portal may also be used to passport information about VCOs. "Passporting" is the transfer of basic details of organisations between funders, reducing the burden of providing the same information more than once.</p> <p>By: April 2004</p> <p>On 'lead funder', the RCU, working with DfES and the ACU, will develop examples</p>

Recommendation	Action
	<p>of how the 'lead funder' approach could be applied in practice across government departments. The RCU, ACU and NRU will consider piloting the approach with regeneration funds and with the DWP from April 2004.</p>
<p><i>Issue: End loading of payments – with sector bearing all the upfront cost and risk.</i></p>	
<p>19. HM Treasury should issue clear guidance to funders: (i) on the scope for making payments in advance of expenditure; (ii) ensuring the right balance of risk between service providers and funders; and (iii) the potential use of profile funding.</p>	<p>HM Treasury will publish guidance to funders. By: December 2002</p>
<p>20. Umbrella groups within VCS should raise awareness within the sector and government of the principles set out in the guidance.</p>	<p>The dissemination programme will begin from April 2003. By: April 2006</p>
<p><i>Issue: Achieving a more stable funding relationship.</i></p>	
<p>21. HM Treasury guidance to funders should underline the opportunities for moving to more stable funding relationships and to include examples of where, subject to performance, this has been done.</p>	<p>HM Treasury will include in its guidance to funders. By: December 2002</p>
<p>22. At the local level, best practice examples should be highlighted and widespread use incentivised.</p>	<p>See recommendation 35.</p>
<p><i>Issue: Creating a level playing field – in particular, around VAT.</i></p>	
<p>23. Participants in review were keen to stress the importance of finding a way forward on irrecoverable VAT. They urged Ministers to continue working closely with the VCS – in particular to consider the benefits of taking a targeted approach – and to identify a possible solution in the context of this review.</p>	<p>In response to this recommendation the Government looked at this issue afresh to determine whether there is an effective way of mitigating the impact of irrecoverable VAT. The Government concluded that there is no principled, robust or affordable way of achieving this.</p> <p>But in recognition of the obstacles to effective involvement in service delivery, the Government has decided to set up a three-year, one-off investment fund, <i>futurebuilders</i>, to assist VCOs in their public service work. HMT will take the lead in working with the VCS to design the fund. By: April 2003</p>

Recommendation	Action
<p>24. Inland Revenue should work with Customs & Excise to establish a single, integrated help-line service, to provide charities with a single point of contact for advice on either direct tax or VAT issues that affect them.</p>	<p>A help-line will be established. By: January 2003</p>
<p>25. Customs & Excise should work with the VCS to identify ways in which C&E VAT guidance can be improved and to devise appropriate solutions that the sector will find accessible. The aim should be to increase charities' awareness and understanding of the VAT issues they need to consider when deciding how to deliver services.</p> <p><i>Issue: Awareness of the Compact.</i></p>	<p>Customs & Excise will issue revised guidance. By: April 2004</p>
<p>26. The VCS and ACU should initiate a drive to raise awareness and understanding of the Compact within the sector.</p> <p><i>Issue: Implementation of the Compact.</i></p>	<p>The VCS will produce proposals and implement. By: October 2003</p>
<p>27. All government departments should appoint a senior official to oversee full implementation of the Compact and Codes.</p>	<p>Senior officials will be appointed by all departments. By: October 2002</p>
<p>28. The ACU should conduct a review of the role of the Voluntary Sector Liaison Officer and determine the scope of the role to support and maintain mainstreaming of the Compact and Codes.</p>	<p>The review will be completed and the findings will feed in to departmental strategies for mainstreaming of the Compact and Codes. By: January 2003</p>
<p>29. The 'Champion' should establish a baseline on awareness and implementation in their department and develop a strategy for mainstreaming the Compact.</p>	<p>Departmental "Champions" will produce a strategy and project plan for delivering the strategy. By: April 2003</p>
	<p>Given the major role of the Government Offices in allocating central resources, the ACU working with the RCU will ensure that staff in the regional offices are made fully aware of the implications of the Compact for their dealings with the sector. Starting in April 2003.</p>

Recommendation	Action
<p>30. A joint programme between government and the VCS should be established to develop the capacity of public sector officials and members of the VCS to work effectively together.</p>	<p>Central government, local government, including the LGA, and VCS will work to develop and roll out an appropriate programme, tailored to reflect national, regional and local experience and needs. By: April 2004</p>
<p><i>Issue: Scope of the Compact.</i></p>	
<p>31. Government should commit itself to the medium term objective of increasing the number of local Compacts, building on best practice to date.</p>	<p>The ACU and the ODPM will lead joint working to agree with local government, including the LGA, a plan for increasing the number of Local Compacts, building on best practice to date. By: April 2003</p> <p>The ACU will undertake a study to monitor and evaluate the effectiveness of local Compacts to date, highlighting best practice. By: October 2004</p>
<p><i>Issue: Providing effective support to social enterprise.</i></p>	
<p>Social Enterprise Unit (SEnU) should:</p>	<p>The Social Enterprise Unit (SEnU) will:</p>
<p>32. • raise awareness within social enterprises of the Small Business Service (SBS) and Business Links' services;</p>	<p>• work closely with the ACU to ensure that the SEnU plans for support for social enterprises are fully integrated into the wider government strategy for capacity building and infrastructure support for the VCS. By: July 2003</p> <p>• work with SBS to ensure all Business Link operators include social enterprises in their business plans, starting April 2003.</p> <p>• raise awareness within social enterprises of SBS services. By: October 2003</p>
<p>33. • develop audit tools to enhance credibility with lenders;</p>	<p>• develop audit tools to enhance credibility with lenders – as above. By: April 2004</p>
<p>34. • promote better understanding of social enterprises within local authorities and by mainstream lenders.</p>	<p>• work to promote better understanding of social enterprises within local authority and by mainstream lenders (deadline as above). By: April 2004</p>

