

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 –

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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