

The future role of the third sector in social and economic regeneration: interim report

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**The future role of the third
sector in social and economic
regeneration: interim report**

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HM Treasury contacts

This document can be found on the Treasury website at:

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For general enquiries about HM Treasury and its work, contact:

Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 4558

Fax: 020 7270 4861

E-mail: public.enquiries@hm-treasury.gov.uk

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FOREWORD

THE THIRD SECTOR AT THE HEART OF SOCIETY

It has been a great privilege to have the opportunity to jointly lead this first part of the review. It has been a rewarding and informative experience meeting so many organisations and individuals from across the country and from across the third sector. We hope this interim report reflects the main issues that we heard in the consultation and also shows how we can work with you over the next few months to develop our thinking on the key issues you raised.

It is clear there is more to do to improve the partnership between Government and the sector:

- we need to make the good principles of the Compact a reality. We want stable funding from every level of Government;
- we want three-year funding to be the norm not the exception for the third sector, as the recent Local Government White paper set out, and for central government; and
- we need to streamline accountability procedures so that you do not face unreasonable burdens.

However, we want our aims for this review to go beyond this. Ten years ago the Deakin review looked across the board at the sector and what needed to be delivered and we have seen many of its recommendations implemented: a new more generous Gift Aid tax regime, worth hundreds of millions of pounds, new investment in volunteering, the Futurebuilders programme to support investment in public services, and most recently the Charities Act. We have reached a time to reflect not just on the urgent changes for now, but the vision for the next ten years. We want to work to strengthen the relationship between the state and sector, how we can match up the different strengths of the state and the third sector so that we can better enable people to change society in five key areas.

First, campaigning and voice. As we recognise the pioneering and culture changing role you play, we want the sector's voice to be heard more loudly over the coming years. Secondly public services, through greater third sector delivery and reforming the way the state delivers itself, to focus on the users of public services. Thirdly to build strong and active communities with the sector's ability to reach out, engage, provide support and networks for people who often find themselves isolated and alone. In a world where people are more mobile and traditional institutions have broken down, this is more important than ever. Fourthly social enterprise. The Government's vision is of dynamic and sustainable social enterprises, contributing to a stronger economy and fairer society. This is critical to the successful economic and social regeneration of many communities. Finally, the Government needs to create the right environment in which organisations are empowered and enabled to achieve these changes.

We hope that organisations around the country will engage with the Government over the coming months to debate and discuss how we can work together to put in place a framework to enable the third sector to flourish in the years ahead.



Dawn Primarolo

Paymaster General, HM Treasury



Ed Miliband

Minister for the Third Sector, Cabinet Office

INTRODUCTION

THE FUTURE ROLE OF THE THIRD SECTOR IN SOCIAL AND ECONOMIC REGENERATION

1.1 Budget 2006 announced a review of the future role of the third sector in social and economic regeneration. The objectives of the review are:

- to assess the current landscape with regard to what has been achieved so far and what remains to be done;
- to begin to clarify and define the role of the sector, identify how Government interacts with the sector and how this should be structured; and
- to identify how Government and the sector can best work together and what more it should do to achieve the long-term goals of building a more cohesive society in the context of demographic change in the global economy.

1.2 This review is part of the 2007 Comprehensive Spending Review (2007 CSR), which will set departmental spending plans and priorities for the years 2008-09, 2009-10 and 2010-11. The 2007 CSR is also an opportunity to identify what further steps are needed to meet the challenges and opportunities of the decade ahead. The recently published report; *Long-term Opportunities and Challenges for the UK*, sets out these challenges of demographic and socio-economic change, the intensification of cross border competition, acceleration in the pace of innovation and technical diffusion, continued global uncertainty and poverty, and the increasing pressure on our natural resources and the global climate.¹

1.3 These long-term challenges have fundamental and far-reaching implications for public services and for society, and require innovative policy responses and coordination of activity across departmental boundaries. The 2007 CSR is therefore being informed by the analysis and conclusions of a series of detailed reviews, in addition to the third sector review. The Pre-Budget Report sets out the policy reviews that will inform the 2007 CSR, including a policy review of support for children and young people, a review of the policies needed to improve mental health outcomes and employment, the Leitch review of skills, and a review of the effectiveness of sub-national interventions on economic development and the regeneration of deprived neighbourhoods.

1.4 The third sector review is overseen by a cross-departmental ministerial group and is advised by a third sector advisory panel, drawn from organisations across the third sector. Membership of these groups is set out in Annexes B and C. This interim report summarises the huge and varied response from the largest ever consultation undertaken with the third sector and sets out an initial response from Government.

The third sector

1.5 The Government defines the third sector as non-governmental organisations which are value-driven and which principally reinvest their surpluses to further social,

¹ *Long-term opportunities and challenges for the UK: analysis for the 2007 Comprehensive Spending Review*, HM Treasury, November 2006.

environmental or cultural objectives. It includes voluntary and community organisations, charities, social enterprises, cooperatives and mutuals.

1.6 The Government believes that the third sector is a vital component of a modern healthy society. The consultation process has demonstrated again the millions of acts of support, help, enterprise, cooperation and selflessness in the third sector, which mean that it is constantly striving to improve the lives of individuals and communities.

The consultation

1.7 Budget 2006 announced that the review would be informed by the largest ever consultation with the third sector. The Government has been clear that the consultation would reach all parts of England and listen to all parts of the sector, especially small local community based organisations who are often closer to the most marginalised citizens in our society.²

1.8 Since launching the review in May 2006, the Government working in partnership with key national and regional partners, Government Offices and Government departments achieved its ambition, consulting over 2,000 people representing over 1,000 organisations. Targeted events for equalities³ and faith groups, social enterprises, the private sector and local government were also held. Annex A sets out the range of consultation events that took place, along with the organisations the Government worked in partnership with to hold the events. Over 250 written responses have also been received. These responses reflect the whole spectrum of third sector activity from small self-help groups, to campaigning organisations to large social enterprises delivering multi-million pound contracts.

1.9 Previous cross-cutting reviews the Government has undertaken looking at the voluntary and community sector and the third sector have focused solely on their role in the delivery of public services. This review has a much wider remit to examine the range of roles third sector organisations can play in social and economic regeneration and has consulted across the range of these interests.

1.10 It has been clear throughout the consultation process that there are areas of work that need further investigation in the next phase of the review, particularly around the future role of the third sector in building communities and in campaigning and promoting voice. The Government also needs to take account of the way the third sector works in other countries to gauge whether there are lessons to be learnt from international experience.

Consultation responses

1.11 Thousands of comments and ideas have been received in the last seven months. This interim report provides a snapshot of the key responses that were heard most consistently and strongly across the country. These responses form the core of the issues and ideas the Government is proposing to take forward.

1.12 In the second phase of the review between December 2006 and the conclusion of the 2007 CSR, work will continue with the sector and others to analyse these issues and take forward the dialogue started in the consultation. A fuller analysis of the

² Third sector issues are a devolved responsibility, so Scotland, Wales and Northern Ireland are outside the scope of this review.

