



Home Office

Strengthening Partnerships: Next Steps for Compact

The Relationship between the
Government and the Voluntary
and Community Sector

A consultation document

March 2005

active
communities

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Foreword



The voluntary and community sector is founded on the desire of people to make and build a better world. Whether lobbying for changes to policy at a local or national level, or providing direct support to individuals in need, voluntary and community organisations have an absolutely crucial role to play in our society. This is why I believe that a strong and vibrant voluntary and community sector is a cornerstone of a healthy society.

Unleashing the potential of the sector means that Government and the sector need to work in partnership, not least if we are to realise our agenda of the voluntary and community sector playing a greater role in delivering public services.

I want a mature partnership between Government and the sector based on mutual respect. That is why we are proposing a stronger Compact – which sets out clearly how we want the sector and Government to work together and provides a means for ensuring that the principles are followed. This builds on the success of the existing Compact developed jointly by the sector and the Government in 1998, taking it further.

I am confident that the proposals in this document will strengthen the tradition of partnership working between the sector and Government. But if we are to get them right, we need to listen carefully to the views of others – which is why we have decided to have a longer consultation period than is usual. And why we intend to run a series of consultation events around the country to listen to the views of people involved in frontline and umbrella organisations and the public sector.

We need to make sure that we end up with the tools to make the Compact deliver. Key to making this happen, will be input from the range of partners who need to make the relationship between the voluntary and community sector and public sector work at each level.

I would strongly urge you to share your views on the proposals in this document.

A handwritten signature in cursive script, appearing to read 'Chris Chubb', with a long horizontal line underneath.

Executive Summary

- 1 Strong and active voluntary and community groups make a vital contribution to our quality of life; reinvigorating civic life and addressing deep-rooted social needs, disadvantage and exclusion. From St John Ambulance, to residents' associations, the Big Issue, community finance initiatives, Citizens Advice Bureaux and self-help groups; voluntary and community action touches the lives of every citizen as service users, activists, volunteers and donors.
- 2 The Government is committed to promoting a strong voluntary and community sector for a number of reasons, including:
 - **Voluntary and community organisations help to build social capital** – the invisible glue which gives us all a sense of community;
 - They **unleash the power and potential of individual and collective action** – giving people a means to address issues which concern them, either through taking action themselves, or by lobbying others to do so. In turn, this develops skills and experience which can potentially help achieve better social outcomes;
 - **They can deliver personalised public services, particularly for those from marginalised and disadvantaged groups** and in many cases are better placed to do this than statutory providers or the private sector; and,
 - They are a means through which **communities can influence the actions of those responsible for delivering public services** – such as local authorities or the NHS. By doing so, they help those delivering services to understand the real needs of citizens, and they help give communities a greater sense of ownership and commitment to public services.
- 3 There are a number of areas where Government has already taken action to maximise the contribution of the voluntary and community sector:
 - **Government is modernising the regulatory and tax framework to build public confidence in charities and encourage charitable giving.** There are over 150,000 general charities in the UK – and the Charities Bill introduced to Parliament on 20 December 2004 will bring in a modernised legislative framework. Reforms to Gift Aid in 2000 have helped to increase the value of charitable donations in the UK significantly – by over £580m in 2003/04;

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- **It is supporting an effective partnership between the voluntary and community sector and public sector bodies.** The Compact – adopted by Government and the voluntary and community sector at a national level in 1998, and now by over 94% of local authority areas – sets out the principles to which both parties need to adhere. It now applies to Non-Departmental Public Bodies and Regional Development Agencies have also committed to supporting and implementing the Compact;
- **Government has published guidance on the need for a fair playing field for the voluntary and community sector in funding and procurement.** In addition, the Government and voluntary and community sector are jointly publishing a revised Compact Funding and Procurement Code alongside this document;
- **It is supporting the voluntary and community sector to fulfil its potential.** Initial investment by the Government in the ChangeUp programme was £80m, which has now been enhanced by an additional £70m for the financial years 2006/07 and 2007/08. The programme aims to build the capacity of the voluntary and community sector. Its vision is to ensure that all voluntary organisations are able to access high quality support by 2014. The Government is supporting the voluntary and community sector to diversify income streams, including through increased trading. It has published *Social Enterprise: a strategy for success* to set out plans to provide an environment that is supportive to social enterprises;
- **It is investing to develop the voluntary and community sector's capacity to deliver public services** in circumstances where banks and other financial institutions can often be reluctant to lend given the uncertainty of future income and the often weak asset base. Initial investment by Government in Futurebuilders was £125m, which has now been enhanced by an additional £90m for the financial years 2006/07 and 2007/08. Futurebuilders invests in voluntary and community organisations that wish to build their capacity to deliver more public services;
- **It has set out a framework for community capacity building, *Firm Foundations*,** which highlights the importance of neighbourhood or parish level support and has pioneered new ways of investing in community anchor organisations to provide such support. The Framework was published by the Civil Renewal Unit in 2004, copies can be obtained from coletteogilvie@homeoffice.gsi.gov.uk.
- **It is promoting understanding of the added value of the voluntary and community sector in our society, and in relation to the delivery of public services.** The Home Office, HM Treasury and the Department of Trade and Industry jointly published a discussion paper exploring the role of the voluntary and community sector in public service delivery and reform in March 2005, but there is a need for more research in this area;
- **It is supporting a wide programme of activity to promote volunteering right across society,** and to encourage active and engaged citizens. Action includes Year of the Volunteer in 2005, and the Russell Commission which

published *A National Framework for Youth Action and Engagement* (Mar 2005). A copy of the full report and separate executive summary can be downloaded from www.russellcommission.org

- 4 The Government believes there is an opportunity to build on this activity and drive it forward in a way that will further support the development of a competent, confident and independent voluntary and community sector.
- 5 This document seeks views on proposals for strengthening the *Compact on Relations between Government and the Voluntary and Community Sector*.

The Compact

- 6 **The Compact on Relations between Government and the Voluntary and Community Sector was adopted in 1998.** It sets out a series of undertakings to which the Government and the voluntary and community sector both agree. These include Government respecting the independence of the sector and consulting early on policies which affect the sector. In return, the sector undertakes to operate through open and accountable organisations, involve all stakeholders and embrace diversity.
- 7 **An important feature of the Compact is that it is about the rules of engagement between the voluntary and community sector and public sector bodies.** Crucially, it is about processes and does not seek to constrain decision making. At local level, each Compact is the result of discussion and negotiation, which acts as an important means to develop better understanding between the public sector bodies and the voluntary and community sector. It represents what local partners have agreed to, reflecting the realities of local circumstances, and joined-up working between organisations, including through Local Strategic Partnerships.
- 8 However, **the Compact has been criticised for not working as well as it might because:**
 - The **Compact and its codes are lengthy** – approximately 140 pages in all. While there are high level principles, it can be difficult for a public sector body or a voluntary and community sector organisation to know whether the detail of what it is doing is Compact-compliant;
 - Despite the existence of Compact, **there is evidence of poor practice among both public sector bodies and voluntary and community sector organisations** in the area of funding in particular. Principles, such as full cost recovery, have not been applied in practice by Government and the voluntary and community sector has a weak understanding of its real cost base, leading to underbidding when seeking contracts for the delivery of public services and inappropriate interrogation of costs by funders;
 - Once public sector bodies and voluntary and community sector organisations have signed up to the Compact, **there is no mechanism to recognise good practice, or highlight behaviour which is not compliant with the Compact.** And there are no penalties for those who do not comply with the Compact –

Executive Summary

and so, over time the initial benefit from having negotiated a Compact might diminish significantly.

- 9 Chapter 2 of this consultation document sets out progress to date on the Compact, and the challenges as Government sees them, Chapter 3 puts forward Government proposals for how the Compact might be developed further to improve its impact. The Compact itself represents partnership with the voluntary and community sector, and depending on the results of this consultation, Government will need to explore the ideas put forward with the voluntary and community sector and wider public sector. We will then need to work together on any final proposals for strengthening the Compact framework.
- 10 This consultation document proposes a model for strengthening the Compact which could form the basis of a “*Compact Plus*”:
- **Compact Plus would be a simpler and more succinct tool under which it is clearer to organisations whether their behaviour is compliant or not.** Box 1 overleaf proposes in draft a potential short set of the Compact commitments to support *Compact Plus*, which has a stronger emphasis on funding arrangements – an area which is of particular concern to the voluntary and community sector and Government;
 - **Public sector bodies and voluntary and community sector organisations would decide whether they wished to opt into Compact Plus.** It would require agreement to the minimum set of commitments. Local (or regional) organisations would be free to make other additional commitments relevant to their circumstances. *Compact Plus* membership will help to build on the work of existing Compacts to improve partnership working – especially at local level. Opting into the commitments in *Compact Plus* would entitle organisations to display a new kitemark on their publicity material (similar to the Investors in People standard), and achieving *Compact Plus* would need to reflect the work and processes involved in reaching this standard;
 - They would also be able to draw on the support of **a new Compact Champion – who would be responsible for assisting organisations in understanding what membership of Compact Plus means.** These would include **peer reviews** and **thematic reviews** which look at the manner in which organisations are adhering to *Compact Plus*. Support from the Champion would also be available to organisations working towards *Compact Plus*;
 - **Members of Compact Plus would need to renew their membership from time to time.** The Champion would be responsible for ensuring that only those organisations which are adhering to *Compact Plus* are able to maintain their membership;
 - **Organisations concerned that a member of the Compact Plus was in breach of one of their undertakings would be able to complain to the Champion** who would adjudicate. The Champion would have the power to publish its adjudication, and could potentially withdraw *Compact Plus* membership, or perhaps impose penalties or award compensation.

Box 1 Potential *Compact Plus* commitments*General*

- Work to mainstream the Compact across your organisation

Public Sector Bodies

- Respect the independence of the sector, including its right within the law to campaign and to challenge policies
- Work with voluntary and community organisations to understand the views of citizens and communities and create opportunities for them to influence policies
- Where a decision is likely to affect the sector, consult widely and early enough to make a difference, allowing a minimum of 12 weeks
- When seeking to deliver public services through the voluntary and community sector, use procurement rather than grants, do not seek information about management fees and overheads, and agree outcomes which capture the additional quality of services which may result from delivery by the voluntary and community sector
- Minimise bureaucracy associated with application, qualification, monitoring and reporting, and audit processes and introduce joined-up monitoring and audit arrangements
- Implement multi-year funding models and make payments promptly, offering payments in advance of expenditure to organisations wherever appropriate
- Share risks fairly between funder and provider, ensuring they fall on those best able to bear them
- For projects funded by grants, give a legitimate proportion of funding for overhead costs
- Follow best practice in the management of volunteers
- Work with the breadth of the voluntary and community sector, including small community organisations, social enterprises, Black and Minority Ethnic (BME) organisations, faith and rural groups

Voluntary and Community Sector

- Operate through open and accountable organisations
- Ensure policy positions really reflect the views of stakeholders and constituents
- Have a real understanding of cost bases and the proper application of full cost recovery
- When competing for contracts, clearly set out outcomes which will be delivered
- Have robust monitoring, evaluation and financial management systems which provide accurate and timely information to funders and account for public funds
- Implement good practice in the management and recruitment of volunteers, providing access to training and support
- Embrace diversity and work to improve community cohesion and reduce inequalities

Organisational structure

- 11 The proposals on *Compact Plus* suggest the establishment of a Compact Champion, who would need to be seen as neutral between the voluntary and community sector and the Government.
- 12 The Government does not wish to duplicate existing activity. The Compact Champion would take over responsibility for the roles currently undertaken by the Compact Working Group¹ and the Compact Mediation Scheme². It would handle some complaints that might otherwise be dealt with by the Compact Advocacy Programme³. There would remain a role both in Government and the voluntary and community sector for a focal point to ensure the views of both sectors are adequately represented to the Compact Champion.
- 13 The Government believes that the Compact Champion should be independent and able to develop a distinct voice and identity. The Compact Champion could be established as a stand alone body or could share corporate services with existing organisations where a good fit can be demonstrated.