Recommendation	Action
<i>Issue: Working together to deliver services locally.</i>	
<p>35. At a local government level, ODPM and ACU, with HMT, should work with the LGA, IDeA, the Audit Commission and representatives from local authorities and the VCS to:</p> <ul style="list-style-type: none"> • identify and incentivise best practice in full cost recovery, streamlining processes and managing risk; • highlight and incentivise best practice examples of local authorities that have moved to longer term funding relationships, subject to performance. 	<p>The ODPM, building on the DfES 'Getting the Best from Each Other', will lead on issuing guidance on acceptable standards in procurement practice. By: October 2003 (see recommendation 14)</p> <p>The ODPM, working with ACU, HMT and local government, including the LGA, and others, will lead on drawing together and disseminating examples of best practice. By: October 2003</p>
<p>36. Best practice at local government level should be incentivised, building on local PSAs.</p>	<p>The framework for corporate performance assessment within CPA includes covering the exercise of the community leadership role, procurement practice and community involvement. ACU and ODPM will develop material for the local PSA website setting out roles VCS can play in local PSAs. By: December 2002</p>
<p>37. Local authorities should include local VCS representation on Best Value Review Teams.</p>	<p>The ODPM will include recommendations in revised guidance on Best Value. These recommendations will be consistent with Treasury guidance to funders. (see recommendation 19). By: December 2002</p>
<p>38. The Best Value Inspectorate should report on whether the full spectrum of options for involving the VCS in service delivery has been explored.</p>	<p>ACU and ODPM will discuss with the Inspectorate Forum the role that inspectorates can play in assessment of VCS involvement in service delivery.</p>
<p>39. Local authority staff dealing with the VCS should receive training to ensure greater understanding of the different ethos and values of the VCS.</p>	<p>Central government, local government, including the LGA and the VCS will work to develop and roll-out an appropriate programme, tailored to reflect national, regional and local experience, priorities and needs. By: April 2004 (see recommendations 5 and 30)</p>

Recommendation	Action
<p>40. Government should commit itself to the medium term objective of increasing the number of Local Compacts, building on best practice to date.</p>	<p>The ACU and the ODPM will lead joint working with local government, including the LGA, to agree a plan for increasing the number of Local Compacts, building on best practice to date. By: April 2003 (see recommendation 31)</p>
<p>41. Assessment tools should be developed for undertaking a “capacity check” of the strength and depth of the VCS for individual organisations, within service sectors, across geographical areas and for umbrella groups providing support within the sector.</p>	<p>ODPM will work with ACU to produce a “tool kit” to allow local authorities, with other partners, to undertake an initial assessment of VCS capacity, covering strengths, gaps, areas of risk and potential for growth. Where not already available each LSP, as part of preparing its community strategy, will undertake this initial assessment. By April 2004 (see recommendation 6)</p>
<p>42. Government and the VCS should develop a coherent shared strategy to underpin capacity in the sector.</p>	<p>ODPM and local government, including the LGA, will work closely with the ACU and the VCS to develop the strategy by July 2003. ODPM and local government will take action to implement the agreed strategy by April 2006 (see recommendation 7).</p>

Working Groups*Ministerial Steering Group*

Chair:

Rt Hon Paul Boateng MP	Financial Secretary to the Treasury
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Ministers:

Hilary Benn MP	DfID
Hazel Blears MP	DH
Rt Hon Richard Caborn MP	DCMS
Angela Eagle MP	HO
Lord Falconer of Thoroton QC	DTLR
Ivan Lewis MP	DfES
Ian McCartney MP	DWP
Rt Hon Alun Michael MP	DEFRA
Rt Hon Barbara Roche MP	CO
Rosie Winterton MP	LCD

Official Steering Group

Chair:

Mavis McDonald	Cabinet Office
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Members

Judith Armit	Medway Council
Stephen Bubb	ACEVO
Carolyn Campbell	DTI
Margaret Clark	Countryside Agency
Alan Cogbill	Lord Chancellor's Department
Chris Dunabin	DEFRA
Bryan Dutton	Leonard Cheshire
Helen Edwards	ACU
Mike Emmerich	No 10
Stuart Etherington	NCVO
Lucy de Groot	HM Treasury
Richard Jenkins	Home Office
Brian Kinney	Home Office
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Nicky Roche	Home Office
Krishna Sarda	EMF CEMVO
Toby Scott	DCMS

Maeve Sherlock	HM Treasury
Cay Stratton	DWP
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Wendy Thomson	Cabinet Office
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John Belcher	Anchor Trust
Janette Brown	North Tyneside Sure Start
Paul Convery	Training and Employment Network
Tamara Finkelstein	Deputy Director of Sure Start
Brian McGinnis	Mencap
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Daniel Pearson	Help the Aged
Norma Spark	Newham Council

Social and Community Enterprise

Chair:

Barbara Phillips	Head of Social Enterprise Unit, DTI
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Members