³ Equalities groups refer to groups who define themselves as representing marginalised communities, including women's groups, black and minority ethnic groups, lesbian, gay, bisexual and transgender communities, disability groups and refugee and asylum seeker groups – for further details see Box 3.2.

comments and ideas raised in the consultation will be published on the Treasury and Cabinet Office websites.

1.13 The consultation has shown the huge diversity across the third sector, for example in organisations' size, values, objectives and finances. Different parts of the sector will need different support at different times and policy development must recognise this diversity. However, the consultation has highlighted a number of key areas of particular importance for Government in its relationship with the sector.

NEXT STEPS

1.14 Immediate actions the Government will take or is considering are included in Chapters 2-7. These chapters cover the role of the third sector in building stronger and connected communities, in enabling voice and campaigning, in promoting volunteering and mentoring, in social enterprise, in transforming public services, along with the environment needed to foster a healthy third sector able to fulfil its ambitions. Chapter 8 sets out plans for the next stage of the review process, to conclude with the 2007 CSR. Building on the first phase of consultation and response from the sector, the second stage of the review will focus on five themes:

- voice and campaigning;
- communities;
- public services;
- social enterprise; and
- a healthy third sector.

1.15 Chapter 8 includes a list of questions on the five themes that the Government will work to address during the next phase of the review process. These questions have emerged clearly from the consultation process so far. Many of them refer to gaps in current knowledge or evidence. The Government will work in partnership with the third sector to develop the analysis and evidence in these areas.

2

STRONGER AND CONNECTED COMMUNITIES

INTRODUCTION

2.1 Strong and prosperous communities, able to bring people together to deal with common concerns, are a vital part of the renewal of civil society. The active involvement of communities of place or interest, in improving their quality of life is critical to achieving the best outcomes in civil renewal and neighbourhood regeneration. The Government therefore wants to ensure that all communities have the capacity to participate, to develop and to work with others. One important way that Government can do this is to work with the local third sector, consisting as it does of organisations that can provide the platform for provision of services, for bringing about change and for developing strong and positive relationships between people of different backgrounds. Working with the third sector is a part of building strong and connected communities.

2.2 The Government also recognises that taking action to build strong communities presents a clear challenge – the wrong kind of government intervention can stifle and interfere with the innovation and work of individuals and communities, but too little support can leave communities cut adrift. Moreover, the promotion of connected and cohesive communities cannot be forcibly imposed by external agencies but has to be achieved through community members and groups working together for the benefit of all. Action must be locally defined and driven.

THE ROLE OF COMMUNITY ORGANISATIONS

The community sector

2.3 The community sector is fluid, large and diverse. Organisations range from local self-help groups with little or no budget, often representing marginalised individuals, to large multi-purpose community action centres with multi-million pound turnovers. At this end of the scale, community based social enterprises often own or manage assets, which are used to support a wide range of community activities and can provide services and generate wealth for the area. These organisations can have a unique community anchor role, holding fast in times of difficulty for the community and taking responsibility for the well being of the local third sector.⁴ The community sector includes numerous faith based groups, described in more detail in Box 2.2, and equalities organisations detailed in Box 3.2.

2.4 Recognising this diversity, the Compact Code of Good Practice on Community Groups describes the community sector as the web of ‘personal relationships, groups networks, traditions and patterns of behaviour among people who share physical neighbourhoods, living conditions or common understandings and interests. It is the community itself taking action to get things done, although much of its activity is informal and often invisible.... Its activities can range from nurseries and play groups to community centres and village halls, from tenants’ associations and environmental groups, from arts and sports groups to credit unions, and from self-help groups to scout groups.’⁵

⁴ *Building communities, changing lives; The contribution of large independent neighbourhood regeneration organisations*, Stephen Thake for the Joseph Rowntree Foundation, 2001

⁵ *Compact Code of Good Practice on Community Groups*, Home Office/Compact Working Group, 2001.

2.5 It is difficult to provide an accurate picture of the size and scope of the community sector. However, estimates range from around 500,000 to 900,000 organisations.⁶ Other studies have suggested that 85 per cent of the local third sector are mutual aid and common interest organisations, operating with or without the help of a small number of paid staff, constituting the local community sector.⁷

Rural organisations

2.6 The community sector is particularly well established in rural areas. There are significant numbers of rurally based organisations, with a higher number of organisations per 1,000 people than in urban areas. Rural community councils have contact with more than 40,000 grass roots organisations in the 11,000 rural communities across England.⁸ Almost 10 million people, 20 per cent of England's population live in rural areas, predominantly in villages and small market towns. The demographic structure of the rural population is different to urban areas, with the population ageing faster than average. Research for the Department for Food and Rural Affairs suggests that this trend is significant for the third sector in rural areas, as they are often the key provider of some local services and the means by which people become engaged in their communities, often through Parish Councils.⁹

Box 2.1 Gamblesby Village Hall

Gamblesby is a village of less than 200 people in Cumbria's Eden Valley some 12 miles east of Penrith.

During the 1990s, Gamblesby gradually lost all its public facilities and in 2001, foot and mouth blighted the village. The village hall had to be closed in 2002.

Led by an energetic and visionary chair, a local action group was formed in 2002 and decided that revitalising the village hall, the only remaining public building in the village, would be an important element in and also a symbol of the village's recovery. Building on interests within the action group it was decided to focus the project on energy efficiency and sustainability and to make it a whole village project utilising the skills and energies of all local people both in the project's development and its implementation.

In 2004, phase one was completed with grants from a variety of funders together with local fund raising initiatives. The hall currently provides a space for a host of village meetings and societies. Volunteers currently carry out all the work associated with running the hall.

The activity has done much for the village providing an attractive focal point and restoring pride in the community. Phase two, with support from a number of organisations, sees the building of a major new extension to the hall to include a separate meeting room, toilet block, storage facility and kitchen. Phase two is almost complete and includes a wind turbine to work with the ground source heat pump and underfloor heating system installed in phase one.

2.7 Community organisations are owned and led by community interests providing clear benefits to individuals and communities through:

⁶ *The UK Voluntary Sector Almanac*, NCVO 2006 and *Low Flying Heroes*, New Economics Foundation, 2001.

⁷ *Measures of Community: A study for the Active Communities Directorate and the Research Development and Statistics Directorate of the Home Office*, Community Development Foundation, 2004.

⁸ *Mapping the Rural Voluntary Sector*, NCVO, 2002

⁹ *The Future of Service in Rural England, a Scenario for 2015*, Countryside and Community Research Unit, University of Gloucestershire, June 2005.