Consultation

- 14 The Government is committed to gathering the widest possible set of views before deciding the best way to proceed in these areas. Hence, this consultation period runs for sixteen weeks until **12 July 2005** – and there will be a series of consultation events over the coming months to ensure that the views of all those with an interest are heard.
- 15 The Government will work with the voluntary and community sector and the Compact Working Group on the future development of Compact, with the aim of publishing final joint proposals in Autumn 2005.
- 16 The Government has produced an initial Regulatory Impact Assessment on these proposals, which will be placed on the ACU website:
www.activecommunities.homeoffice.gov.uk

¹ The Compact Working Group represents the voluntary and community sector in work with Government at strategic level, and promotes and supports Compact development within the sector

² The Compact Mediation Scheme provides an independent service to resolve disputes arising between Government and the voluntary and community sector

³ The Compact Advocacy Programme is run by the National Council for Voluntary Organisations and helps voluntary and community sector organisations resolve problems with Government

Chapter 1

The Relationship between the Government and the Voluntary and Community Sector

- 1.1 Strong and active communities make a vital contribution to the quality of life in England; reinvigorating civic life and addressing deep-rooted social needs, disadvantage and exclusion.
- 1.2 Voluntary and community organisations provide a vehicle for self expression, collective action and philanthropy. Neither part of Government, nor focused on generating profits for their owners; these organisations are the fabric of civil society and an expression of freedom of association.
- 1.3 Whilst no organisation is immune to the changing pressures of the environment in which it operates, the longevity and adaptability of many charities is testament to the power of a clear mission to focus minds and galvanise concerted action.

Box 1.1 Characteristics and scale of the voluntary and community sector

There are around half a million voluntary and community organisations in the UK, of which around 70% operate at local authority level or below.

Within this figure there are an estimated 153,000 'general charities' which in 2001/2:

- Had an income of over £20bn, with assets of over £70m. Around two thirds of the sector's income concentrated in approximately 2,400 organisations; over 59% had incomes of less than £10k per annum
- Employed a workforce of 569,000
- Was an increase of 50% in the number of general charities over 10 years
- Were in receipt of increasing Government funding of around £7.53bn, representing an increasing proportion (37%) of sector income

Source: Figures on General Charities from NCVO Almanac 2004

- 1.4 Organisations and groups constantly emerge to address new and unmet needs and interests, and offering citizens the inspiration to believe that they

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can make a difference. The well-travelled journey from an initial meeting in someone's front room through to successful fundraising and employment of staff can be exhilarating, empowering and exhausting. The differing histories of organisations and their roots in faith communities, trade unions, political activism or a desire to 'do good' will affect every aspect of an organisation's culture, structure and practice.

- 1.5 A variety of legal forms of organisation can be adopted for informal community groups, large national charities, mutual societies and social enterprises. The most public recognised 'brand' – charities – encompasses huge diversity.
- 1.6 It is partly this diversity that has made attempts to define clear and unambiguous parameters for 'the voluntary and community sector' elusive. A multitude of terms – describing the organisations as 'non profit distributing', 'charitable', 'independent' or 'third sector' each encapsulates or emphasises an organisational characteristic more significant for some parts of the sector than others – and suggests a different set of criteria for inclusion or exclusion of certain forms of organisation from the 'sector'. Furthermore, the growth of partnership work between public sector, and of social enterprise and trading, blurs boundaries between the public, private and the 'third' sector.

Descriptions applied to voluntary and community sector organisations⁴

Description

Meaning and inclusivity

Voluntary and community sector

Registered charities, as well as non-charitable non-profit organisations associations, self-help groups and community groups. Voluntary and community organisations exist for public or community benefit. Most involve some aspect of voluntary activity, though many are also professional organisations with paid staff, some of them of considerable size. 'Community organisations' tend to be focused on particular localities or groups within the community; many are dependent entirely or almost entirely on voluntary activity.

Charitable

Activities of public benefit as defined in charitable law. All registered charities are subject to the supervisory jurisdiction of the Charities Commission. Other organisations may pursue charitable aims without being registered as charities.

General charities

Charities registered with the Charities Commission except those considered part of the Government apparatus such as universities, and those financial institutions considered part of the corporate sector.

Description	Meaning and inclusivity
Non-profit	Non-profit organisations include voluntary and community organisations and also those for private but non-commercial benefit, such as independent schools. It also includes quangos and other organisations close to Government including those specifically excluded from the general charities definition (e.g. universities).
Social enterprise	A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being distributed to private shareholders and owners.
Mutuals and cooperatives	Membership-based organisations run on a democratic basis for the benefit of their members. Members may be their employees or their consumers or be drawn from the wider community. Some employee cooperatives may be essentially private businesses but many mutuals and co-operatives consider themselves part of the social enterprise sector.
Civil society	All activity operating in the space between the state and the market.

1.7 However, to assist understanding, we can suggest a basic set of characteristics of such organisations:

- Non-Governmental (independent of and not appointed by Government)
- ‘Value-driven’ (primarily motivated by the desire to further social, environmental or cultural objectives rather than to make a personal profit)
- principally reinvest surpluses to further these objectives⁵

1.8 The majority of these organisations also involve significant voluntary effort in their activities and governance. It has been argued that the involvement of volunteers – in delivering services, as trustees or in fundraising is a defining characteristic of both ‘voluntary’ and ‘community’ organisations⁶. Certainly voluntarism and activism have shaped the sector in Britain, but, it would be wrong to assume that all organisations in the sector use volunteers – for example there is a growing field of social enterprises founded as businesses with social objectives.

⁴ From ‘Exploring the role of the third sector in public service delivery and reform: a discussion document’ HMT, Home Office, DTI (2005), adapted from The UK Voluntary Sector Almanac, NCVO (2004)

⁵ ‘Exploring the role of the third sector in public service delivery and reform: a discussion document’ HMT, Home Office, DTI (2005)

⁶ Wheelan, R (1999) ‘Involuntary action: How voluntary is the ‘voluntary sector’?, IEA

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- 1.9 Whilst specific organisational characteristics can be important when focusing on the contribution of the sector to particular outcomes, or its potential for growth and development, the starting point for discussion of the role of the sector in this document is as broad a view as possible. The term **‘voluntary and community sector’** is used throughout, because of its familiarity and adoption by much of the sector itself but should be interpreted broadly as including some organisations which might not instinctively regard themselves as within the term – such as social enterprises.

Box 1.2 Coin Street Community Builders

Coin Street Community Builders (CSCB), a development trust, was set up to make the South Bank a better place in which to live, to work and to visit. All members of the company are required to live locally and so understand the needs and opportunities of the area.

CSCB was set up in 1984, after a long community campaign against proposals for major office development, to buy 13 acres of derelict land between Waterloo and Blackfriars bridges. Since then CSCB has overseen demolition of old buildings, completion of the South Bank riverside walkway, the creation of Bernie Spain gardens and Gabriel’s Wharf market, refurbishment of Oxo Tower Wharf for mixed uses including shops, restaurants, retails design studios and flats, and the building of 220 affordable homes for four mutual housing co-operatives.

Source: Social Enterprise: a strategy for success – DTI July 2002

Question

1. Are you comfortable with the term ‘voluntary and community sector’ as used in this document?
2. Would you prefer Government to use another term to communicate the breadth of the sector such as ‘third sector’ or ‘not for profit sector’?

The importance of a healthy voluntary and community sector

- 1.10 A strong and healthy voluntary and community sector underpins a pluralist and cohesive society in Britain, and makes a significant contribution to the Government’s aims of: equitable and efficient public services; a strong civil society with inclusive communities; and a stable productive and enterprising economy with opportunity for all.

1.11 Four characteristics of the voluntary and community sector's work in particular demonstrate clearly why the Government is keen to build on its strengths and work in effective partnership:

1. Increasing social capital
2. Unleashing the power of individual and collective action
3. Ensuring that communities have a real influence over local delivery
4. Contributing to more effective public services

1 Increasing social capital

1.12 Voluntary and community action, particularly in local communities, builds social capital – a term for the positive impact of strong social networks and relationships of trust in a community. Building social capital reduces social isolation and exclusion, and has been shown to contribute to important social and economic outcomes such as reducing crime, improving employment and health⁷.

1.13 Many voluntary and community organisations have a strong tradition of working through participation and consultation⁸. Groups provide a vehicle for collective action, bringing people together with shared concerns and encouraging the identification of common interests. Building trust and co-operation is particularly important in some deprived communities where social trust is low⁹.

Box 1.3 Building Social Capital and Community Ownership

Netherthorpe & Upperthorpe Community Alliance (NUCA) is a Community Development Trust serving part of inner city Sheffield. It is wholly community managed, and has secured a £15m regeneration programme for the area. It started out as a community forum and now has a structure that is democratic, inclusive and accountable to the local community. Its committees represent all aspects of the community: geographic, ethnic and gender. NUCA feels that it has the potential to engage in neighbourhood management to a wider extent than previously, and to influence and in some cases deliver mainstream services. Following this early success, it is looking at ideas to help it become more sustainable, for example through the transfer of assets, funds associated with planning permission and changes to the way services are procured or contracted.

Source: Firm Foundations: The Government's Framework for Community Capacity Building, Home Office (2004)

⁷ Social Capital: A Discussion Paper, Performance and Innovation Unit (2002)

⁸ Bolton, M (2003) 'Voluntary Sector Added Value: A discussion paper' NCVO, London

⁹ 2003 Home Office Citizenship Survey, Ch 4

2 Unleashing the power and potential of individual and collective action

- 1.14 Voluntary and community organisations are rooted in private action and freedom of association; citizens who make a choice to work together to address an issue of concern.
- 1.15 Such action often goes beyond what the public sector could or should seek to provide; new and existing sector organisations can often respond more quickly to emerging concerns and crises than the checks and balances of public sector accountability allows. The sector provides a channel through which citizens can draw attention to their needs, interests and concerns, particularly for minority groups that are less well represented and recognised in traditional policy making processes.
- 1.16 The involvement of volunteers offers opportunities to develop skills and experience which can benefit individuals and the labour market as a whole. This can be especially important for those with little opportunity to develop these qualities in the formal labour market; recent experience of the New Deal shows the value of volunteering as a route into the job market, especially for 'disadvantaged' jobseekers and those in need of sheltered employment.