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Ed Mayo	New Economics Foundation
Amobi Modu	RCU
Simon Morys	Performance and Innovation Unit (PIU)
Andrew Robinson	NatWest
David Robinson	Community Links
Stephen Sears	Ealing Community Trust
Nick Wilkie	NCVO
Charles Woodd	ACU
Sam Woods	HM Treasury

Capacity

Chair:

Richard Gutch	Community Fund
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Fran Beckett	Shaftesbury Society ACEVO Board Member
Luke Fitzherbert	Directory of Social Change
Ariaf Hussain	Black South West Network
Tom Kennar	Effective Partnerships Division, DfES
Ben Kernighan	NCVO
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Erica Ramdhanie	Sandwell Council
Susanne Rauprich	NCVYS
Nicky Roche	Home Office
Nigel Siederer	Association of Charitable Foundations

Steve Skinner	Bradford Metropolitan District Council
Sophia Skyers	CEMVO
Jane Slowey	Birmingham Voluntary Service Council
Cay Stratton	New Deal DWP
Julia Unwin	Consultant and Charity Commissioner

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Chair:

Anne Weinstock	Connexions DfES
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Members

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Stephen Bubb	ACEVO
Rodney Buse	Quality Standards Task Group
David Carrington	Trustee and Consultant
Bryan Dutton	Leonard Cheshire
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Amobi Modu	RCU
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Ian Charlesworth	Shaw Trust
Steve Dolphin	Groundwork UK
Jean Foster	ACU
Roger Fox	Voluntary Arts Network
Trevor Hazelgrove	NACVS
Barbara Lowndes	Tameside Association of Community Organisations
Campbell Robb	NCVO
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John Wilson

D

GLOSSARY

ACEVO	Association of Chief Executives of Voluntary Organisations
ACU	Active Community Unit
BL	Business Link
BME	Black and Minority Ethnic
CAF	Charities Aid Foundation
CCR	Cross Cutting Review
CDF	Community Development Foundation
CEF	Community Empowerment Fund
CEMVO	Council of Ethnic Minority Voluntary Organisations
CO	Cabinet Office
DA/ACF	Domestic Affairs / Active Community and Family (Cabinet Committee)
DCMS	Department for Culture, Media and Sport
DEFRA	Department for Environment, Food and Rural Affairs
DfES	Department for Education and Skills
DfID	Department for International Development
DoH	Department of Health
DTI	Department of Trade and Industry
DTLR	Department for Transport, Local Government and the Regions
DWP	Department for Work and Pensions
EMF	Ethnic Minority Foundation
EST	Economic Secretary to the Treasury
HMT	Her Majesty's Treasury
HO	Home Office
ICT	Information and Communication Technologies
IDeA	Improvement and Development Agency
LA	Local Authority
LCD	Lord Chancellor's Department
LGA	Local Government Association
LOVAS	Local Voluntary Activity Survey
LSP	Local Strategic Partnership
NACRO	National Association for the Care and Resettlement of Offenders
NCVO	National Council for Voluntary Organisations
NCVYS	National Council for Voluntary Youth Services
NDPB	Non Departmental Public Body
NHS	National Health Service
NRU	Neighbourhood Renewal Unit
NTO	National Training Organisation
ODPM	Office of the Deputy Prime Minister
PIU	Performance and Innovation Unit
PSA	Public Service Agreement
RCU	Regional Coordination Unit
RDS	Research Development & Statistics

RSL	Registered Social Landlord
SBS	Small Business Service
SEnU	Social Enterprise Unit
SORP	Statement of Recommended Practice
SR2002	Spending Review 2002
SSDA	Sector Skills Development Agency
UK	United Kingdom
VAT	Value Added Tax
VCOs	Voluntary and Community Organisations
VCS	Voluntary and Community Sector
VSNTO	Voluntary Sector National Training Organisation

Appendix II:

Destination 2014 - Our Strategy for Delivery of ChangeUp



Destination 2014

Our strategy for the delivery of ChangeUp

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ChangeUp

Our strategy for the delivery of ChangeUp.

This strategy is the result of the consultation programme Capacitybuilders ran from December 2006 to March 2007. It takes full account of the various views expressed and is designed to indicate the way forward for Capacitybuilders in relation to the ChangeUp programme as a whole.

No sensible strategy is set in concrete. We have to be focused on achieving specific objectives but also remain flexible in responding to changing circumstances. In this document we provide a flavour of our current approach to building the strength of the third sector and ask for your support.

More detail about our intentions can be found in our three-yearly corporate plan and the annual business plan on the Capacitybuilders website: www.capacitybuilders.org.uk

Destination 2014 will evolve over time and any amendments will be posted on the website.

This publication is available in community languages, large print, braille and 'easy read' on request.

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01

Our vision, mission, objectives and values.

Having consulted on this strategy, and completed the first stages of our review of ChangeUp, we have sharpened our vision and clarified what we at Capacitybuilders want to achieve.

We want all third sector organisations to be able to access high quality support that meets their needs, when they need it.



Centre Manager Knox Daniel with Lizzie Saunders and two volunteers at the Ealing Community Resource Centre. Supported with £75,000 of seed funding from Capacitybuilders, this £5 million purpose-built centre is home to 14 diverse charities – all sharing accommodation, facilities, expertise and inspiration to help achieve their aims.

Vision

Our overall aim is to help create a more effective third sector.