- building social capital – community organisations’ ethos of bringing people together to achieve change in an area is at the core of our understanding of building social capital, defined as the networks together with shared norms, values and understandings that facilitate cooperation within or among groups;¹⁰
- providing community services – that reflect and respond to the needs of the community, rather than being driven by formal public service contracting;¹¹
- promoting participation and empowerment – in community activity, enabling citizens to contribute to identifying effective solutions to their own problems and providing the arena for that change to occur. Volunteers are at the heart of the majority of local community organisations and projects, with research suggesting that 60 per cent of all volunteers in the sector are found in community organisations.¹² Participation can take on a more formal role when a community organisation goes on to take its concerns to a statutory body, or becomes a representative of the sector in a Local Strategic Partnership or other forum. Community organisations are often able to cultivate deeper levels of trust in the organisation than some public institutions and as such are able to act as brokers or intermediaries between formal public service provision or governance and citizens;¹³ and
- contributing to local regeneration – in a variety of ways including providing opportunities for citizens’ personal development, including support to reconnect people with the labour market, improving benefit take-up through advocacy and advice, providing public services and fostering alliances with other third sector organisations to promote community cohesion and stability. In this way, the third sector is a vital partner in addressing deprivation and child poverty.

2.8 In order to achieve these outcomes community organisations require certain resources, including financial and physical, access to governance, infrastructure support and community development support.¹⁴ Community enterprises in addition, look to generate their own resources through trading. Organisations look to a variety of sources for these resources including rural community councils, local third sector infrastructure organisations, Local Authorities and trusts and foundations. Both central and local government have a role in ensuring the accessibility of these resources.

THE LAST TEN YEARS – SUPPORTING COMMUNITY BUILDING

2.9 The Government has put in place investment to drive the regeneration of the most disadvantaged areas, and to build sustainable, cohesive and empowered communities.

¹⁰ Organisation for Economic Cooperation and Development definition

¹¹ *Searching for Solid Foundations: Community Involvement and Urban Policy*, Community Development Foundation for the Office of the Deputy Prime Minister, September 2003.

¹² *Who are the capacity builders: A study of provision for strengthening the role of local communities*, Community Development Foundation, 2006.

¹³ *Start with People. How community organisations put citizens in the driving seat*. Demos, 2005.

¹⁴ Community development is a set of values, techniques and outcomes around building active and sustainable communities. Community capacity building is its practical component.

Neighbourhood Renewal **2.10** One of the key Government drivers of community activity since 1997 has been the additional funding available in the 88 most deprived Local Authority areas to make improvements in worklessness, crime, health, skills, housing and the physical environment, through the National Strategy for Neighbourhood Renewal. The Single Community Programme (now part of the Safer and Stronger Communities fund (SSC) in the Local Area Agreement (LAA) framework) specifically focused on building cohesion through community activity and increasing community participation in regeneration. Evaluation of the programme undertaken in 2004 highlighted that to date the programme had supported around 25,000 separate self-help and community projects, contributing to neighbourhood renewal targets or to the broader renewal goal of promoting community involvement and social cohesion.¹⁵

Building communities and empowering citizens **2.11** This strategy for neighbourhood renewal has been complemented by further work to empower citizens and communities and to build community capacity. The Government set out a framework for community capacity building in *Firm Foundations*,¹⁶ while *Together We Can*¹⁷ outlines the Government's commitment to give power to citizens to set and achieve common goals. Most recently, the Local Government White Paper¹⁸ highlights the need for Local Authorities to work in partnership with the local third sector, and sets out measures to increase the involvement of users and communities in commissioning decisions and to provide communities with more opportunities to access and influence local government.

THE CONSULTATION

2.12 The consultation highlighted how the range of organisations in the third sector contribute in many ways to promoting stronger and connected communities, from a small self-help group to a large community based social enterprise delivering wealth to regenerate an entire neighbourhood.

A viable resource mix **2.13** The consultation suggested that there would be benefit to maintaining a mix of grant funding open to small community organisations, alongside the increasing availability of opportunities for third sector organisations to contract with Government for the delivery of public services. Many small organisations are not in a position to compete for public service contracts, nor do they see formal public service delivery as part of their core function. Some organisations are finding it harder to access grants, while the National Audit Office report of the Single Community Programme¹⁹ highlighted that providing small grants directly to community organisations builds confidence, enabling groups to become more involved in community action and neighbourhood renewal. The consultation highlighted in particular that the wind down of grant funding such as the Single Regeneration Budget and European funding poses particular challenges to local community groups and projects.

2.14 The consultation also demonstrated that the Government needs to do more to ensure that organisations representing marginalised groups, such as black and minority ethnic groups, lesbian, gay, bisexual and transgender communities, women's groups, disability organisations and faith based groups are able to access the mainstream grant funding that is available. In the specific case of faith based organisations, many said

¹⁵ *Getting Citizens Involved: Community Participation in Neighbourhood Renewal*, National Audit Office, October 2004.

¹⁶ *Firm Foundations, the Government's Framework for Community Capacity Building*, Home Office, 2004.

¹⁷ *Together We Can, People and government, working together to make life better*, Home Office, 2005.

¹⁸ *Strong and prosperous communities, The Local Government White Paper*, DCLG, 2006.

¹⁹ *Getting Citizens Involved: Community Participation in Neighbourhood Renewal*, National Audit Office, October 2004.

that within a secular society they encounter suspicion from funders in applications to deliver particular projects or services. The Government wants to ensure that the range of community based organisations can access the support available to perform their multiple roles of providing voice to citizens and in building communities.

2.15 The Safer and Stronger Communities Fund includes the increased capacity of local communities to participate in local decision making as one of its key outcomes and highlights that small grants programmes administered by the local third sector are a cost effective and relatively simple way to engage communities in local activities.²⁰ **To inform the outcome of the review, the Government will examine the nature and level of grants available to small organisations from various sources to support the voice and empowerment of local groups.**

Box 2.2: Faith based organisations

The Charity Commission reports that there are over 22,000 religious charities working in England and Wales, representing a wide range of different faiths.^a

The Government recognises the vital contribution faith communities makes to society. Faith communities can make a difference in ways governments cannot; in the ways they reach out to excluded communities, build the confidence and abilities of those who volunteer, and provide innovative solutions to the new problems that society faces. The Government wants to address the barriers faith communities experience to participation in civic life, including in accessing sources of funding, and wants to increase and improve the wide range of services that they provide to members of their own faith and to the wider community.

The Government is committed to working with all faith communities at local, regional and national levels. This is being achieved by various means including:

- the Faith Communities Consultative Council (FCCC) - a streamlined national structure for Government to engage with faith communities, monitor consultation and receive feedback from national faith representatives. The FCCC includes representatives from the nine main world faiths;
- a network of officials in Local Authorities with the most diverse faith communities to support and spread good practice in working with faith communities;
- sponsorship of the Interfaith Network to strengthen and increase interfaith cooperation and activity at local, regional and national levels; and,
- the Faith Communities Capacity Building Fund, managed on behalf of Government by the Community Development Foundation.