3 Ensuring that communities have a real influence over local delivery

- 1.17 Local communities know best what services and priorities will address their needs and improve quality of life. Historically, too many public services and regeneration initiatives have ignored local people's priorities and ideas, been 'done to' communities, or been straight-jacketed by centrally imposed regulations.
- 1.18 Both the National Strategy for Neighbourhood Renewal and Firm Foundations¹⁰ underpin the Government's commitment to ensure that communities are engaged and active in developing local solutions to local problems. Voluntary and community organisations and networks can provide a forum for the views and experiences of residents and communities, and provide expertise in tackling social problems. Effective public sector bodies will work in partnership with groups and organisations to define local problems, suggest solutions, and implement changes in services and policy. Programmes such as Sure Start and Connexions reflect new ways of working with sector partners and local communities to deliver better outcomes.

¹⁰ Home Office Civil Renewal Unit, 2004

Box 1.4 Embedding Community Engagement in Neighbourhood Renewal

Through the Single Community Programme, Government invests £43m through Community Empowerment Networks in the 88 most deprived areas of England. The programme has four objectives:

1. Maintain Community Empowerment Networks so that they engage fully in the Local Strategic Partnership and bring a voluntary and community sector perspective to neighbourhood renewal.
2. To support community learning through small grants and the development of learning strategies.
3. To support the development of active and resourceful communities by providing small grants to enable a range of self-help and other community-based initiatives to flourish.
4. To support community involvement in neighbourhood-level partnerships so that residents can play a central role in driving neighbourhood renewal.

- 1.19 Beyond local action, public sector bodies have increasingly recognised the value that ongoing and focused dialogue with partners from the sector can add in effective policy and implementation guidelines. Such involvement is being embedded in some Government departments' working practices, for example through national forums and proactive consultation mechanisms.

Box 1.5 The Refugee Council & Refugee Integration

A leading organisation in the sector, the Refugee Council's work extends beyond the provision of direct services to asylum seekers and refugees. They provide support and guidance to other organisations – large and small – and contribute to the National Refugee Integration Forum, which brings together Government and voluntary sector organisations to promote integration.

Much of the work they do around helping asylum seekers and refugees to integrate into communities across the UK is done through links with refugee community organisations. With ChangeUp funding, the Council are working in partnership with the Evelyn Oldfield Unit and others in the sector to promote integration by helping refugee community organisations access existing advice and services, and to raise awareness within organisations of the specific needs of refugee communities.

4 Contributing to more effective public services

- 1.20 The Government has embarked on an ambitious programme of public service reform which is intended to ensure that everyone has access to high quality public services which are responsive and customer focused, and provide value for money for the tax payer. A focus on improving outcomes for communities and ‘what works’ loosens any ideological focus on any one sector as the preferred provider of public services, demanding more flexibility in the organisations and structures that are deployed to achieve better results. In the 2004 Spending Review, Government clearly signalled its intent to focus the increased resources available to public services on ‘where they will best deliver added value and better standards for ...users’.¹¹
- 1.21 A mixed economy of public service provision, in which the voluntary and community sector works alongside the private and public sectors in delivering services to the public, is therefore fundamental to this Government’s vision of services that are more responsive, efficient, effective and personalised to the needs of users.
- 1.22 There is some evidence that the sector can add particular value as a deliverer of public services where¹²:
- The needs of service users are highly differentiated
 - The service is focused on sections of the community that have been excluded from traditional provision, or users who are likely to mistrust businesses and state providers
 - Users have multiple disadvantages, requiring a ‘joined up’ service from an informed provider
 - The quality of service required is difficult to specify, measure and monitor
 - The service is labour-intensive, where the flexibility and commitment of volunteers can be an asset
 - Innovation is required to test new approaches
- 1.23 Even these characteristics of voluntary and community action do not encapsulate the value that the sector delivers to British society and the economy. Sector organisations employ over half a million employees, and the value of volunteer work in the UK has been estimated at over £25.3bn per annum¹³. The sector has filled gaps in private sector provision – for example in tackling financial exclusion through the mutual movement and more recent reinvigoration of credit unions. Giving – in terms of volunteering and donations – helps to create a generous society where citizens can be active in shaping the society they want and addressing the needs they consider priorities.

¹¹ Exploring the role of the third sector in public service delivery and reform: a discussion document’ HMT, Home Office, DTI (2005)

¹² Drawn from the conclusions of ‘Exploring the role of the third sector in public service delivery and reform: a discussion document’ HM Treasury, Home Office, Department of Trade & Industry (2005)

¹³ 2004 Voluntary Sector Almanac, NCVO(2004) p.135

Making Partnerships Work for Patients, Carers and Service Users

This is the first Strategic Agreement exclusively between the Department of Health, NHS and voluntary community sector. Launched by the Secretary of State for Health Dr John Reid on 20 September 2004, the Agreement recognises that a successful, mature and sustainable partnership with the VCS as critical and integral to the development and delivery of user centred health and social services. It signals a move away from the one-size-fits-all model of public service delivery, towards diversity and choice of supplier to involve the voluntary sector and through doing so meet the needs of individual service users better.

By building on the long history of collaboration with the VCS, the Strategic Agreement has the potential to harness the VCS capacity to enhance that of the NHS to deliver genuinely responsive services that truly reflect the diversity of needs that exist across the population and local communities. The creation of a National Strategic Partnership Forum to build on the Agreement will enable the VCS to contribute at national level to the direction of travel for health and social care reform, as well as support the development of local partnerships, by identifying and addressing the main barriers, sharing best practice and supporting innovation.

Maximising the sector's potential

- 1.24 The voluntary and community sector has faced real and significant barriers in developing its role and potential. Historically the work and strength of the sector was at best taken for granted and at worst ignored in public policy, but, in recent years, the Government has been proactive in creating an environment where the sector can flourish, and its strengths be harnessed for the public good.
- 1.25 Equally the Government recognises that its action must not constrain the independence which is at the heart of the sector's value and distinctiveness, and helps galvanise the commitment of trustees, volunteers and staff. Government interest is to ensure that a robust policy framework exists to ensure a fair and level playing field for the sector's engagement in service provision, and that its role as an advocate and in building social capital is encouraged.
- 1.26 Government can play an important role in a number of areas:

1 Maintain regulatory and tax frameworks which encourages public trust, confidence and generosity

- 1.27 This Government is committed to creating a regulatory and tax framework which enables the sector to thrive. A comprehensive review of the legal and

regulatory environment¹⁴ in 2002 identified some areas of charitable law as outdated, confusing and a potential barrier to growth and development of the sector. The legal forms available to other non profit distributing organisations were also recognised as in need of reform.

- 1.28 Charitable giving by the individuals to all causes was estimated to be worth £7.3bn in 2002. To maintain and expand this vital source of income, the sector must inspire trust and confidence among the public. Effective regulation therefore has an important role, but must also be proportionate in terms of the risks and size of a charity if it is not to stifle innovation. The taxation regime can also offer incentives to encourage individual donations and philanthropic activity, including payroll giving.

Box 1.6 Volunteering and Community Engagement

Government is committed to increase voluntary and community engagement, especially amongst those at risk of social exclusion. While levels of volunteering in England are already high in comparison with other countries, rates of participation vary across all regions or all groups in society.

The total number of people engaging regularly in formal or informal volunteering or who were active in wider civic participation increased by 1.5 million between 2001 and 2003, well in excess of the 0.9 million target for 2006. With the launch of the Year of the Volunteer 2005, Government is supporting the volunteering sector to further promote awareness of and opportunities for volunteering in all of its many forms. It is working with the sector to identify and remove barriers to volunteering, investing in supporting infrastructure such as that for national and regional mentoring and befriending frameworks, and aiming to support the sector in the spreading of good practice. The Russell Commission published *A National Framework for Youth Action and Engagement* (March 2005). The public and private sectors have both invested up to £150 million to recruit one million young volunteers to serve the needs of communities at home and abroad.

¹⁴ Private Action, Public Benefit, Strategy Unit, 2002

The Government has:

- Introduced the Charities Bill in Parliament on 20 December 2004 which seeks to: enable charities to administer themselves more efficiently and be more effective; improve the regulation of charity fundraising; provide a clear definition of charity with an emphasis on public benefit; modernise the Charity Commission's functions and powers as a regulator and increase its accountability; enable charities to merge more easily; and allow up to 70,000 very small, volunteer run charities the option of deregistering from the Charity Commission
- Launched Getting Britain Giving, a Budget package in 2000, including the Gift Aid scheme. In 2003/4 nearly 56,000 charities claimed tax repayments of £586m on Gift Aid donations¹⁵
- Allocated £8.3m to incentivise small and medium sized enterprises to set up payroll giving schemes

2 Ensure effective and fair partnership between the public sector and voluntary and community sector

- 1.29 Effective partnerships between sectors requires mutual understanding and clear 'terms of engagement' in terms of funding, consultation and the needs of communities at risk of social exclusion. The different roles, accountabilities and powers of each sector can result in misunderstandings, suspicion and sometimes conflict.
- 1.30 Officials in Government and other public sector bodies can lack awareness of the sector's potential and working environment. This includes appreciation of the wider social benefits of some sector activity beyond a funded workstream, such as greater engagement, confidence and understanding, and increasing the skills of volunteers and communities.
- 1.31 Representatives of voluntary and community organisations can assist by gaining a better understanding of the pressures and drivers of Government policy. In particular the Government has encouraged all public sector bodies to focus on clear targets, priorities and outcomes that demonstrably benefit communities. It is the shared interest in results that provide the most effective platform for partnership.

¹⁵ 2004 Pre Budget Report, HMT

The Government has:

- Agreed the Compact with the voluntary and community sector, setting out the principles of effective partnership between the sectors, and published five codes of good practice. A local Compact is now agreed or underway in at least 94% of local authority areas in England
- Supported initiatives to build understanding and awareness of public sector officials, including the Community Engagement Partnership Programme, including funding www.ourpartnership.co.uk as a central source of advice and information on partnership working
- Established the Local Partnerships Task force as part of Spending Review 2004¹⁶ to explore ‘...what more should be done to support and build effective partnerships between public and Third sector bodies at the local level, building on experience of what works’

3 Provide a level playing field for the sector in funding and procurement

1.32 Lack of awareness among public sector officials can include those with responsibility for funding and procurement regimes, and can result in processes that are inefficient and insensitive to the particular position of the sector. All procurement should be based on value for money, and where the voluntary and community sector is able to offer advantages to the delivery of public services, public sector bodies should ensure that it can fully participate in public procurement on an equal footing with the private sector and, at times, statutory agencies. There is a need to ensure that procurement activities take account of equality considerations in both design and selection processes.