We want all third sector organisations to be able to access high quality support that meets their needs, when they need it.

By improving support, we will strengthen the sector, increasing its ability to create a better quality of life for individuals and communities.

Our mission

To achieve our vision, we will effectively manage funds and seek to influence the policy and practice

of decision-makers and other funders. We will work in partnership with support providers¹, funders and government to develop more effective and sustainable support services for frontline² organisations across England.

Our objectives

We will:

- improve the quality and effectiveness of support for third sector organisations
- demonstrate the benefits of support services
- aim to ensure equal access for all third sector organisations to mainstream support services

¹ 'Support providers' and 'support services' are the organisations, people and activities that help build the capacity of frontline organisations. As part of a move toward more accessible language, Capacitybuilders uses these terms – where possible and appropriate – as an alternative to 'infrastructure'. We want to focus on what they do, not what they are.

² Organisations directly involved in delivering services to the public, campaigning or working in communities. They can be any size – from a Save our Village Green group to the Royal National Lifeboats Institute. If they are small and run by the community in which they are based, they are sometimes referred to as grassroots organisations.

- target resources where necessary to address the needs of particular excluded groups
- influence funding policy and practice to ensure sustainable support to third sector organisations
- engage with the public sector.

We will achieve these objectives through:

- effective management and distribution of grant funds
- the commissioning of innovative projects thus facilitating learning across the sector
- investing in the support organisations and networks working with diverse communities
- implementing specific programmes relating to the broad equalities and diversity agenda
- working with general support bodies in the third sector or with those specialist and functional groups who themselves are offering assistance to their frontline constituencies.

Our values

At Capacitybuilders we are:

- committed to an independent and vibrant third sector
- convinced that working in partnership across sectors and organisations is the right way forward
- professional, trustworthy and transparent.

We will strive to:

- reduce inequality and support the diversity of today's communities
- be open to learning and sharing our learning, based on what works best
- deliver programmes to high standards.

Moving ahead together

The Home Office launched ChangeUp in 2003/04, with the aim of strengthening the third sector³ by 2014. This was to be achieved by radically improving the support available to third sector organisations.

Capacitybuilders⁴ was established in April 2006 to manage the ChangeUp programme. We inherited two basic methods of delivery : national hubs of expertise, covering advice, training and information on the main themes of the programme (governance, performance, finance, volunteering, workforce development and ICT) and geographically based support networks or 'consortia'⁵. There are also some theme based consortia covering subjects such as children, young people or families, race equality and social enterprise support.

Consultation on the Destination 2014 strategy

In December 2006, we published the Destination 2014 strategic framework in a draft form for consultation. We wanted to gather views from across the third sector and from key stakeholders outside the sector.

This document is the result of that consultation, while more information on this important exercise has been published separately in 'Destination 2014 Consultation and context' available from Capacitybuilders' head office or on the website. www.capacitybuilders.org.uk

³ Third sector, in this context, means all types of organisations that are not-for-profit, and not a public body. The sector includes charities (registered or not), voluntary organisations, community organisations (and un-constituted groups) and social enterprises. For our purposes, it excludes organisations such as cooperatives, trades unions and universities.

⁵ As part of Capacitybuilders' new commitment to simple language, we are increasingly referring to consortia as 'support networks' and you will find these terms used interchangeably in this document. In ChangeUp, consortia are the groups of infrastructure organisations that responded to the Home Office Active Community Unit's call in 2003 to come together in order to receive funds to improve support to frontline organisations (though some had set themselves up before that date with a similar remit) . Some operate at regional level, some at sub-regional level, and some at local authority level – though there is no consistent pattern across the regions. There are about 130 at present.

02

Our strategic principles.

Four principles guide all our work: improving support services, being outcomes focused, strategic engagement and strategic delivery.

Our work to improve support acknowledges the sector's strengths in:

- delivering appropriate services, whether funded by public expenditure, grants or independent fund-raising
- finding new solutions to social and environmental problems
- campaigning to influence public opinion and policy
- providing opportunity for people to participate, e.g. sport and arts
- giving voice to individuals and communities
- increasing participation in society.



A training course in Tower Hamlets as part of WITHIN, a network of women's groups supported by Capacitybuilders. WITHIN empowers the groups to work together, share facilities and co-operate on funding bids. According to Chair Safia Jama, 'This network has become a strong body that is recognised for speaking and fighting for women's issues.'

The principles below guide all our work

a) Improving support services

Capacitybuilders believes that improving support is the key to enabling frontline organisations to build their capacity to achieve their ambitions. We will focus ChangeUp funding in 2008/11 on such groups and will take steps to test this approach.

People in frontline organisations will be able to access directly the integrated website of support services, and they will be a key audience for our work. The whole point of any investment in support organisations is to improve their performance so that the benefit flows through to frontline organisations so that they can impact individuals and communities. If this does not happen the overall programme will have been a failure.

Support is provided to the frontline by a wide range of voluntary organisations and social enterprises, as well as by public agencies. These operate at national, regional and local levels. Some focus on generic⁶ support needs, while others respond to particular needs, or to specific parts of the sector.

We want all support organisations to increase their own levels of performance and to work together to deliver expertise and services where they are needed. Knowledge and expertise needs to be actively shared across sub-sectors⁷ and networks.