^a www.charity-commission.gov.uk (not all faith based organisations will be registered charities, so this figure provides an indication of the size of the sector)

**Community
Capacity
Building**

2.16 The consultation has highlighted that building the capacity of communities and community based organisations to deliver the informal, flexible services communities need and to engage in delivering change for communities, requires a range of skills and resources. Promoting the voice and empowerment functions of community based organisations should therefore go hand in hand with community capacity building, providing the practical support needed for people and organisations to act to tackle local problems.

²⁰ *Safer and Stronger Communities Fund, Taking the agreements forward*, ODPM/Home Office, August 2005.

2.17 Firm Foundations sets out a community development approach to strengthening the community sector. The report sets out four key areas for action: a menu of appropriate and accessible learning opportunities for citizens and professionals to equip them for active citizenship and community engagement; the development of community anchor organisations; the promotion of local action planning and, stronger links between those who support community capacity building at local, regional and national levels. The Government has taken forward a number of key actions to implement Firm Foundations including:

- funding for the Community Alliance organisations,²¹ to develop the community anchor approach and investment in the Adventure Capital Fund as a source of funds for enterprise based community anchor organisations;
- publication of Together We Can, bringing together work and highlighting best practice across Government to empower citizens to work with public bodies to achieve change; and
- establishing training opportunities for public sector officials in community engagement and launching the Take Part Framework for active learning for active citizenship (Chapter 3 sets out further details).

2.18 The Government recognises that there is more to do to fully implement and embed the principles and recommendations of Firm Foundations. **As part of the next phase of the review the Government will look at how best to embed community capacity building within its overall strategy for third sector capacity and infrastructure support.**

Community Assets

2.19 The consultation demonstrated that community owned or managed assets can be critical to the success of community organisations serving local needs, enabling communities to generate wealth, deliver services and strengthen community engagement. A key component of community capacity building is the development of assets and Local Authorities have a critical role to play in using the powers available to them in transferring ownership and management of assets for the benefit of the community.

2.20 There are a range of powers and opportunities that exist for Local Authorities (and to some extent other public bodies), to transfer assets to community ownership or management. These include the power for Local Authorities to grant leases for premises at less than market rent for up to seven years, and the extension of this power with regard to premises used for 'recreational purposes' for any period.²² The Government has also provided a general consent (by the Secretary of State) to Local Authorities to dispose of assets at less than best consideration within certain constraints.²³

2.21 The Government has recently established the Quirk review on community management and ownership of assets, which is considering how existing powers and policies can be better used to overcome the barriers to successful asset transfer. The Quirk review is being advised by a reference group of key third sector representatives and Government officials and will report in spring 2007. This review has committed to feed in the results of the consultation with the third sector into the Quirk review.

²¹ A pro-active collaboration of third sector organisations – Community Matters, the Scarman Trust, Bassac and the Development Trusts Association.

²² Local Government Act 1972 and the Local Government (Miscellaneous Provisions) Act 1976

²³ Local Government Act 1972: General Disposal Consent (England) 2003.

2.22 Building on the measures set out in the Local Government White Paper, and the principles of Firm Foundations and to support the outcomes of the Quirk review, **the Government will establish a Community Assets Fund of £30 million to make it easier for communities and community groups to take on the management or ownership of assets.** The fund will offer capital for the refurbishment of assets that will be transferred to community management or ownership.

Box 2.2 Community anchors – the Peepul Centre

The Peepul Centre is a 60,000 square foot flagship community led regeneration project in Leicester. The building was completed in autumn 2005. The concept was developed and pioneered by the Belgrave Baheno Women's Organisation, a Leicester City based community organisation with a membership of over 5,000 women and girls.

The Peepul Centre concept of sustainable community development was conceived in the early 1990's. As a result of its visionary purpose, the centre has been adopted as a flagship project by a wide number of agencies including the Millennium Commission and East Midlands Development Agency.

On three storeys with an upper level mezzanine gymnasium, the development has a 100 cover restaurant, cyber café and dance studio, a community wing with a children's development centre, training and conferencing, a health and well being wing and fitness and leisure suite. The centre also incorporates a 350 seat auditorium. The site hopes to attract over two hundred and twenty thousand users per year when fully operational.

www.peepulcentre.com

Effective local engagement and representation

2.23 The Government has recognised, in consulting with the range of community organisations around the country, that while there is some clear evidence of good practice in the relationship between the local third sector and local statutory bodies, this practice is inconsistent. Where the relationship works well, community organisations are empowered to influence policy, they are represented fully in decision making arenas such as Local Strategic Partnerships (LSP) and are resourced on a sustainable and transparent basis. However, the Government needs to do more to ensure that effective relationships are the norm.

2.24 The majority of interaction that community based organisations have with Government is at a local level or with local statutory bodies such as Primary Care Trusts. 98 per cent of Local Authorities now have a Compact with the third sector in place or in development, setting out an agreement for best practice in the relationship. Local Area Agreements are working to embed involvement of the third sector in setting local priorities and delivering services, and Sustainable Community Strategies provide a framework to promote the local third sector. Community Empowerment Networks, have also had some success in influencing local decision making through representation on Local Strategic Partnerships and other more informal channels.

2.25 The recently published Local Government White Paper sets out further measures to enable local delivery agencies to respond more flexibly to local needs and to enable citizens and communities to play their part. The main vehicle in future for developing a vision for transforming a place and for tackling hard cross-cutting social problems will be the Local Strategic Partnership, through Local Area Agreements. LSPs will bring together the third sector with the public and private sectors to coordinate the contribution that each can make to improve localities. This will help strengthen the partnership between local government and the third sector. In addition, taking forward

the proposals in the Local Government White Paper, Government will consult on consolidated, statutory guidance for the revised best value duty to strengthen the participation of local citizens and communities. In order to discharge their new duty, Local Authorities will need to actively work in partnership with community led organisations to reach and engage citizens especially those who feel marginalised in society.

2.26 It is also key that Local Authorities work with the local third sector to help them build capacity both in communities and the sector itself. **Therefore, for 2007-2008 the Department for Communities and Local Government (DCLG) will allocate an extra £6.5 million within the Safer and Stronger Communities block of LAAs. Those Local Authorities in receipt of the SSC neighbourhood element will get an additional £65,000 on top of their existing £516,000 allocation for 2007-08.** DCLG will be encouraging Local Authorities and their partners to use the funding to build the capacity of local community groups, especially those operating at the neighbourhood level, and to help strengthen the voice of the third sector and local people in the design and delivery of LAAs. This includes supporting Community Empowerment Networks.

**Third sector
working
together**

2.27 The consultation has also highlighted that within the third sector there is a desire among the diverse organisations to build trust, make partnerships work and to break down the barriers that may still exist between organisations representing different interests. The Government can support this process by treating different communities of place and interest equally and fairly. The new Commission on Integration and Cohesion will consider how local areas can make the most of the benefits delivered by increasing diversity and is consulting on what steps can be taken to make communities more cohesive and integrated places to live.