1.33 Among the key barriers to the sector accessing public finance are¹⁷:

- Unstable and short-term funding, preventing effective long-term planning by voluntary and community organisations
- Payments in arrears, which can impact negatively on some organisations’ cash flow and the achievement of value for money
- Inappropriate and unfair allocation of risks
- Lack of streamlining and co-ordination in funding criteria and performance monitoring systems
- Failure of grants to recognise the full costs associated which the service or activity provided

¹⁶ Voluntary and Community Sector Review 2004: Working Together, Better Together, HM Treasury. November 2004

¹⁷ Exploring the role of the third sector in public service delivery and reform: a discussion document’ HMT, Home Office, DTI (2005)

1.34 The voluntary and community sector has important responsibilities in its funding relationship with the public sector for example having robust monitoring and evaluations systems which provide accurate and timely information, and financial management systems to account for public funds.

The Government has:

- Worked to implement key recommendations of the Cross Cutting Review including: commitment to full cost recovery on grants and contracts; avoiding unnecessary end-loading of payments; building more stability in to funding regimes; and development of a common access point for central Government grant funding www.governmentfunding.org.uk
- Agreed the Compact Funding Code of Good Practice, and reviewed this in light of the cross cutting recommendations
- Published guidance providing greater clarity and promoting good practice, including 'Guidance to Funders' (HMT, 2003) and 'Think Smart... Think Voluntary Sector' (Home Office and OGC, 2004)
- Launched national and regional Lead Funder pilot projects to test how bureaucracy might be reduced between voluntary and community organisations with multiple funding streams and their funders
- Developed guidance for Government departments on the delivery of small grants programmes

4 Support voluntary and community sector sustainability by encouraging diversification in the financing of voluntary and community activity

1.35 Diverse income sources help to cement the independence of voluntary and community action. Box 1.7 provides information about the income of the sector.

Box 1.7 Sector income

Individuals and the public sector (particularly for larger organisations), together contributed over 70% of the income of general charities in 2001/2. Voluntary income – including grants, donations and gifts – was £9.8bn, accounting for almost half of sector income. Earned income – from the sale of goods and services including public sector contracts and trading subsidiaries – accounts for a lesser but significant proportion of income (nearly 43%), although public sector contracts are driving this proportion upwards. Finally around 10% of sector income is generated in the return from the significant assets the sector holds. Investment income is generally the preserve of large charities.

Source: NCVO Almanac, 2004

Introduction

- 1.36 In recent years, there has been an increasing recognition of the value and potential of social enterprise, from which the surpluses are principally reinvested in the organisation or in the community. For some organisations, this is their primary business model – highly responsive to customers and with the freedom of the private sector, yet driven by a commitment to public benefit rather than purely maximising profits for shareholders.
- 1.37 Voluntary and community organisations often experience difficulty in engaging with private financial markets to raise capital to finance expansion and innovation. Equity finance is generally unavailable because sector organisations largely reinvest any surpluses generated. Debt (or loan) finance can be difficult to access because of the lack of an income stream to support repayment. Increasing access to loans tailored to the needs of the sector has the potential to reduce grant dependency, encourage entrepreneurialism in the sector, and create a more level playing field with the private sector. Equally, accessing new forms of finance and developing new business models will require new skills in the sector.

The Government has:

- Introduced Futurebuilders, a £125m investment fund developed jointly with the sector, supporting schemes which increase the scale and scope of sector involvement in service delivery through a mixture of grants and different types of loans, focusing on development and acquisition of physical and intangible assets. The £125m initial investment by Government has now been enhanced by an additional £90m for the financial years 2006/07 and 2007/08
- Pioneered an investment approach to the financing of community enterprise through the £13m Adventure Capital Fund, developed in partnership with the sector
- Encouraged the development of a sector led national hub of expertise on financing voluntary and community activity, earmarking £1.5m under the ChangeUp investment programme to kickstart this initiative
- Launched Social Enterprise: A strategy for success (2002) setting out the vision of dynamic and sustainable social enterprise, and Government action to support this
- Passed legislation for a new legal form – the Community Interest Company – that offers socially motivated organisations a novel and transparent structure to identify themselves as working for the community benefit, and a dedicated regulator to support them

5 Support to develop the internal capacity of voluntary and community sector organisations

1.38 The ability of voluntary and community organisations to deliver their potential is also reliant on having the skills, knowledge, structures and resources necessary to organise effectively. Lack of capacity in the sector was identified as a major barrier in the Cross Cutting Review of 2002.

Box 1.8 Key areas of need for capacity building:

- Workforce skills and effective governance, including leadership
- Performance improvement and demonstrating impact
- Access to information and communication technologies
- Volunteer recruitment and management
- Finance and income generation

Identified in ChangeUp, Capacity Building & Infrastructure Framework for the Voluntary & Community Sector, June 2004

1.39 Needs are not static, and will change as organisations grow, and reflect changes in the working environment, including the expectations of users, volunteers and funders. Increasingly, voluntary and community organisations have recognised the importance of demonstrating the impact of their work and creating a culture of continuous improvement if the confidence and commitment of both internal and external stakeholders is to be maintained¹⁸.

1.40 Voluntary and community sector support services are focused around the sector-owned resource and umbrella bodies – often called infrastructure agencies – that have developed at local, regional and national level.

1.41 It is right that the sector should determine the shape and lead the delivery support services. However, public sector and other funders have a shared interest in building sector capacity to improve delivery in terms of the potential return and the cost-effectiveness of broader investment through the sector.

¹⁸ For example, charities including RNID and the Windsor Fellowship have moved towards an 'Impact Report'. One of the 'ChangeUp' National Hubs is taking forward a programme of work encouraging a culture of performance improvement across the sector.

The Government has:

- Launched ChangeUp in 2004, a jointly developed strategy to build sector capacity and infrastructure. Setting out a 10 year vision for more effective, inclusive and responsive sector support services, ChangeUp is backed up by an initial investment by Government of £80m in sector led initiatives, which has now been enhanced by £70m for financial years 2006/07 and 2007/08. The sector is leading elements of implementation, including the development of National Hubs of expertise, and 'Infrastructure Development Plans' to cover all areas of the country
- Increased the funding available to infrastructure and sector support bodies, including the ACU strategic funding programme, capital modernisation fund, and volunteer recruitment fund
- Worked to strengthen support for community capacity building in line with the priority areas for action identified in Firm Foundations¹⁹

6 Work within Government to promote the added value of the voluntary and community sector

- 1.42 Easy to overlook, and highly challenging, is winning the 'hearts and minds' of policy makers and those charged with reforming delivery across the public sector.
- 1.43 Ensuring a better understanding of the direct and indirect benefits of voluntary and community organisations' work is vital step towards embedding the sector in policy making and delivery at all levels. There is a need to focus on areas where the sector has the most untapped potential.
- 1.44 The sector has a role here too, in being clearer about the outcomes of its work and how it contributes to Government objectives and priorities such as social inclusion, neighbourhood renewal, health, education and community cohesion.

¹⁹ Home Office, 2004

The Government has:

- Developed and published both the Cross Cutting Review (2002) and 'Exploring the Third Sector in Service Delivery and Reform' (2005), setting out some of the potential of the sector, and inviting continued dialogue with the sector
- Appointed officials at director level in every Government department as sector champions
- Under the ChangeUp programme, worked with other Government Departments to invest in parts of the sector where there is clear scope for increasing its role in service delivery²⁰

Moving Forward

- 1.45 This Government has given the sector unprecedented attention and access to significant new resources. Since 1997, it has sought to address many of the long-standing concerns of the sector regarding its relationship with Government.
- 1.46 However, Government remains ambitious and believes further action is required to maintain momentum, build upon success, ensure impact, and assist the sector to exploit the opportunities of Government priorities to reform public services and enable communities to be more cohesive and engaged in the decisions that affect their lives.
- 1.46 Previous consultations have confirmed in particular the importance the sector attaches to improving sector-Government relations, and in particular getting the funding relationship right.
- 1.47 Building on the themes identified in this chapter, this document is part of a consultation exercise seeking views on proposals to strengthen the partnership between Government and the voluntary and community sector.
- 1.48 Government is committed to ensuring that there is a robust and effective framework in place to underpin partnership between the public sector and voluntary and community organisations. Chapter 2 explores what the introduction of the Compact has achieved since 1998, but also provides an analysis of its limitations. The Government is proposing a model for strengthening the Compact to enhance the partnership between public sector bodies and the voluntary and community sector.

²⁰ Priority areas identified in Spending Review 2004 as: Correctional Services; Homelessness and Hostel Provision; Parenting Support; Older People's Health and Social Care; Ethnic Minority Employment

The Consultation

- 1.50 The Government wishes to consult individuals and organisations that have an interest in an effective voluntary and community sector, and its relationship with Government about the proposals, priorities and questions posed in this document during the 16 weeks from 22 March to 12 July 2005.
- 1.51 A participative consultation process, including a range of regional, national and targeted events will follow publication. Details about events will be available on the Government's Active Communities website **www.activecommunities.homeoffice.gov.uk**, alongside electronic versions of this document, its executive summary, and the questionnaire for responses (Annex A).
- 1.52 Further information is also available from the Active Community Unit via the Home Office public enquiry number: 020 7035 5328 until 1 April 2005, then on 020 7035 4413. You can also contact us via email at **nextsteps@homeoffice.gsi.gov.uk**. We are able to supply copies of this consultation document in alternative formats (such as larger print or Braille) on request.
- 1.53 Following consultation, the Government intends to consider responses and make final proposals in autumn 2005. A summary of responses to the consultation will also be published.
- 1.54 Please send your responses to this consultation by **12 July 2005** to:
Email: **nextsteps@homeoffice.gsi.gov.uk**
Address: Compact Consultation, Active Community Unit, 1st Floor, Peel Building, 2 Marsham Street, London, SW1P 4DF
- Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions, when they respond.
 - The information you send us may need to be passed to colleagues within the Home Office or other Government departments and may be published in full or in a summary of responses received in response to this consultation. **We will assume that you are content for us to do this, and that if you are replying by email, your consent overrides any confidentiality disclaimer that is generated by your organisation's IT system, unless you specifically include a request to the contrary in the main text of your submission to us.**
 - Please ensure your response is marked clearly if you wish your response or name to be kept confidential.
 - Individual contributions will not be acknowledged unless specifically requested.