We see a wide range of specialist and functional bodies⁸ within the wider sector playing a more active part in supporting frontline organisations. It is important to recognise that such specialist bodies are fully entitled to play as much of a role in the ChangeUp programme as more general support organisations. Whether in the field of child care or recreation, such bodies are an integral part of the ChangeUp programme, offering support to their own frontline organisations.

b) Outcomes focused

We will expect all consortia, national support services⁹ and other grant recipients to show how their funded activity is going to focus on the needs of frontline third sector organisations.

As a result of our work, frontline organisations will know how to access the capacity building support they need and will receive high quality support .

c) Strategic engagement

We are committed to the sector and respect its independence. We recognise the essential contribution being made by other organisations to capacity building including those from the public and private sectors. We will work in partnership with them, and will seek to exercise influence to achieve our overarching objective of securing high quality, sustainably funded support for frontline organisations.

Through Destination 2014 we will create a strategic framework that will realise and extend the ChangeUp vision, while ensuring that other organisations are able to pursue their interests and respond to sector needs from their perspective.

d) Strategic delivery

ChangeUp is a strategic development programme with specific funding attached. We will use our grant programmes strategically to develop new support mechanisms, stimulate improvements in support services and help to lever in other funds.

⁶ The range of support needs that all third sector organisations have, e.g. management, governance, funding and finance, volunteer recruitment, employment and training, and communication.

⁷ A part of the third sector, identified by the beneficiaries they serve – such as older people, youth or people with certain medical conditions – or the field in which they operate – such as sport, arts, environment, transport.

⁸ These include umbrella bodies, national federated organisations, and sub-sector leaders.

⁹ The national networks of expertise on generic support themes – such as Finance, Workforce, Performance and Voice. They replace the Hubs from 01/04/08.



03

How we will achieve our mission.

Through improving support; demonstrating its benefits; increasing equality of access; influencing funders and policy makers; and engaging with the public sector, we will achieve what we have set out to do.

We believe that organisations build their own capacity and want affordable, accessible, high quality support that meets their needs.

Karen Bowen, Chief Officer of the newly-merged Cumbria Council for Voluntary Service with her team. This new 'super-CVS', set up with support from Capacitybuilders, is the result of four district organisations building on informal links and collaborations so that they can deliver county-wide solutions without losing local presence.



Making music at an annual event for Bosnia Herzegovina UK Network. The network helps communities to develop, improving quality of life for the 10,000 Bosnian refugees in the UK and it is receiving Capacitybuilders funding as part of the Improving Reach programme.

a) We will improve the quality and effectiveness of support for third sector organisations.

We believe that organisations build their own capacity and want affordable, accessible, high quality support that meets their needs. We will strive to ensure they get what they need from services and networks that are well organised, effective and sustainable.

We will use our funding and influence to ensure that support organisations:

- work in partnership
- improve geographical and sub-sectoral coverage
- meet identified needs and make a real difference
- meet needs at key stages in organisations' development
- establish networks for frontline organisations.

We want this support to be:

- effective
- accurate
- relevant
- up-to-date
- of a high standard
- reflecting national best practice.

For smaller organisations, support should normally be provided locally. At the same time, frontline organisations should have access to the widest possible choice of support – up to national level – through appropriate media and programmes.

Through our Learning and Innovation work strand, we will explore and promote new models of support that have the potential to make a real difference, or offer increased value for money.

b) We will demonstrate to key stakeholders the benefits of support services.

We will gather evidence that demonstrates to government, other public sector bodies and non-statutory funders that investment in support services is money well spent and an effective way to strengthen the third sector.

We will base this evidence on:

- information routinely collected by support providers
- research and rigorous evaluations to independently assess the outcomes achieved by ChangeUp
- information from other sources such as the Charity Commission, Third Sector Almanac, GuideStar, and the State of the Sector Panel
- in-house statistical and qualitative data.

We will identify 'what works' at all levels. Support networks, national support services and a range of umbrella bodies will be encouraged to set up systems to spread information about projects and practice.

c) We will aim to ensure equal access for all third sector organisations to mainstream support services, and will target resources where necessary to address the needs of particular excluded groups.

We want to see support services that reduce inequalities experienced by some communities and the organisations that serve them. This includes black, minority ethnic and refugee organisations, faith groups, rural organisations, disabled people's groups, women's groups, lesbian, gay, bisexual and transgender bodies.

We will require all consortia and national support services to ensure that equalities and diversity issues are properly reflected in their plans. Their core activities should positively acknowledge the inequalities some groups face, and take specific steps to address those inequalities.

In addition, Capacitybuilders will maintain and develop targeted funding, mainly through the Improving Reach funding stream. This will resource support initiatives aimed at historically excluded groups.

We acknowledge the important current role of specialist support providers. We will expect generic and specialist support organisations to work in

increasingly close collaboration, exploring the potential for integration where desirable.

We want to improve information about the support that is available and increase access for organisations struggling to find support. The new national support services' integrated website will provide an easy point of access for frontline organisations seeking support and information about the diverse range of support available.

d) We will seek to influence funding policy and practice to ensure sustainable support to third sector organisations.

We will develop and share knowledge of other potential funding sources in all three sectors. We will influence the policy and practice of other funders with the aim of building the sustainability of support services.

We will use our grant programmes strategically to lever in other funds wherever possible. We will work with the Local Government Association, IDEA, the Big Lottery, Futurebuilders and Learning and Skills Councils in particular, alongside charitable foundations and the private sector. We will explore the potential of accessing international capacity building funding bodies to benefit third sector organisations in England.