3

ENABLING VOICE AND CAMPAIGNING

INTRODUCTION

3.1 Positive changes in society are driven by citizens and communities, not by governments alone. It is when people come together to seek to improve or change something that they care about that things can really start to happen. This coming together can be as large scale as the Make Poverty History campaign or as local as campaigning to improve road safety in a neighbourhood. It is often about campaigning or lobbying government but can also involve people coming together to resolve problems on their own, seeking to change their own environment and influence others within it.

The third sector in voice and campaigning

3.2 As advocates and campaigners, independent third sector organisations make it possible for community views and concerns to be expressed. This may happen directly, by supporting self-advocacy and equipping people with the skills for citizenship and campaigning, or indirectly drawing on the knowledge gained by working in the community and representing the views of the community.²⁴ This is a key component of civil renewal, the development of strong, active and empowered communities, in which people are able to do things for themselves, define the problems they face, and tackle them in partnership with public bodies. Moreover, the diversity of organisations in the third sector, representing different groups of people or interests allow a wide range of views to be expressed, and as such are also a vital part of the democratic process.

3.3 The third sector is also taking an increasing role in public service delivery, which it can use to empower users and inform campaigns. One of the significant skill sets the sector brings to service delivery is its knowledge and experience of engaging users in the services it delivers, as set out in Chapter 6. An additional benefit of this user engagement is the extent to which it empowers those citizens, increasing their confidence, skills and ability to influence their surroundings. Public service delivery should not restrict the sector's ability to campaign and advocate on behalf of its members.

3.4 The third sector, particularly cooperative organisations and mutuals operating in a range of delivery areas, also promote the voice and empowerment of individuals through employment and membership structures. The principles of the cooperative movement include democratic member control and members' economic participation.

3.5 The Government's role is to support an environment in which third sector organisations can actively play the voice and campaigning role that they wish to and to ensure that all citizens and communities feel their voices can be heard. The Government is conscious that some groups currently feel they have a weaker voice – those who are poorer, have a disability, or experience discrimination or other forms of inequality or disadvantage. There is a need to ensure that all have an equal opportunity to participate.

²⁴ *Civil renewal and active citizenship: a guide to the debate*, NCVO, June 2005.

Box 3.1 Government and the third sector campaigning together

In November 2002, the Department of Health committed to funding tobacco control campaigns by the third sector.

Cancer Research ran a multimedia campaign entitled Death Repackaged in 2003. The campaign, which ran on television, radio, press and beer mats, looked to illustrate the hidden dangers of terms like 'light' and 'mild' by featuring dangerous creatures with cuddly names.

In 2004, the British Heart Foundation launched Artery, a television, poster and press campaign that highlighted the damage that cigarettes can do by clogging up arteries.

At the same time, the NHS ran two separate campaigns, the first highlighted the health risks to children from passive smoking. The second campaign, Testimonials ran on television, press and radio in 2003 and 2004 and featured smokers demonstrating the health consequences the habit can cause.

Research showed that this mixture of messages pushed up the effectiveness of the anti-smoking message. By February 2004, it had become the key reason for attempting to quit with 32 per cent claiming it as their spur to action. Spontaneous awareness of anti-smoking advertising reached its highest ever level at 76 per cent in 2004. The strategy of having the message come from multiple voices prevented smokers feeling victimised. The most crucial result, however, is that the advertising is encouraging people to take action. In 2003-04 calls to the NHS helpline rose 54 per cent year on year and smoking levels among adults in England fell to an estimated 25.6 per cent, hitting the interim target three years early.

THE LAST TEN YEARS – CONSULTATION AND CAMPAIGNING

3.6 Evidence from the last 30 years shows a shift in civil engagement. Election turnouts are generally lower and membership of political parties and trade unions have fallen.²⁵ At the same time, membership of single issue organisations and charities is increasing and public trust and confidence in charities is high.²⁶ One-off events like Live 8 have attracted record numbers of supporters.

Establishing a supportive environment

3.7 In carrying out its voice and campaigning role third sector organisations are regulated in the same way as other organisations, according to the standards and codes of practice relating to public order, advertising and the rights of petition. For charities, charity law draws a distinction between political purposes and political activities. Charities cannot have political objectives but they are able to engage in political campaigning in order to further their charitable purposes. The Charity Commission re-issued its guidance on campaigning in 2004 to aid greater understanding of the activities, which charities can undertake.

3.8 The Government also seeks the views of organisations and individuals more than ever before (with an average of over 600 national consultations a year from 2002 to 2005) to ensure that a range of voices is heard through the policy making process. A range of activities has also been undertaken jointly with the sector to support increased democratic engagement and increased registration for elections. This activity has included a major campaign run by the Department for Constitutional Affairs (DCA) and

²⁵ *Power to the People*, Power Inquiry, 2006.

²⁶ *Survey of public trust and confidence in charities*, Opinion Leader Research for the Charity Commission, November 2005

campaigning groups to raise awareness of voter registration with London's 'urban youth' (18-24) prior to the May 2006 London local elections.

The Compact 3.9 Established in 1998, the Compact sets out an agreement between the third sector and Government to promote an effective relationship for mutual benefit. Through the Compact, the Government has undertaken to support the sector's right to campaign and comment on Government policy through formal and informal consultation. The appointment of the Commissioner for the Compact in 2006 and the plans for Compact Plus will seek to strengthen the implementation of these commitments.

Local voices – the Local Government White Paper 3.10 The Local Government White Paper published in October 2006 seeks to make the best of local partnership working the norm everywhere, ensuring that there is high quality third sector representation and engagement at a local level to support local government's 'place-shaping' role. The White Paper recognises the diverse nature of the sector and the different roles that it plays – shaping and designing effective services, representation and advocacy, lobbying and influencing policy. It states that 'where the sector seeks to represent localities, and in particular vulnerable and underrepresented groups, the sector should work in partnership with frontline councillors' and says that Government 'will empower the sector and build capacity, alongside other communities of local interest, to provide that voice and accountability'.²⁷

Box 3.2 Equalities based organisations

One of the great strengths of the third sector is its diversity. Accurate data on this diversity is difficult to obtain but of those organisations who are registered charities, it is possible to identify a significant number working on equalities issues. Based on the organisation's stated beneficiaries, this includes, over 11,400 charities working with women, over 11,700 charities working with people of a particular minority ethnic origin, over 37,100 charities working with people with a disability and over 200 charities covering lesbian, gay, bisexual and transgender communities.^a

The Government recognises the crucial role that third sector equalities based organisations play in helping reduce inequality and building community cohesion. Equalities groups undertake a vast array of activities, and play a vital role in supporting those who can feel marginalised from society to develop their voice and be heard. The Government wants to address barriers that equality groups face to participation in civic life.

The Government has put in place strategies and legislation to tackle discrimination to enable diverse communities to be included in society. To continue the implementation of these policies and strategies in a coherent way, the Commission for Equality and Human Rights (CEHR), will come into being in October 2007, and will work across Government and actively with organisations across the third sector to take this agenda forward.