- 1.55 Your opinions are valuable to us. Thank you for taking the time to read this document and respond.
- 1.56 This document and the consultation process has been planned to adhere to the Compact Code of Practice on consultation and policy appraisal as well as being in line with the Code of Good Practice on Written Consultation issued by the Cabinet Office (Annex B).
- 1.57 If you have comments or complaints about the consultation process itself, please contact Pio Smith, Home Office Consultation Co-ordinator:
pio.smith@homeoffice.gsi.gov.uk

Chapter 2

The Compact: Achievements and Challenges

Where we are

- 2.1 The Compact on Relations between Government and the voluntary and community sector, and its Codes of Good Practice, set out a framework for how Government and the sector agree to work together more effectively. The Compact was published in 1998 and underlines the Government's commitment to supporting a stronger role for the sector. It provides a basis for partnership working, encouraging a greater contribution from the sector to civil society and service provision.
- 2.2 The Compact and Codes contain a series of principles and undertakings. The five Codes of Good Practice (the latest published in 2003) set out the detail on particular aspects of the relationship: on Funding, Consultation and Policy Appraisal, Black and Minority Ethnic Voluntary and Community Organisations, Volunteering and Community Groups. Local Compacts adapt the national framework to suit local circumstances. They provide the basis for partnership working between local organisations, reflecting the realities (and differences) of relationships at local level.
- 2.3 This chapter sets out progress to date on the Compact, and puts forward suggestions from the Government for how the Compact might be developed further to improve its impact. The Compact itself represents partnership with the voluntary and community sector, and following the consultation, Government intends to work closely with the voluntary and community sector to formulate final proposals for strengthening the Compact framework.
- 2.4 The Compact is designed for mutual advantage and represents a shared vision. It reinforces the distinct but complementary roles of the Government and voluntary and community sector. The Compact recognises the sector's right to independence, and its right to comment on and challenge Government policy. It requires accountability and openness. The Compact and Codes govern crucial areas of the relationship. For example, they set out what is required for effective consultation on and contribution to policies, and a more stable and effective funding relationship with the sector. They encourage a diverse sector, and set out undertakings to enable more involvement in volunteering. Working in line with the Compact contributes not only to the

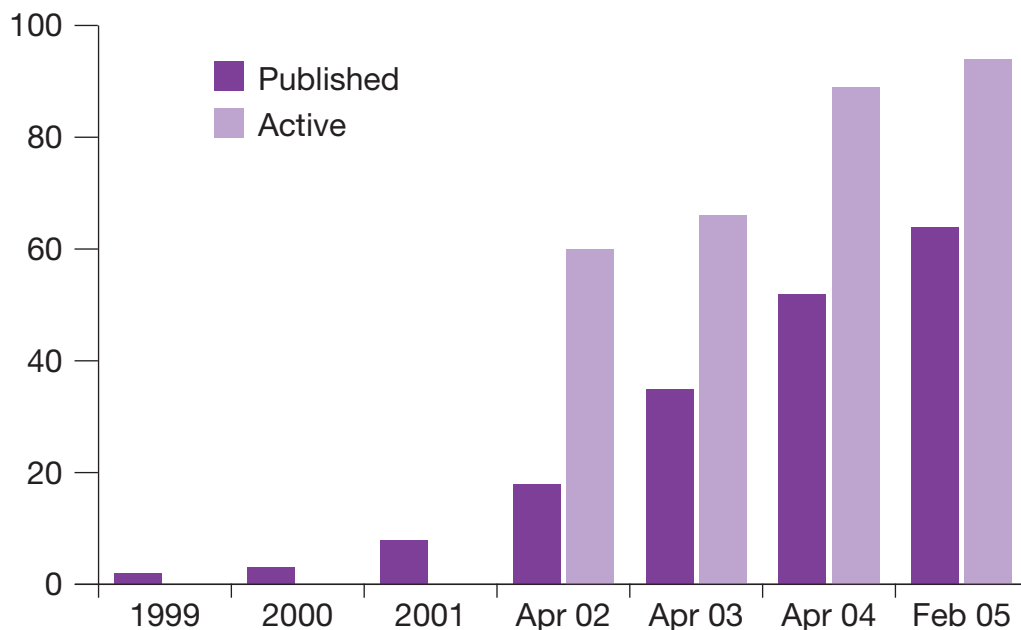
provision of better, more user-driven services, but to promoting collective ownership and action by communities.

- 2.5 The Compact and Codes are about the rules of engagement between the voluntary and community sector and public sector bodies. They are about processes and working together to build a mature relationship, based on better understanding. At local level each Compact is the result of discussion and negotiation. Using the Compact can help to protect interests, highlight breaches in good practice before these become problematic, or restore relationships. It can be a lever for change.
- 2.6 Later in this chapter we explore the challenges to implementation and discuss how we can build on the achievements that have been made. We propose a model – *Compact Plus* – for strengthening the Compact with a number of mechanisms to support this.
- 2.7 Since the Compact was published in 1998, the relationship between public sector bodies and the voluntary and community sector has moved forward significantly. The 2002 Cross Cutting Review on the Role of the Voluntary and Community Sector in Service Delivery highlighted the important role of the sector in delivering services, and it gave prominence to the Compact, as underpinning the expansion of this role.
- 2.8 The importance of a ‘Compact way of working’ has been increasingly recognised at national, regional and local level.

Achievements in progressing the Compact agenda

- 2.9 There has been considerable success in extending the reach of the Compact. Local Compacts provide a framework for partnership working at local level. At least 94% of local authority areas have either a published Local Compact, or work is underway to develop one. Local Compacts are increasingly involving a wider range of public bodies, and Local Strategic Partnerships have been taking a leading role in development. Compact engagement can help local authorities with the Comprehensive Performance Assessment process, Beacon Council Scheme applications, Best Value reviews, Local Public Service Agreement targets and Local Area Agreements, and overview and scrutiny arrangements.

Box 2.1 Local Compacts – progressing coverage of published Compacts



Percentage of Local Authority areas covered by a published Local Compact and from 2002 when information was reported, of Compact Active Areas (with a published Compact or developing one)

Source: Compact Working Group's national register of local compacts

- 2.10 The Compact now applies to Non-Departmental Public Bodies, and these are becoming increasingly engaged. At regional level, Regional Development Agencies have committed to supporting and implementing the Compact, and Government Offices for the Regions have taken on a key role in promoting Compact development and implementation at local and regional levels. The Local Community Sector Taskforce, established following the Spending Review 2004 Cross Cutting Review of the Voluntary and Community Sector, looking at changes in funding streams for the voluntary and community sector, will make recommendations about Compact activity at the regional level.
- 2.11 Two of the Codes have been undergoing revision. On the funding relationship, a new Funding and Procurement Code of Good Practice is being published alongside this consultation document, to bring in guidance on contractual relations, which was not covered in the original Funding Code. The Volunteering Code is also being revised and updated.

2.12 To drive the Compact, annual meetings between Government and the voluntary and community sector have reviewed progress across national, regional and local levels and set out action needed for further Compact development and implementation. The latest annual review meeting was in May 2004 and attended in record numbers, demonstrating the commitment to make progress on this agenda. The 2005 annual review is to take place in autumn, to look at progress since last year, outstanding action to be taken, and proposals following this consultation for further strengthening the Compact.

Challenges

2.13 While Compact has a number of strengths it also has a number of weaknesses. Only 15% of respondents to a recent survey²¹ in “Third Sector” thought that that the Compact had made any significant difference.

2.14 The key factors we see as challenges to the effectiveness of the Compact are set out below:

It is difficult for public sector bodies or voluntary and community sector organisations to understand whether their practices adhere to the Compact

2.15 The Compact and Codes cover a wide range of often broadly worded principles and undertakings. The generality or broadness of many of the Compact principles and commitments make it difficult to understand exactly what needs to be implemented. It is often not until challenged that a public sector body will realise that a Compact principle has been breached. While advocacy and mediation facilities are in place, voluntary and community sector organisations are often reluctant to make a challenge to a public body, possibly because of a perception that this might jeopardise future funding.

Box 2.2 An illustration of a Compact Code undertaking

The original Compact Code of Good Practice on Funding includes an undertaking for Government to respond to the sector’s need for greater financial stability to enable it to fulfil its full strategic role. Whilst important, it is not clear how this undertaking is implemented and no benchmark by which to assess improvements.

This undertaking could be improved if it were more clearly defined. For example, greater stability could be achieved by offering payments in advance of expenditure to voluntary and community sector organisations where it is appropriate to do so.

²¹ Das-Gupta I (January 2005), Working With Government: Second Among Equals, nfpSynergy for Third Sector

The Compact: Achievements and Challenges

The Compact and its associated Codes are long and general

2.16 One of the problems with embedding the Compact in different business areas within organisations is that the Compact and Codes together make up six long documents reaching approximately 140 pages. Not everyone affected has the time to read these through, and it is not easy to distil what must be done to achieve compliance. It is an ambitious task to set about implementation. Summaries have been published, but these reflect the general principles and undertakings of the Compact and Codes. They do not clarify the priorities for action or the expectations about what is to be delivered.

Once signed up to the Compact, there is no mechanism to recognise implementation or highlight non-implementation

2.17 Government Departments, Government Offices for the Regions, executive agencies, and voluntary and community sector organisations are automatically covered by the national Compact. But once there has been buy-in to the Compact, or a Local Compact agreed, initial momentum can be lost. Partners need to be kept on board, and the Compact embedded across processes. It is not easy to see how far public sector bodies or voluntary and community sector organisations are applying the Compact. A simpler framework is needed, with mechanisms to recognise implementation, and provide for renewal of commitment to the Compact, without involving elaborate procedures.

If public sector bodies or voluntary and community sector organisations fail to adhere to the Compact there is no direct penalty

2.18 There is no direct penalty on public sector bodies or voluntary and community sector organisations for non-implementation. Where a commitment under the Compact has been breached, existing leverage to ensure the breach is addressed is limited. Over time the initial benefit from having negotiated a Compact might diminish significantly, and further opportunities need to be taken to incentivise implementation.

2.19 Chapter 3 puts forward Government proposals for how the Compact might be developed to further improve its impact. A new Compact Champion is proposed who will have responsibility for overseeing the implementation of *Compact Plus*.

Chapter 3

Proposals for Strengthening the Compact

Compact Plus

- 3.1 Through this consultation the Government is proposing a model to strengthen the Compact. We invite comments on the suggestions set out in the rest of this chapter.
- 3.2 Public sector bodies and voluntary and community organisations would have the option of opting into *Compact Plus*. *Compact Plus* would be supported by the mechanisms described below, for furthering Compact compliance. In particular, we propose a new Compact Champion who would have responsibility for overseeing the implementation of *Compact Plus*.
- 3.3 Government is fully committed to the Compact. *Compact Plus* would not replace the Compact itself, but would develop it further so it can have more impact. *Compact Plus* would build on what is being achieved by the Compact, and organisations would apply the principles and undertakings of the Compact through Compact Plus mechanisms and arrangements.

A shorter, sharper Compact

- 3.4 To address challenges of length and lack of clarity, the Compact Champion would develop a simple and succinct list of commitments to support implementation of the Compact under *Compact Plus*. These commitments would build on key undertakings contained in the Compact and Codes of good practice. In this way, the *Compact Plus* commitments would clearly specify what public sector bodies and voluntary and community organisations would expect from each other.
- 3.5 A potential set of commitments is provided in box 3.1. This shows our suggestions for what a list of *Compact Plus* commitments might look like. Further work will be needed with the voluntary and community sector and the wider public sector on the list.