Given the growing importance of the social enterprise movement, we will also be working with social enterprise umbrella bodies and regional social enterprise networks to identify funding opportunities to help further build the business support needed by many social enterprises.

Short term funding is a source of ongoing frustration in the sector. We are pleased that government has now made a commitment to three-year funding rounds which means we can create longer term funding programmes. We believe that government at all levels must maintain and extend its funding for third sector support if it is to achieve its goals within, for example, health, social care, children and families, migration, housing and community renewal.

e) We will engage with the public sector

Capacitybuilders will add its weight to the sector's engagement with the public sector. This will be in partnership with the other agencies already active.

Our particular role is working at a national level, with government departments and agencies, to influence the capacity building landscape for the sector. We will work to secure new and sustainable sources of support and funding wherever possible.

We want to see all government departments, local authorities and other public bodies aligning their Compact with the sector, capacity-building needs assessments, infrastructure development plans and Local Area Agreements. In this way, we can realise the vision set out in the local government White Paper 'Strong and Prosperous Communities'.



Field Operative Lesley Chester is funded by Capacitybuilders to run Worlds Together, a community integration project in Boston, Lincolnshire.

04

Delivery plan: the planning timeframe.

There are three phases to our Destination 2014 strategic framework: 2007/08, 2008/11, 2011/14.

This plan sets out the principal activities that will be undertaken in each phase in relation to our objectives and vision for the future. Activity for 2007/08 is already underway and is described below in the section 'Current Challenges'.

Work in the second and third phases will build on progress made, as we learn from reviewing funding programmes and testing new approaches.

For more detailed and up-to-date work programmes please see our business plan which is available on our website: www.capacitybuilders.org.uk

Current Challenges

2007/08

Improving the quality and effectiveness of infrastructure support for third sector organisations

Consortia – Support Networks

Activities	By	Progress/Milestones
Review of ChangeUp consortia model.	July 2007	Changes and improvements to the consortia model and remit; options to continue to fund infrastructure development where consortia are failing.
Review ChangeUp consortia fund management arrangements.	October 2007	A clearer and more consistent approach to fund management and monitoring of consortia.
Funding decision on Consortia Development Fund and related programmes.	December 2007	Review and self development effort by all consortia to improve performance.
Announce funding for support networks 2008/11.	December 2007	Publish funding decisions at least three months before the next financial year; three year funding enables longer term planning.

National support services

Activities	By	Progress/Milestones
Views sought on specification for content and shape of national support services.	June 2007	Involvement in defining programme needs and relationships between national support services and support networks.
Open tender exercise for bodies to take responsibility for the delivery of national support services.	July/September 2007	Agreements achieved with preferred bidders.
Preparation of detailed business plans for all national support services in conjunction with strategic lead bodies, support networks and other support providers.	October/December 2007	Funded business plans for national support services from April 2008 to March 2011 developed in conjunction with local, sub regional and regional support networks.
Sign off of three year grants for national support services.	December 2007/January 2008	

Learning & Innovation

Activities	By	Progress/Milestones
Complete a regional and national stock-take of priorities for improving sub-sectoral/thematic engagement in ChangeUp.	July/ September 2007	Gap analysis and priorities for possible future funding to ensure all sub-sectors are fully engaged with support networks.
Review position of social enterprises within ChangeUp and establish funding level for 2008/11.	September 2007	Develop our position and plans as regards social enterprise support provision.
Investigate Peer Review as a tool for building organisations' capacity.	October 2007	Co-sponsor conference with Performance Hub.
Review range of different models of support for frontline organisations.	December 2007	Develop Learning and Innovation work programme for 2008/11
Review existing quality standards and outcomes monitoring systems for support organisations.	December 2007	Quality improvement plan for support organisations with agreement about the appropriate content of tools/ approaches.

Demonstrating to key stakeholders the benefits of support services to frontline organisations

Activities	By	Progress/Milestones
Open tender exercise for organisations/ individuals to carry out the scoping phase of the evaluation of ChangeUp.	June 2007	Commission agreed.
Demonstrate the benefits of investment in support services through publishing case studies on the web and through other communication channels.	July 2007 onwards	One case study per region published by end July 07.
Scoping phase of the evaluation.	September 2007	Mapping and analysing existing information and evaluations; plans and methodology for the main evaluation of ChangeUp; proposed systems to communicate ChangeUp achievements, and share information and learning.
Based on the scoping phase, invite agencies to tender to carry out the main annual evaluation programme.	September/ December 2007	Commission agreed.
First round of ChangeUp evaluation.	January 2008	First batch of findings on the impact of ChangeUp 2003/07.

Ensuring equal access for all third sector organisations to mainstream support services, and targeting resources where necessary

Activities	By	Progress/Milestones
Assess current progress of Improving Reach pilot programme.	September 2007	First assessment of the success of the pilot programme and the issues identified; proposals on opening the Improving Reach programme to other socially excluded groups.
Re-assess the recommendations on equalities and diversity made to Capacitybuilders and the Home Office in 2006 in the Zahno Rao report 'Mainstreaming Diversity'.	September 2007	Develop strategy and policy across all strands of work.
Launch the application process for the new Improving Reach three-year funded programme.	October 2007	Publish funding decisions re Improving Reach at least two months before the next financial year.
Financial decisions made concerning Improving Reach programme.	January 2008	Funding agreed for new Improving Reach programme.
Final review of Consortia Development Fund and its impact.	March 2008	Evidence of equality and diversity issues being addressed by consortia; improvement plans in place where necessary.