^a Guidestar UK database.

²⁷ *Strong and prosperous communities, The Local Government White Paper, DCLG, 2006.*

THE CONSULTATION

3.11 Voice, campaigning, advocacy and challenge have been identified, through the consultation, as key to the sector's ability to play a role in shaping economic and social regeneration and contributing to civil renewal.

A listening and responsive Government

3.12 Through the consultation, the Government heard that although the level of interaction between third sector organisations and Government is rising, the Government needs to do more to demonstrate that it is actively listening and responding to consultation. Government often calls on the third sector for its evidence, expertise and views. However, it must be clearer on the action that it takes as a result. There is a recognition that not all views can be responded to but a desire for greater articulation from Government of the reasons why decisions and actions have been taken.

3.13 The Government recognises that listening and responding to the views of citizens and communities is a crucial part of the policy making process. The Government consults more extensively now than ever before and re-issued its consultation guidance in 2004 to seek to improve the effectiveness of the way that it consults, to strengthen the commitment to providing respondents with feedback, and to follow better regulation best practice. The DCA is running a programme, which aims to help build the capacity of those across Government to be able to engage with the public, building up the skills and confidence of those running or commissioning engagement activities.

3.14 The Government however wants to build on these actions to ensure that when it consults with the third sector, it is a better partner, listening actively to the views of the sector and providing useful feedback. **The Government is interested in the views of third sector organisations in how it can further improve consultation and engagement activity and in seeking these views will use the next phase of the review to consider innovative models of consultation, including through the use of new technology.**

Enabling and empowering citizens

3.15 The consultation highlighted that the third sector is often a crucial partner in enabling and equipping citizens to participate in campaigning, democratic processes and civic activity. However, to promote this further there is a clear need for appropriate learning opportunities for individuals and organisations to engage effectively in civic participation. The Government recognises that better partnerships between third sector organisations and local statutory bodies will form the basis for building greater civic engagement from all citizens.

3.16 Take Part is the new national framework for adult citizenship skills, developed from the Active Learning for Active Citizenship pilot programme which aimed to test out different approaches to active citizenship learning. The framework includes principles, case studies, good practice advice and guidance on how to run active learning programmes and is supported by the Take Part Network.²⁸ Take Part provides the necessary learning opportunities to deliver the principles of Together We Can and Firm Foundations. It will also help to achieve the ambition set out in the Local Government White Paper of informed, empowered citizens at the centre of reform of local services and a new, dynamic and responsive relationship between elected councillors and local residents. For young people, citizenship education in schools provides opportunities to learn about community involvement and political processes.

²⁸ www.takepart.org Take Part is supported by the DCLG and the Learning and Skills Council.

3.17 There is growing national interest and debate on the citizenship agenda, particularly on how to reflect the diverse nature of British communities in citizenship education. The Government has commissioned an independent diversity and citizenship review led by Keith Ajegbo. The review has two aims: to promote diversity across the curriculum at all ages; and consider whether to incorporate ‘modern British cultural/social history’ as a fourth pillar of the secondary citizenship programme. The review will report in December 2006. A second independent review led by Dr. Ataullah Siddiqui will look at how to improve the information about Islam that is available to students in English universities, and increase their understanding of how the teachings of Islam can be put into practice in pluralist contemporary society. Following the publication of the 14-19 Education and Skills White Paper,²⁹ the Qualifications and Curriculum Authority is also carrying out a review of the curriculum for young people aged 11 to 14, which will report next year.

3.18 The third sector review will work in partnership with these reviews to agree how best to promote the role of the third sector in promoting civic engagement, voice and empowerment of citizens in the citizenship curriculum.

Box 3.3 Community media

Community based radio, television and internet projects work by enabling local people to become media producers to reinforce knowledge, dialogue and cultural expression at neighbourhood and community level. Community media is community owned and controlled, giving access to voice in the community and encouraging diversity, creativity and participation. Community media is providing media and information communication technology access, training and employment and is an exciting source of social innovation. Combining social enterprise, creative content production and skills for the digital economy, community media has a vital role in reaching out to people and communities at risk of exclusion and disadvantage.

The Community Media Association (CMA) is the UK representative body for the community media sector and is committed to promoting access to the media for people and communities. It aims to enable people to establish and develop community based communications media for empowerment, cultural expression, information and entertainment. Membership of the CMA currently exceeds 600, bringing together established organisations, aspirant groups and individuals within the sector. The CMA provides a range of advice, information and consultancy, as well as facilitating organisations and individuals in reaching audiences with their work. As part of this, in May 2003, the CMA launched The Showcase; the world's first streaming media archive of radio, television, internet projects and training material from the community media sector.

www.commedia.org.uk

Third sector voices together **3.19** Finally, the consultation has identified a desire among third sector organisations that where they have similar objectives or opinions they should seek to join their voices together in order to more effectively work with Government and campaign for change. It is clear that where this happens the results can change the way individuals and governments think about a particular issue. This joining of voices should not be imposed by Government, but must be built from the bottom up. The consultation has highlighted ongoing work in the third sector to build third sector voice, receiving responses for example from the Community Sector Coalition, and the Third Sector Network, both aiming to bring voices together.

²⁹ 14-19 Education and Skills, Department for Education and Skills, February 2005.

3.20 To improve and encourage this exchange the Government is funding a number of key strategic partners at national and regional level to ensure that the views of the sector can make an impact on the development of Government policy toward the sector. At national level, this funding is for a minimum of three years and will enable the Government to develop a more positive and proactive joint approach to the needs and values of the sector than previously.

Box 3.4 The Third Sector Alliance

The Third Sector Alliance (3SA) is the regional network of 225 networks of voluntary and community organisations for London. It was set up in 2000 after extensive consultation across the region identified the need for London's third sector agencies to play a leading role in the development and implementation of regional policy. It aims to channel the views of different groups from the grassroots to policy and decision makers in London.

3SA members benefit from shared expertise, skills and resources. By combining forces, 3SA is developing into a powerful alliance to influence regional agendas, and an effective means for funders and policy makers to engage in London.

Some of 3SA's key achievements include:

- July 2001 - London's Transport Strategy was informed by a strategic group of voluntary and community representatives led by 3SA resulting in changes to consultation processes when working with the third sector;
- March 2002 – 3SA led the development of and eventual agreement of the first Compact between Greater London Authority, Transport for London and London's local third sector; and
- February 2004 - 3SA brought together responses to the draft London Plan and evidence was given by a collective of 3SA members at Examination in Public. This involvement affected direct policy changes in the London Plan concerning sector engagement and consultation.