Box 3.1 Draft Compact Plus commitments

General

- Work to mainstream the Compact across your organisation

Public Sector Bodies

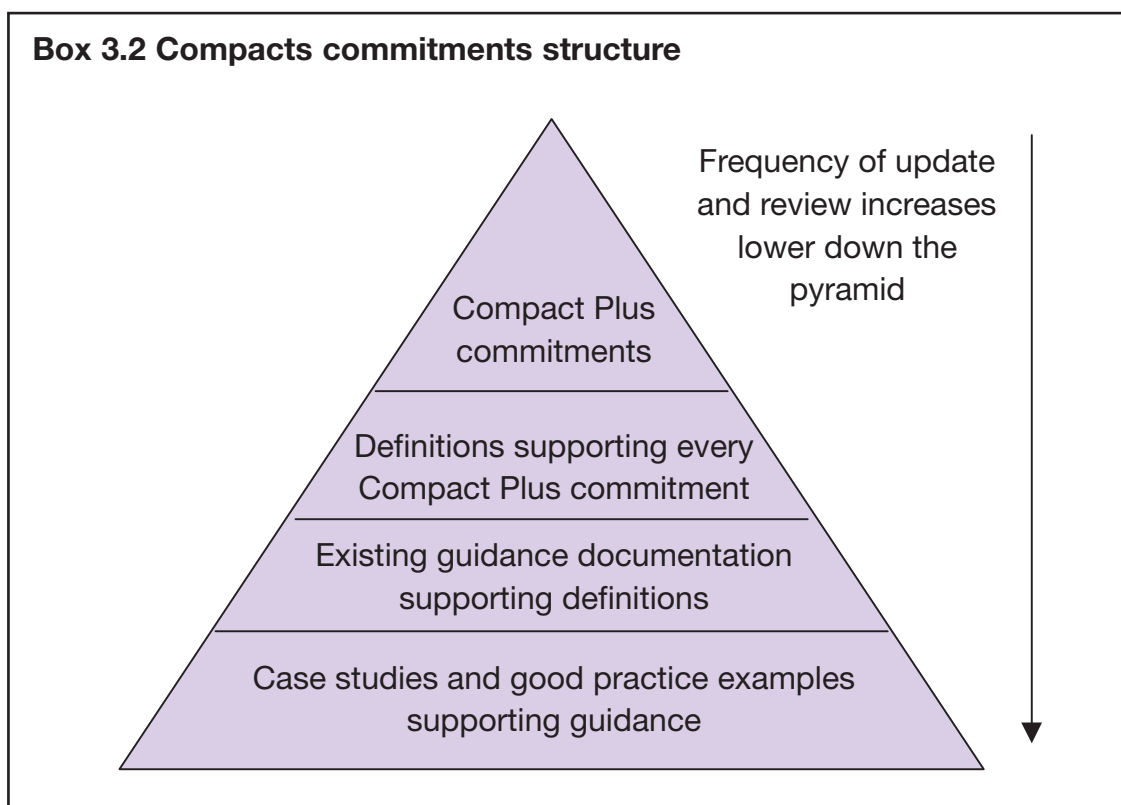
- Respect the independence of the voluntary and community sector, including its right within the law to campaign and to challenge policies
- Work with voluntary and community organisations to understand the views of citizens and communities and create opportunities for them to influence policies
- Where a decision is likely to affect the sector, consult widely and early enough to make a difference, allowing a minimum of 12 weeks
- When seeking to deliver public services through the voluntary and community sector, use procurement rather than grants, do not seek information about management fees and overheads, and agree outcomes which capture the additional quality of services which may result from delivery by the voluntary and community sector
- Minimise bureaucracy associated with application, qualification, monitoring and reporting, and audit processes and introduce joined-up monitoring and audit arrangements
- Implement multi-year funding models and make payments promptly, offering payments in advance of expenditure to organisations wherever appropriate
- Share risks fairly between funder and provider, ensuring they fall on those best able to bear them
- For projects funded by grants, give a legitimate proportion of funding for overhead costs
- Follow best practice in the management of volunteers
- Work with the breadth of the voluntary and community sector, including small community organisations, social enterprises, Black and Minority Ethnic (BME) organisations, faith and rural groups

Voluntary and Community Sector

- Operate through open and accountable organisations
- Ensure policy positions really reflect the views of stakeholders and constituents
- Have a real understanding of cost bases and the proper application of full cost recovery
- When competing for contracts, set out clear outcomes which will be delivered
- Have robust monitoring, evaluation and financial management systems which provide accurate and timely information to funders and account for public funds
- Implement good practice in the management and recruitment of volunteers, providing access to training and support
- Embrace diversity and work to improve community cohesion and reduce inequalities

Annex C contains a commentary which provides the context for the draft commitments.

- 3.6 The list of commitments would need to be supported by a set of definitions. Definitions would give meaning and clarity to terms such as grant, contract, procurement and outcome, and by doing so minimise the potential for subsequent breaches and conflicts. Definitions would be supported by new and existing guidance, such as *Guidance to Funders*²² and *Think Smart...Think Voluntary Sector*²³. Guidance would specify how each commitment applies in practice and would support implementation. Finally, examples of good practice and case studies would support guidance. This structure is depicted in the form of a 'pyramid of information' below.



- 3.7 The list of *Compact Plus* commitments, definitions, supporting guidance and case studies will need to be reviewed and updated from time to time to ensure they remain relevant, accessible and beneficial to organisations. We envisage that the commitments would be revised rarely and case studies refreshed much more regularly, probably via the internet.

²² HM Treasury (2003), 'Guidance to Funders: Improving Funding Relationships for Voluntary and Community Organisations'

²³ Home Office Active Community Unit and Office of Government Commerce (2004), *Think Smart...Think Voluntary Sector*

Proposals for Strengthening the Compact

- 3.8 Where public sector bodies and voluntary and community organisations wished to opt into *Compact Plus*, their practices would need to be consistent with these commitments. Once *Compact Plus* had been opted into, organisations would apply the principles and undertakings of the Compact through the mechanisms and arrangements of *Compact Plus*.
- 3.9 We see *Compact Plus* as an evolutionary step and would welcome views on how *Compact Plus* can best build on Local Compacts, taking account of local circumstances, to improve partnership working between the public and voluntary and community sectors. We also welcome views on how the Compact Champion could work with those at local level moving towards *Compact Plus*.
- 3.10 We propose that at local and regional level where Compacts and Codes have been agreed, these would continue to apply under existing arrangements until local or regional public sector bodies and voluntary and community sector organisations decided to opt into *Compact Plus*. Where local partners have developed effective Local Compacts, this should provide a good basis for moving to *Compact Plus*. Local Compact development should continue whilst these proposals are discussed.
- 3.11 Where work is underway to publish a Local Compact, local partners might agree to move immediately to *Compact Plus*, but building on the progress made and framework in place. Or they might choose to consider this step over a longer timescale. The *Compact Plus* commitments would act as a baseline minimum, with partners free to reflect and agree other additional local or regional commitments. For instance, it could cover how the partners in the Local Compact will continue to work together under *Compact Plus*. Through this consultation we are seeking views on how the proposed model could best build on local achievements.

Questions

3. Do you support the idea of *Compact Plus* as a mechanism for continuing to develop the relationship between public sector bodies and the voluntary and community sector?
4. Do you agree that a simple and succinct list of *Compact Plus* commitments should be developed?
5. What are your views on the draft *Compact Plus* commitments?
6. Are there any that you would remove or others that you would add?
7. Would *Compact Plus* meet the diverse needs of the voluntary and community sector?
8. How best can *Compact Plus* work at local level and draw on best practice in Local Compact development and local partnership arrangements?
9. How could the Compact Champion best work with those at local level to help with the move to *Compact Plus*?

A stronger emphasis on the funding relationship

3.12 The relationship between public sector bodies and the sector covers a range of interactions and activities, most of which are reflected in the Compact and its five Codes. However, the funding relationship is particularly important for both public sector bodies and voluntary and community organisations.

3.13 Despite on-going efforts to improve the funding relationship, evidence of improvement is mixed. Few voluntary and community organisations feel that principles such as full cost recovery are applied in practice. Public servants often find that the voluntary and community sector has a weak understanding of its real cost base and tends to underbid when seeking contracts for the delivery of public services.

Question

10. Do you agree that the *Compact Plus* commitments should give a stronger emphasis to the funding relationship?

A kitemark scheme

3.14 Where public sector bodies and voluntary and community sector organisations opted into *Compact Plus*, the Compact Champion would award a 'kitemark' to display on publicity material. The kitemark would act as a common standard of good practice and provide a visible sign of commitment to a Compact way

Proposals for Strengthening the Compact

of working. It could operate in a similar way to the Investors in People standard described in box 3.3.

Box 3.3 Investors in People

Investors in People is the national Standard which sets out good practice for training and development of people. The Standard was developed during the early 1990s and provides a national framework for improving business performance and competitiveness, through a planned approach to setting and communicating business objectives and developing people to meet these objectives.

Achieving the Standard

Being recognised as an “Investor in People” involves a number of steps:

- Understanding the Standard and its strategic implications for your organisation
- Undertaking a review against the Standard to identify any gaps in current practice
- Making the commitment to meet the Standard and communicating that commitment to all members of staff
- Planning and taking action to bring about change
- Bringing together the evidence for assessment against the Standard
- Achievement or recognition as an Investor in People

3.15 In the same way as Investors in People, organisations that wanted to opt into *Compact Plus* would assess and review their current practice against the set of *Compact Plus* commitments, identify gaps and poor performance and take action to bring about necessary change.

3.16 Once public sector bodies or voluntary and community sector organisations were satisfied that their practices were consistent with the *Compact Plus* commitments, they could apply to the Compact Champion to receive a kitemark. The Compact Champion would need assurance that the body or organisation’s practices merited the award of the kitemark. This might work in one of two ways:

- in the form of self-assessment, with the applicant providing supporting evidence to the Compact Champion: or
- through verification by an independent assessor employed by the Champion.

Self assessment might need to take place as public sector bodies and voluntary and community organisations opted into *Compact Plus* for the first time, so that the Compact Champion could respond to initial demand.

A risk based approach could be taken to determine the frequency of renewal. Bodies or organisations might be awarded the kitemark for one to four years depending on the quality of evidence provided when they opt in. Verification by an independent assessor would be required when renewal of *Compact Plus* was due.

- 3.17 For public sector bodies, opting in would help them develop a stronger relationship with voluntary and community organisations and they would benefit from the credibility associated with displaying the kitemark.
- 3.18 Under current Compact arrangements, adherence to undertakings by the voluntary and community sector is not monitored and it is not clear when undertakings might have been breached. By opting into *Compact Plus*, organisations would be able to explicitly demonstrate their commitment to further developing their relationship with public sector bodies. For organisations that do opt in, greater confidence in governance arrangements might enable funders to offer additional freedoms and flexibilities, leading to lighter touch monitoring and inspection arrangements. This could be of particular value to front line organisations with a direct funding relationship with public sector bodies and national and local infrastructure organisations.
- 3.19 A charge could be levied on public sector bodies and voluntary and community organisations opting into *Compact Plus* to cover some of the costs of the Compact Champion such as thematic and peer reviews. Any charge will need to be carefully considered so that it does not act as a disincentive to bodies or organisations that wish to opt in. For example, the charge might be on a 'sliding scale' according to the size with exemptions for smaller organisations.
- 3.20 Achieving *Compact Plus* status could potentially mean over time there could be a lighter touch in existing performance monitoring arrangements for public sector bodies and voluntary and community organisations. *Compact Plus* and the kitemark could be used to provide evidence of good partnership working without the need for additional requirements.