Developing and influencing funding practice to sustain support for third sector organisations

Activities	By	Progress/Milestones
Fund demonstration projects in 10 Community Foundations to explore how to support small organisations in their community to build capacity.	June 2007/ April 2008	Gain a better understanding of the potential for funder coalitions to support capacity building.
Amend our articles of association to enable us to work with private companies and charitable foundations in building the capacity of the third sector.	July 2007	Achieving greater freedom to co-operate with other sectors on capacity building.
Map the support for VCS capacity building provided by government departments and other national public sector agencies.	September 2007	Provision of baseline information to inform future approaches to other funders concerning joint activity and increased co-ordination.

Engaging with the public sector

Activities	By	Progress/Milestones
Support the Partnership Improvement Programme, ran by IDeA, to increase collaboration and mutual understanding between sectors.	April 2007/ March 2010	Wider participation in the programme for third sector in 50 local authorities.
Develop and initiate influencing strategy in partnership with third sector partners, government departments and statutory sector support providers.	September 2007	A focused process of engagement, meshing with other sector initiatives, and with clear objectives.

Priorities

2008/11

In 2008/11 we will focus on:

- encouraging a more efficient, effective and productive range of support organisations through driving forward greater collaboration and, where appropriate, mergers
- developing a consistent approach to the setting of performance standards for support organisations – building on existing practice but aiming to arrive at a range of acceptable quality standards which we would expect all ChangeUp and other grant recipients to meet
- investing some of our funds in specifically building the capacity of organisations in particularly weak areas within two or three of the English regions.

April 2008 will see the beginning of a new phase in ChangeUp. We will implement agreed changes in national support services and in consortia. New roles and remits will come into force, based on the reviews of both national support services and consortia, on the feedback from consultation exercises with the third sector, and the consortia development programme. The new arrangements will be supported by three-year grants.

2008/09 will be an important year to bed down the whole new framework of the national support services and consortia, and throughout the time period we will devote resources to supporting and monitoring the process.

2008 will also see the first year of ongoing evaluation of ChangeUp, the findings of which will be crucial to the longer term support for the programme. Demonstration of the benefits of funding support providers and services will go live.

Our policy and influencing role targeted at decision makers and funders of support services will be operating within a clear strategy. We will take the lead at national level, and will provide appropriate support for sector partners at regional and local levels.

The new three-year Improving Reach funding programme, designed to increase support across a range of disadvantaged organisations or communities will also roll out in April 2008. Depending on the outcome of the review of the 2007/08 pilot Improving Reach programme, it may be possible to extend the programme scope to cover other areas of disadvantage.

Starting in 2008, a full picture will be developed of trends in the funding and market for support services. We will develop our advocacy with the full range of funders and suppliers to bring in new funding to the field.

Improving the quality of support for third sector organisations

Consortia – Support Networks

Activities	By	Progress/Milestones
Launch of new three-year funding package for support networks.	April 2008	Quarter one 2008/09 payments made.
Continue development programmes e.g. self and peer assessment, independent reviews, training.	April 2008 and ongoing	Greater awareness of the issues and evidence of positive changes in practice.
Develop and launch quality improvement framework.	March 2009	A relevant affordable route to quality for infrastructure, with accreditation where appropriate.
Publish guidance on the funding policy for support of consortia 2011/14.	June/July 2010	
Make funding decisions for support networks for the period 2011/14.	December 2010	
A further round of reviews of support networks.	January/February 2010	Consortia to be able to demonstrate the tangible benefits accruing to the frontline as a result of their activities.

National support services

Activities	By	Progress/Milestones
Launch new national support services through strategic lead bodies.	April 2008	Achievement of the launch of new national services as planned.
Develop/commission unified website for national support services.	April/ September 2008	Easier access for support organisations and frontline to information about support available, as well as access to advice and information.
Develop the functionality of the integrated national support services website.	2009/11	Improved and unified access to information and support.
Review of national support services and the role of the strategic lead bodies with a view to re-commissioning.	May/June 2010	National support services to be able to demonstrate tangible benefits of their activities to frontline groups.
Re-commissioning of the main agents for delivery of national support services.	September/ December 2010	Agree grants with the strategic lead bodies and business plans for 2011/14.

Learning & Innovation

Activities	By	Progress/Milestones
Develop relevant initiatives to address sub-sectoral gaps and priorities.	April 2008	Increased collaboration between generic and specialist sub-sectoral support agencies.
Review progress of support for peer review, and other innovative models of support.	April 2009	Greater awareness of the potential benefits of different approaches.
Review progress in meshing ChangeUp with support for social enterprises.	May 2009	Revise plans for supporting social enterprises following the experience of the first year of funding.

Demonstrating to key stakeholders the benefits of support services for frontline organisations

Activities	By	Progress/Milestones
Communications and influencing strategy; audiences, messages and channels.	April 2008	Engage public sector partners in debate about future support for the sector.
Prepare guidance material and deliver training for support networks and other support providers on how to assess the outcomes of their work.	April 2008	Greater potential for all agencies to communicate the evidence of benefits.
Examination of the costs and benefits of different models of support, and their current funding sources to develop indicative levels of investment.	September 2008	Benchmark costings for different levels of support provision.
Evaluation findings and other learning communicated in different formats, academic, third sector, public sector – reports, case studies; shared via the web and through conferences, seminars.	2008/ on-going	Active sharing of what works and a body of authoritative work on support for third sector organisations.
Rounds two-four of annual evaluation studies.	January 2009, 2010, 2011	Clear picture of how support is improving and the benefits to frontline and impact on communities.