4

VOLUNTEERING AND MENTORING

INTRODUCTION

4.1 A great strength of civil society is the motivation that so many have to give up their time to support others, to build communities and to protect the environment. The Government recognises the huge contribution volunteers make across the country in so many different areas of activity. In 2005, over 20 million people in England volunteered formally or informally at least once a month, representing half of the adult population and up from just over 18 million people in 2001.³⁰

4.2 Volunteering can take many different forms, from helping neighbours or friends informally to having a more formal role such as being a trustee of a charity. Sport, education and social welfare are the most common fields of volunteering, with fundraising, organising events and committee work the most common activities.³¹ The public services also involve large numbers of volunteers, for example as magistrates, special constables, school governors or in the health service. Volunteering in the 21st century is increasingly diverse, taking in new areas like schoolchildren coaching younger pupils and e-mentoring.

4.3 This diversity is also reflected in the volunteer base, with regular formal and informal volunteering most common amongst those from mixed race and black backgrounds, followed by those from white backgrounds. Thirty one per cent of women and 27 per cent of men volunteer formally at least once a month while similar percentages of younger and older people volunteer formally each month (apart from the over 75s where formal volunteering declines more significantly). However, there is further work to do to increase the diversity of volunteers, with those without formal qualifications, people with disabilities and some minority ethnic groups participating less.

Mentoring 4.4 Mentoring is a particular form of formal volunteering, involving one to one relationships based upon building trust, with the goal of providing support, advice or practical assistance. Examples of mentoring include older pupils being linked with younger pupils in schools, perhaps to help support attainment, attendance or behaviour. Mentoring may have a particular value in helping marginalised groups who may find it difficult to access other forms of support, for example lone parents, new immigrants or refugees.

4.5 Mentoring and befriending have always existed in a wide range of informal forms, as people seek to support one another at school, work or in their communities. This base is being built on through the establishment of more formal arrangements, as the benefits and popularity of mentoring spread. The 2003 Citizenship Survey³² suggested that there are around two million mentors and befrienders in England and Wales.

³⁰ Formal volunteering is defined as giving unpaid help through groups, clubs or organisations to benefit other people or the environment. Informal volunteering is defined as giving unpaid help as an individual to people who are not relatives. Both types of volunteering can be regular (at least once a month) or irregular (at least once a year), DCLG Citizenship Survey 2005.

³¹ *National Survey of Volunteering*, Institute of Volunteering Research, 1997.

³² *2003 Home Office Citizenship Survey: People, Families and Communities*, Home Office, December 2004

The benefits of voluntary and community activity

4.6 Volunteering has a direct impact at an individual level providing benefits to the volunteers themselves and on building communities and a healthy civil society. Individually, volunteers may be motivated by their faith or a desire to make a contribution to their communities, or they may want to be involved in a particular cause about which they feel strongly. Others may just want to do something that they enjoy in their spare time, or they may use volunteering to develop new social networks. Volunteering can also help build up confidence, skills and experience which can be useful in later training or employment.

4.7 Mentoring too can help to achieve better individual outcomes, including greater opportunities for those being mentored, and increased skills for the mentor. One Joseph Rowntree Foundation study³³ in a number of mentoring projects found that the young people involved felt that the experience had contributed to their skills and development, and mentors expressed satisfaction with the contribution they had made. Reports from the peer mentoring project at Plessington Technology College,³⁴ found that mentees increased their educational attainment through improved motivation and respect, while mentors felt a sense of responsibility and increased feelings of worth through a more collaborative relationship with teachers. The outcomes also contributed to meeting the school's behaviour policy and the school's mission statement, with significant improvements in behaviour among pupils that had been identified as behaviourally challenging.

4.8 Volunteering has a wider direct positive impact on communities through the contributions volunteers make to other people or to the local environment. Voluntary activity also has the capacity to build social capital when people from different backgrounds volunteer together. The 2005 Citizenship Survey found that there is a clear positive relationship between active communities and social cohesion, and found there to be relationships between volunteering and having friends of different minority ethnic groups, and having a sense of belonging to the neighbourhood.³⁵ Volunteering may also have a positive economic impact through the transferable skills people gain.

4.9 Volunteers also form a major part of the third sector workforce. Without volunteers, many third sector organisations (particularly community groups) would struggle to survive. The National Council of Voluntary Organisations (NCVO) estimated that in 2006, formal volunteers equated to double the paid full-time equivalent third sector workforce.³⁶

³³ *Mentoring for vulnerable young people*, Joseph Rowntree Foundation, March 2004

³⁴ In *Conference Report, Peer Mentoring Conference*, Mentoring and Befriending Foundation, April 2006.

³⁵ *2005 Citizenship Survey, Cross-cutting themes*, DCLG, June 2006

³⁶ *The UK Voluntary Sector Almanac*, NCVO, 2006

Box 4.1 Chance UK – linking vulnerable children with mentors

Chance UK is one of the exemplar mentoring programmes that receives GoldStar funding in recognition of its good practice. Chance UK links children aged 5-11 years with adult volunteer mentors, to help provide the children with some stability and support, and to encourage motivation, learning and improved behaviour. Working together with volunteer mentors, Chance UK aims to build a brighter future for the children and their families.

The programme involves mentors meeting up with the child once a week for a year, working towards a set of three achievable goals. Chance UK provides ongoing training and support for all mentors. The results are impressive. As well as providing a positive and fun experience for both children and mentors, the latest evaluation shows that 89 per cent of children who completed the programme improved their behaviour, with 45 per cent no longer being classified as having a behavioural difficulty at the end of the programme.

www.chanceuk.com

THE LAST TEN YEARS – INVESTMENT IN VOLUNTEERING

4.10 In recognition of the benefits of volunteering and mentoring across a range of outcomes, Government support and investment has been significant and cross-departmental. This support has been focused on increasing the number and quality of opportunities available and increasing awareness and understanding of the benefits of volunteering and mentoring to a diverse range of groups. For example, building on the success of the Millennium Volunteers programme which since 1999 has involved over 265,000 young people volunteering in over 140 programmes, the Government is investing in a new independent organisation, v, to build a framework for youth volunteering, as set out in Box 4.2. The Government and a consortium of third sector organisations have also led a celebration of volunteering, designating 2005 as the Year of the Volunteer.

4.11 In addition, the Government has made investments in mentoring programmes, including a new pilot to establish peer mentoring schemes in 180 secondary schools and a project to link volunteer mentors with looked after children. The Mentoring and Befriending Foundation has been established as the national strategic body, and the national GoldStar programme invests in spreading best practice on involving groups at risk of social exclusion in mentoring.³⁷

4.12 Across Government, volunteering continues to expand throughout the public services. In addition to the established but still vital roles performed by, for example, thousands of school governors and magistrates, since 1997 Government departments have funded many new volunteering projects, including in sport,³⁸ community leadership³⁹ and in health.⁴⁰

³⁷ www.goldstar.org.uk

³⁸ For example, the Sport England Community Club Development Programme and the Step into Sport programme.

³⁹ Community Champions is a Department for Education and Skills initiative providing small grants for volunteers who want to make a difference in their community.