Questions

11. Do you agree that bodies and organisations should have their practices assessed when seeking to opt into *Compact Plus*?
12. If so, do you think this should be done by self assessment or by an independent assessor?
13. Do you agree that voluntary and community organisations should explicitly opt into *Compact Plus*?
14. Do you think that a charge should be levied on bodies and organisations that had opted into *Compact Plus*?
15. In which areas could *Compact Plus* mean a lighter touch in existing performance monitoring requirements?

Proposals for Strengthening the Compact

Support for organisations seeking to opt into *Compact Plus*

3.21 *Compact Plus* membership could be supported by mechanisms to build understanding and capacity. Thematic and peer reviews are proposed.

Thematic review

3.22 The Compact Champion could undertake thematic reviews to support members of *Compact Plus*. The reviews could focus on voluntary and community sector and public sector organisations across key policy areas, such as social care or correctional services, or on cross-cutting issues such as funding or consultation practices.

3.23 The reviews would seek to understand in depth the particular area being investigated; promote good practice and identify bad; and highlight issues that might prevent *Compact Plus* members from continuing to adhere to the *Compact Plus* commitments. Each review would result in recommendations for change and improvement for both public sector bodies and voluntary and community sector organisations.

3.24 Whilst mainly focussed on practice by members of *Compact Plus*, thematic reviews might also be applicable to non-members by identifying issues that prevent the ability to opt in. For example, a thematic review of Primary Care Trusts might encapsulate practice by Trusts, which are covered by the Compact as well as *Compact Plus*.

‘Peer-review’

3.25 The process of peer-review can be a powerful mechanism for identifying organisational strengths and areas that require further development and attention.

Box 3.4 Improvement and Development Agency ‘peer review’

The Improvement and Development Agency (IDeA) supports local authorities by helping to share information, intelligence and knowledge. Authorities can sign up for ‘peer reviews’ under the IDeA’s Local Government Improvement Programme. The intention is to help a local authority identify its strengths and recognise areas that need development. The review is undertaken by “critical friends”, including representatives from other local authorities and the IDeA. A report includes recommendations for improvement.

3.26 The Compact Champion could facilitate a peer review process, which would have a number of dimensions, such as:

- assisting with compliance of *Compact Plus* by supporting organisations to review a discrete area of activity where interaction with others takes place, such as engagement with black and minority ethnic organisations or consultation processes;

- spreading and supporting the implementation of best practice, for example, in funding arrangements;
- supporting organisations that aspire to opt in to *Compact Plus* but would appreciate the benefit of a peer review of current practices before finally committing; and
- as a result of a review, identify strengths and make recommendations to continue to improve performance.

3.27 *Compact Plus* members and others committed to *Compact Plus* could sign-up to participate in peer reviews. Peer reviews would be undertaken by representatives of *Compact Plus* members, who would volunteer to be involved. Able to draw on relevant knowledge and expertise, they would work closely with peer review participants to review procedures, support compliance and identify areas where development was necessary.

3.28 The Compact Champion could potentially charge a fee to organisations that wanted to participate in the peer review process.

Questions

16. Do you agree with the proposals for thematic and peer review?
17. Do you agree that thematic review should be applicable to organisations and bodies that are not members of *Compact Plus*?
18. Do you agree that peer review should be applicable to organisations that aspire to opt into *Compact Plus*?
19. Do you agree that the Compact Champion should charge a fee to some bodies or organisations that wanted to participate in peer review?

Penalties for non-implementation

3.29 The Compact is often criticised because there are no penalties for non-compliance. This section considers some options that could be made available to the Compact Champion to encourage adherence to *Compact Plus*.

Investigate complaints about *Compact Plus* implementation

3.30 Organisations concerned that a member of *Compact Plus* was in breach of one or more of the principles specified in the *Compact Plus* commitments would be able to complain to the Compact Champion. The Compact Champion would investigate and adjudicate from a neutral position – independent of both the voluntary and community and public sectors.

3.31 Investigations by the Compact Champion would look exclusively at whether the *Compact Plus* commitments had been properly adhered to and whether

Proposals for Strengthening the Compact

those affected by the alleged breach had been treated in a fair and reasonable way. There would need to be reasonable evidence that *Compact Plus* may have been breached before the Compact Champion would undertake an investigation.

3.32 Following the investigation, the Compact Champion would have the power to publish their adjudication. Depending on the findings, the adjudication could contain recommendations for improvements. The Compact Champion could also have the authority to withdraw *Compact Plus* membership or accreditation from bodies or organisations.

3.33 Where *Compact Plus* has been breached we have considered the case for financial sanctions either in the form of compensation or financial penalties. The Compact Champion could secure redress by imposing a compensation award on non-compliant bodies or organisations. This would seek to compensate affected bodies or organisations for identifiable financial loss they may have suffered. Another option would be for the Compact Champion to impose a financial penalty on the body organisation that had been non-compliant. However we think that there are real barriers to these approaches:

- Where adjudication by the Compact Champion, and subsequent imposition of compensation or financial penalties, was disputed then a right to appeal might need to be established to resolve these disputes.
- Public sector bodies which wished to opt in to *Compact Plus* might not have the necessary financial authority with which to make compensation awards or pay financial penalties – and therefore the pool of potential members for *Compact Plus* might become significantly limited.
- In relation to financial penalties, the destination of any monies collected – to give them to the public sector or to the voluntary and community sector would seem inappropriate, whilst ensuring that they go to the Compact Champion would give them a perverse incentive to impose penalties where they may not be necessary.
- In relation to compensation one issue which arises is the difficulty in establishing the precise amount of damages which would be appropriate to award – often it will be very difficult to do so with any certainty.

3.34 For these reasons, Government believes there is only a weak case for the imposition of financial penalties or compensation. However, this is an issue on which we would particularly welcome views.

Question

20. Do you agree that there should not be an option to impose financial penalties or award compensation on organisations where *Compact Plus* has been breached?

A renewable commitment to the *Compact Plus*

- 3.35 Where public sector bodies or voluntary and community sector organisations had opted into *Compact Plus*, there would need to be a mechanism so that members have their commitment to *Compact Plus* assessed from time to time. This could be:
- on a fixed basis, perhaps every three years; or
 - on a flexible basis determined by performance at previous renewals, with perhaps five years until the next renewal for best performers and one year for poor performers.
- 3.36 The process would operate on the basis of performance against the *Compact Plus* commitments in box 3.3. As with achieving the kitemark, renewal could be done as self-assessment by an independent assessor.
- 3.37 Where *Compact Plus* commitments were found to have been consistently applied then membership of *Compact Plus* would be maintained, along with the continuing entitlement to display the kitemark. Where it was found that the *Compact Plus* commitments had been breached or were not being met, membership of *Compact Plus* would be revoked along with the entitlement to display the kitemark. Where public sector bodies or voluntary and community sector organisations were at risk of breaching *Compact Plus* and losing the kitemark, a ‘warning’ might be given with a period of time – perhaps six months – for the organisation to rectify any problems before a further review of implementation.
- 3.38 Bodies and organisations which are successful when renewing their membership of *Compact Plus* and entitled to continue to display the kitemark could be graded according to performance, with top performers singled out for particular recognition. This could be in the form of awards which would allow best practice to be identified and showcased.

Questions

21. Do you agree that members should have their commitment to *Compact Plus* renewed from time to time?
22. Do you think that members of *Compact Plus* should have their membership renewed on a fixed basis, such as every three years, or on a more flexible basis, dependent on performance at previous renewals or evidence from thematic or peer review?
23. Do you think that organisations which are successful when renewing their membership of *Compact Plus* should be graded according to performance?

Proposals for Strengthening the Compact

Compact Plus coverage

- 3.39 Public sector bodies and voluntary and community sector organisations would opt into *Compact Plus* on the basis that they meet the *Compact Plus* commitments, and through these have implemented key elements of the Compact in their working practices.
- 3.40 Over time, we would expect a range of national and regional public sector bodies and voluntary and community sector organisations to opt into *Compact Plus*, as well as public sector bodies and voluntary and community organisations at a local level. In particular, we expect public sector bodies and voluntary and community organisations that have a funding relationship with each other to want to opt in. For the voluntary and community sector, this would include front line organisations as well as those providing support representation to the sector. Smaller voluntary and community organisations might be less likely to want to opt in, but could be covered by local partnership arrangements.
- 3.41 The Compact Champion would be responsible for taking forward activity intended to strengthen the relationship between the voluntary and community sector and public sector bodies. Whilst many additional functions would be associated with *Compact Plus* we envisage the Champion continuing to maintain those functions currently associated with the Compact.

Box 3.7 *Compact Plus* and the current Compact structure

What will the Champion take on?

- Oversee *Compact Plus* – introducing and reviewing the *Compact Plus* commitments, operating the kitemark, supporting organisations moving to *Compact Plus* including carrying out thematic reviews and facilitating peer review, investigating and adjudicating complaints and alleged breaches, and operating renewal of *Compact Plus*;
- Overseeing of and signposting to the Compact Mediation Scheme;
- Manage the process for future annual reviews of the Compact;
- Support to national and local organisations and partnerships moving from current Compact framework to *Compact Plus*.
- Whitehall-wide networks to continue to support those working on the current Compact; and

What functions continue outside of the Champion's remit?

- Voluntary and community sector representation on work on the Compact and *Compact Plus*;
- Local networks to support Compact development and implementation.

Conclusion

- 3.42 This chapter has outlined some options for strengthening the Compact and Codes by developing a higher level of Compact commitment – *Compact Plus* – and a Compact Champion to oversee the new framework.
- 3.43 The important contribution that the Compact brings to the relationship between public sector bodies and voluntary and community organisations is widely recognised. The proposals set out here build on this. Government would welcome views on these options before deciding how to proceed. Government will need to work in partnership with the voluntary and community sector when finalising proposals for strengthening the Compact framework.
- 3.44 The next chapter considers where the functions of the Compact Champion should be situated.