Ensuring equal access for all third sector organisations to mainstream support services, and targeting resources where necessary

Activities	By	Progress/Milestones
Launch of new expanded Improving Reach programme.	April 2008	More sustained and effective impact on the inclusiveness of ChangeUp.
Further review of 'Mainstreaming Diversity' and Improving Reach strategies. Review the progress in consortia in ensuring that all socially excluded interests are fully integrated in investment plans for the future.	January/May 2009	Assessment of the degree to which national support services and consortia have changed practice.

Developing and influencing funding practice to sustain support for third sector organisations

Activities	By	Progress/Milestones
Launch of three-year funding package for support to social enterprise.	April 2008	New financial programme available to social enterprise support.
Manage and administer capacity building funds on behalf of at least one other government department.	April 2008	Capacitybuilders working with other funders in the management of their programmes.
Identify opportunities for collaboration between charitable foundations and Capacitybuilders in launching matched funding schemes.	May 2008	Initiate the first joint assessments with charitable foundations.
Following changes made in 2007 to Capacitybuilders' legal form, develop a strategy for engaging the commercial sector through sponsorship, brokerage, pro bono and marketing.	June 2008	Carry out an initial assessment of the market for business for support; make more affordable and accessible for appropriate third sector organisations.
Following changes made in 2007 to Capacitybuilders' legal form, initiating the first joint assessments with charitable foundations. Launch the first joint Capacitybuilders/charitable foundation fund.	September 2008	Achievement of the launch of a joint fund for infrastructure support at the local level.
Gather information about local public spending bodies' support for capacity building with the third sector and disseminate the results of collaborations between Capacitybuilders, third sector partners and local and regional public sector.	September 2008	Generate better intelligence about local authorities and capacity building.
Launch the first joint capacity building programmes with the private sector, including launch of a joint fund for developing infrastructure.	January 2009	

Engaging with the Statutory Sector

Activities	By	Progress/Milestones
Deliver the influencing strategy in partnership with third sector organisations, government departments and statutory sector support providers.	May 2008/ on-going	Improved understanding and engagement of public sector with support for frontline third sector organisations.
Ensure performance of local authorities against new duties to collaborate with third sector set out in White Paper 'Strong and Prosperous Communities'.	May 2009	Improved local engagement between sectors, and more commitment by local authorities to funding support for frontline organisations.

Priorities

2011/14

Inevitably, the proposed activities relating to the last period of the plan are more aspirational, due to difficulty in predicting precise activity or the related outcomes in the period 2011/14 and onward. But, through monitoring progress and our evaluation programme, we will be able to demonstrate that the vision has been achieved.

Building on our partnerships with other public funders, the private sector and charitable foundations, we will continue to ensure a more coordinated approach to strengthening support services for the third sector.

We will commission a series of research publications to examine the effectiveness of different approaches to capacity building, including an evaluation report on Capacitybuilders' funding programmes over the previous phases. This exercise will be conducted in May/July 2013 to inform any further continuation of the programme beyond March 2014.

We will continue to fund high quality work at the national, regional, sub-regional and local levels.

We will:

- work with others to ensure that further long term aims and objectives are set for support service development up to 2014
- work with other public and private funders to ensure that strengthening the third sector through efficient and effective support services remains a high priority
- publish a comprehensive evaluation report on the whole ChangeUp programme and associated capacity building initiatives in July 2013
- ensure the sustainability of the national support services website
- publish a final report in January 2014. This will outline the range of issues still to be addressed and identify new themes that have an impact on society and in which the third sector can play a vital role.

Measuring Impact

Setting specific objectives and targets will be an ongoing exercise. For example, the recommissioning of national support services is under way at the time of writing, and details will emerge during the course of 2007/08 to be implemented from April 2008. The national support services targets for 2008/11 will be added to this strategic framework in January 2008.

Performance indicators for ChangeUp outcomes will be developed by the evaluation process, being scoped in 2007. A priority list of baseline data will be drawn up and actioned to provide effective measures of changes over 2008/11. We will involve partners in generating a body of data that combines to create a full picture of support agencies' performance as well as benefits for frontline third sector organisations.

Provisionally, we can say that we will seek to measure:

- tangible benefits for frontline organisations
- improvements in 'customer satisfaction' with support organisations
- demonstrable improvements in support standards
- changes in the policies and practice of funders and sponsors
- changes in statutory sector engagement and funding for third sector support bodies
- the effectiveness of the Mainstreaming Diversity and Improving Reach strategies
- the extent and impact of re-configuration within third sector support.

Our own performance will be evaluated under government rules.

We will provide regular information of our performance against a number of indicators to show that we manage resources both efficiently and effectively:

- the percentage of spend going to national, regional and local (Current target 65% going to regional and local rising to 70% from April 2008)
- the value and percentage of the spend going to support networks, support providers and to national support services for management costs and core functions, and that which goes to projects and activities that translate directly into benefits to the frontline
- the value and percentage of Capacitybuilders' central overheads and operational costs – approximately £3.3 million in 2007/08, 10% of this year's global grant to Capacitybuilders.

Capacitybuilders
3 July 2007