Chapter 4

Potential Governance Arrangements and Structures

- 4.1 This document has proposed a number of functions that the Government believes would strengthen the relationship between the voluntary and community sector and public sector bodies. To develop and deliver these functions we are proposing a Compact Champion.
- 4.2 The Compact Champion would be responsible for taking forward activity intended to strengthen the relationship between the voluntary and community sector and Government. They would have an executive function and be supported by a small staff team which would support the Champion in the exercise of the activities proposed, and an advisory group. Whilst many additional functions would be associated with *Compact Plus* we envisage the Champion continuing to maintain those functions currently associated with the Compact. We anticipate this to include the functions currently undertaken by the Compact Working Group and the Compact Mediation Service.
- 4.3 The Compact Champion would be appointed according to the guidelines set out by the Office of the Commissioner for Public Appointments (OCPA) and any recruitment process would include representatives from both Government and the voluntary and community sector with any final appointment approved by Ministers.
- 4.4 In establishing the Compact Champion there would be a need to look to:
 - Avoid duplication of existing effort
 - Ensure unnecessary bureaucracy is not established
 - Make best use of existing resources
 - Keep costs to a minimum
 - Concentrate on adding value

4.5 Proposals for constitution of the Compact Champion are set out in the table below.

Compact Champion	
Role	<ul style="list-style-type: none"> ● To take the lead on strengthening the relationship between the sector and Government
Activities	<ul style="list-style-type: none"> ● Oversee the Compact ● Operate the Compact Plus kitemark scheme ● Assist organisations to achieve and maintain membership of Compact Plus ● Operate renewal of membership ● Adjudicate on complaints and alleged breaches
Accountability	<ul style="list-style-type: none"> ● In the longer term, the Champion might be accountable to members of <i>Compact Plus</i> but in the short term this might be held in trust by the Minister with responsibility for the voluntary and community sector. However, it would be essential that any arrangements are not perceived as undermining the neutrality of the Champion
Advisory Group	<ul style="list-style-type: none"> ● A distinct group made up of representatives from the voluntary and community sector (umbrella and frontline organisations) and public sector drawn from national, regional and local organisations ● Chaired by the Compact Champion
Executive Function	<ul style="list-style-type: none"> ● Small staff to support the Champion in the exercise of activities proposed
Existing Functions that might collapse into new body	<ul style="list-style-type: none"> ● Compact Working Group ● Compact Mediation Service ● Some complaints handled by the Compact Advocacy Programme

Potential Governance Arrangement and Structures

4.6 There will be a need to make certain that the Compact Champion is seen as neutral by the voluntary and community sector and the Government. We might want to consider housing the Compact Champion in an existing organisation that is seen as independent which would have the benefit of reducing costs associated with accommodation and corporate support services or we may need to establish a stand alone body. Whatever the arrangements we would need to ensure that the Champion is:

- Independent from existing organisations, and able to develop a distinct voice and identity
- Established as a step change from the current situation, giving real momentum to the activities proposed.

Question

24. Do you agree with the proposals for governance and structural arrangements of the Compact Champion?

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Annex A

Consultation Questionnaire

(questions reproduced from within the main text of this document)

Terms used

1. Are you comfortable with the term 'Voluntary & Community Sector' as used in this document.
2. Would you prefer government to use another term to communicate the breadth of the sector such as 'third sector' or 'not for profit sector'?

The *Compact Plus* commitments

3. Do you support the idea of *Compact Plus* as a mechanism for continuing to develop the relationship between public sector bodies and the voluntary and community sector?
4. Do you agree that a list of *Compact Plus* commitments should be developed?
5. What are your views on the draft *Compact Plus* commitments?
6. Are there any that you would remove or others that you would add?
7. Would *Compact Plus* meet the diverse needs of the voluntary and community sector?
8. How best can *Compact Plus* work at local level and draw on best practice in Local Compact development and local partnership arrangements?
9. How could the Compact Champion best work with those at local level to help with the move to *Compact Plus*?

The funding relationship

10. Do you agree that the *Compact Plus* commitments should give a stronger emphasis to the funding relationship?

A kitemark scheme

11. Do you agree that bodies and organisations should have their practices assessed when seeking to opt into *Compact Plus*?

12. If so, do you think this should be done by self assessment or by an independent assessor?
13. Do you agree that voluntary and community organisations should explicitly opt into *Compact Plus*?
14. Do you think that a charge should be levied on bodies and organisations that had opted into *Compact Plus*?
15. In which areas could *Compact Plus* mean a lighter touch in existing performance monitoring requirements?

Support for organisations

16. Do you agree with the proposals for thematic and peer review?
17. Do you agree that thematic review should be applicable to organisations and bodies that are not members of *Compact Plus*?
18. Do you agree that peer review should be applicable to organisations that aspire to opt into *Compact Plus*?
19. Do you agree that the Compact Champion should charge a fee to some bodies or organisations that wanted to participate in peer review?

Penalties for non-implementation

20. Do you agree that there should not be an option to impose financial penalties or award compensation on organisations where *Compact Plus* has been breached?

A renewable commitment

21. Do you agree that members should have their commitment to *Compact Plus* renewed from time to time?
22. Do you think that members of *Compact Plus* should have their membership renewed on a fixed basis, such as every three years, or on a more flexible basis, dependent on performance at previous renewals or evidence from thematic or peer review?
23. Do you think that organisations which are successful when renewing their membership of *Compact Plus* should be graded according to performance?

Structures

24. Do you agree with the proposals for governance and structural arrangements of the Compact Champion?

Consultation Questionnaire

The Consultation

Please send your responses to this consultation by **12 July 2005** to:

Email: **nextsteps@homeoffice.gsi.gov.uk**

Address: Compact Consultation, Active Community Unit, 1st Floor, Peel Building,
2 Marsham Street, London, SW1P 4DF

- Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions, when they respond.
- The information you send us may need to be passed to colleagues within the Home Office or other Government departments and may be published in full or in a summary of responses received in response to this consultation. We will assume that you are content for us to do this, and that if you are replying by email, your consent overrides any confidentiality disclaimer that is generated by your organisation's IT system, unless you specifically include a request to the contrary in the main text of your submission to us.
- Please ensure your response is marked clearly if you wish your response or name to be kept confidential.
- Individual contributions will not be acknowledged unless specifically requested.

Cabinet Office Code of Practice on Written Consultation

The six consultation criteria

1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
3. Ensure that your consultation is clear, concise and widely accessible.
4. Give feedback regarding the responses received and how the consultation process influenced the policy.
5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.
6. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

Annex C

Commentary on Draft *Compact Plus* Commitments

Commitment	Commentary
<i>General</i>	
Work to mainstream the Compact across your organisation.	This is a new requirement for partners to mainstream the Compact across their organisation.
<i>Public Sector Bodies</i>	
Respect the independence of the sector, including its right within the law to campaign and to challenge policies.	This is a clear and central principle underpinning the Compact. Organisations should be free to challenge policy or manage their own affairs regardless of any funding relationship that might exist. It is important that the value of the sector in providing a voice, particularly for disadvantaged and marginalised communities is not compromised.
Work with voluntary and community organisations to understand the views of citizens and communities and create opportunities for them to influence policies.	In line with the Government’s civil renewal agenda, people should be given opportunities to become actively engaged in the well-being of their communities and able to define the problems they face and tackle them together, with help from government and public sector bodies.
Where a decision is likely to affect the sector, consult widely and early enough to make a difference, allowing a minimum of 12 weeks.	The sector criticise that consultation can be tokenistic and too late. Meaningful consultation builds relationships, improves policy development and enhances design and delivery of services and programmes. This commitment is subject to considerations of urgency, sensitivity or confidentiality.

Commitment	Commentary
<p>Whenever seeking to deliver public services through the voluntary and community sector, use procurement rather than grants. When procuring do not seek information about management fees and overheads, and agree outcomes which capture the additional quality of services which may result from delivery by the voluntary and community sector.</p>	<p>Voluntary and community organisations often complain that they are not on a level playing field with private sector companies when competing for public service contracts. Equally, public sector bodies often fund voluntary and community organisations for the delivery of public services by grants and therefore have to ask a set of questions about size of overhead costs. It would be much fairer if a clear distinction is drawn between public services and other activities carried out by the voluntary and community sector of which there will be many. Julia Unwin²⁴ suggests three different funding styles: engaged in supporting a worthy cause ('giving'), procuring services ('shopping') or in building capacity in the VCS ('investing'). The 'shopping' approach to funding implies a need for a tightly-specified contract and procurement processes, while 'investing' and 'giving' approaches are closer to conventional grant-making. Using this definition, procurement should be adopted when purchasing public services. When public services are not being purchased grants remain appropriate.</p>
<p>Minimise bureaucracy associated with application, qualification, monitoring and report, and audit processes and introduce joined-up monitoring and audit arrangements.</p>	<p>A key complaint from voluntary and community organisations is of excessive bureaucracy in application, monitoring and audit processes. Public sector bodies should be required to minimise administrative burdens on voluntary and community organisations, for example, by joining-up monitoring and audit arrangements.</p>

²⁴ Unwin J (2004), *The Grant Making Tango: Issues for Funders*, The Baring Foundation

Commentary on Draft *Compact Plus* Commitments

Commitment	Commentary
<p>Implement multi-year funding models and make payments promptly, offering payments in advance of expenditure wherever appropriate.</p>	<p>Longer-term planning and funding arrangements can represent better value for money than one-year funding agreements – it provides voluntary and community organisations with greater certainty of income and therefore greater stability. Payments in advance of expenditure can be made to voluntary and community organisations where it is appropriate to do so. This can also help the stability of voluntary and community organisations.</p>
<p>Share risks fairly between funder and provider, ensuring they fall on those best able to bear them.</p>	<p>Voluntary and community organisations complain that they are often responsible for risks that are out of their control. It is essential that risks are shared fairly.</p>
<p>For projects funded by grants, give a legitimate proportion of funding for overhead costs.</p>	<p>The 2002 Cross Cutting Review of the voluntary and community sector in service delivery identified that it was important for funders fund the legitimate part of voluntary and community sector overhead costs within applications for funding.</p>
<p>Follow best practice in the management of volunteers.</p>	<p>The unique contribution of volunteers adds value to service delivery and contributes to social capital. There is a need for a more professional approach to the management of volunteers to maximise and support this contribution.</p>
<p>Work with the breadth of the voluntary and community sector, including small community organisations, social enterprises, Black and Minority Ethnic (BME) organisations, faith and rural groups.</p>	<p>The voluntary and community sector is very diverse and it is easy for public sector bodies to work with organisations ‘usual suspects’. These parts have important perspectives and it is crucial for their voices to be heard in the development of policies and services.</p>

Commitment	Commentary
<i>Voluntary and community sector</i>	
Operate through open and accountable organisations.	Voluntary and community organisations should operate in an open and accountable way.
Ensure policy positions really reflect the views of stakeholders and constituents.	The sector needs to be accountable to their stakeholders and constituents, and accurately represent their views.
Have a real understanding of cost bases and the proper application of full cost recovery.	To operate efficiently and effectively, voluntary and community organisations need to be able to understand all their costs. They also need to understand the proper application of full cost recovery so that effective negotiations with funders can be entered into and legitimate overhead costs recouped. Underbidding is harmful to the organisation concerned, other voluntary and community organisations and to public sector bodies – in the longer term it undermines quality and is not sustainable.
When competing for contracts, set out clearly outcomes which will be delivered.	In addition to describing what they will do and how they will do it, voluntary and community organisations also need to identify changes that result from the service delivered.
Have robust monitoring, evaluation and financial management systems which provide accurate and timely information to funders and account for public funds.	Voluntary and community organisations need to have robust monitoring, evaluation and financial managements systems in place to demonstrate the efficient and effective use of public funds.
Implement good practice in the management and recruitment of volunteers, providing access to training and support.	Again, the unique contribution of volunteers adds value to service delivery and contributes to social capital. There is a need for a more professional approach to the management of volunteers to maximise and support this contribution.

Commentary on Draft *Compact Plus* Commitments

Commitment	Commentary
Embrace diversity and work to mainstream community cohesion and reduce inequalities.	It is important to ensure that Black and Minority Ethnic organisations, faith and rural groups play a full and active part within the wider sector. The sector needs to ensure that all groups are able to contribute and that the process of mainstreaming equal opportunities into all aspects of policy making, service design and delivery is supported.

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