⁴⁰ For example the Departments of Health's Opportunities for Volunteering programme

Box 4.2 v – inspiring a million more young volunteers

Following the recommendations of the Russell Commission on youth action and engagement, a new charity **v** was launched in May 2006 to champion volunteering by young people. **v** is driven by the cares, interests, passions and beliefs of young people and has the aim of involving one million more 16-25s in volunteering.^a

In its first six months, **v** has commissioned 67,000 new full-time, part-time and short-term volunteering opportunities. It is also developing a web based portal for young people and is investing in extending accreditation and quality in volunteering, which is all helping to give more young people the chance to make a contribution to their communities. The Government is providing up to £100 million over three years to support **v**, including a fund available to match contributions from business. So far, £15 million has been pledged to **v** from 39 private sector companies. Examples of match funded projects include: working with Oxfam, MTV and Galaxy FM to deliver Oxjam, a series of music events by young people for young people; and with Kikass and Barclays on the Thrifty Squid Challenge, a project to raise awareness of financial issues amongst young people.

www.wearev.com

^a A National Framework for Youth Action and Engagement, Report of the Russell Commission, March 2005

2012 Olympics **4.13** Looking ahead, the Government is working with the London Organising Committee for the Olympic Games, which has the responsibility for producing a strategy for volunteering during the Games. This draws on the lessons from recent Olympic Games, as well as the 2002 Commonwealth Games in Manchester, which involved more than 10,000 volunteers, with a particular focus on reaching out to communities at risk of exclusion.

Commission on the Future of Volunteering **4.14** Volunteering policy and practice continue to develop. The Commission on the Future of Volunteering, chaired by Baroness Julia Neuberger, has been established by the England Volunteering Development Council. The Government will work with this independent commission and looks forward to seeing its recommendations.

THE CONSULTATION

4.15 The consultation made contact with a large number of organisations reliant on the efforts and commitment of thousands of volunteers. These volunteers are the backbone of community provision of services, of third sector campaigning for change and of building communities and active citizenship.

Reaching new groups of volunteers **4.16** The consultation highlighted that there is a need to continue to promote volunteering and ensure its accessibility. A lack of accessible information about how and where to access volunteering and mentoring opportunities is a clear and obvious barrier to further participation, and there is a need to ensure that this information reaches all communities. Volunteering can help to break down barriers between different groups of people and between different generations, but only if the information about how to get involved is readily available to all. The Government also recognises that further efforts must be made to recruit volunteers from the groups who may face additional barriers to participation, such as those without formal qualifications or those with disabilities, and those from diverse backgrounds.

4.17 Building on the Year of the Volunteer in 2005, the Volunteering for All programme, launched in 2006 aims to boost participation amongst those groups who do not volunteer as much as others. The programme identifies and removes barriers to volunteering, runs targeted campaigns to raise awareness and invests in volunteering opportunities through demonstration projects.

4.18 The Government has also provided support to ensure information is available to those wanting to volunteer. For example, TimeBank is a virtual market bringing volunteers and opportunities together, including the Volunteering to Win campaign, which registered interest from 100,000 people to volunteer at the Olympics in 2012. In addition, Do-It has been established as the first national volunteering database, which now contains over 700,000 opportunities to volunteer.

4.19 The Government wants to further build a culture of volunteering and mentoring, where opportunities are accessible to a diverse range of groups and across a broad range of activities. **Building on existing good practice, the Government particularly wants to explore in the next phase of the review how volunteering can boost social cohesion by linking up different generations of volunteers and diverse groups of volunteers.**

Breaking down barriers

4.20 The consultation demonstrated that a number of public policy barriers to increased volunteering still remain. Even though these are often perceived rather than actual they nevertheless act to deter potential volunteers. These barriers include for example misunderstandings around when and whether it is possible to volunteer whilst on benefits and concerns around the need to gain Criminal Records Bureau (CRB) checks. More action is needed to ensure that the correct messages around the interaction between necessary checks and regulations and volunteering are communicated effectively.

4.21 It is possible to volunteer for as many hours as desired while on benefits, as long as the conditions of the benefit or tax credit are met. Volunteers on benefits can also be refunded for any expenses they incur, including since October 2006, their lunch expenses. CRB checks are free to volunteers and around 600,000 volunteer checks are carried out by CRB each year.

4.22 **The Government will continue to take action, working across departments, to ensure that there is sufficient information available about the necessary rules applicable to organisations involving volunteers.**

4.23 The consultation also demonstrated that a more modern and effective volunteering infrastructure would lead to better information in the community around volunteering opportunities, and a more diverse volunteer base. Infrastructure support is vital in enabling organisations to recruit, retain and support their volunteers as well as to reach out to groups who participate less. As many volunteers are recruited through word of mouth, the volunteer experience is critical to creating a culture of volunteering and mentoring, therefore effective capacity building support for volunteer involving organisations is vital.

4.24 Volunteering is one of the six themes of the Government's ChangeUp infrastructure programme and significant investment has been made to support the development of infrastructure at local, regional and national levels. **The Government will continue to work with the sector to develop a modernised volunteering infrastructure network as part of the overall investment in capacity building and infrastructure.**

Promoting the benefits **4.25** Alongside opening up opportunities and information about volunteering, and breaking down the barriers to voluntary activity, the Government also has a role in championing the benefits of volunteering to the individual, the community and society. These benefits, including that volunteering can contribute to skills development need to be more widely understood and promoted across Government and in wider society.

4.26 The Government has spearheaded raising awareness of volunteering, through the Year of the Volunteer and through v's brand and vision with young people. The Government is also working to improve the evidence base around the benefits of volunteering and mentoring, through for example evaluation of the national peer mentoring pilot and the Volunteering for All programmes.

4.27 As part of building the evidence across the third sector in the review, the Government will seek to develop the evidence base on volunteering opportunities within the public services, and on the value of volunteering in building skills, particularly in preparing for employment.

Volunteering through the workplace **4.28** In consulting the third sector on creating a culture of volunteering and mentoring, the Government has been challenged as an employer to be an exemplar of good practice in employee volunteering. The workforces of both the private and public sectors have an enormous range of skills that could be beneficial to third sector organisations and the best employers provide a range of opportunities for their staff to commit time to voluntary activity. **In the next phase of the review, the Government will examine how to work with public sector employers to encourage them to lead the way in promoting volunteering and other forms of community involvement to their staff.**

5

PROMOTING ENTERPRISING SOLUTIONS

INTRODUCTION

5.1 Enterprising organisations in the third sector harness available resources to achieve sustainable social and/or environmental aims, with an emphasis on trading in a particular market or entering into contracts with public, private or other third sector organisations. As businesses, but part of the third sector, social enterprises engage in trading or contracting to create surpluses to reinvest either within the business or in its wider social or environmental mission. As such, the Government definition of a social enterprise is ‘a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.’ Social enterprise represents a different way of doing business.

Enterprise in the third sector

Size and scope of the social enterprise market

5.2 More is known about social enterprise than ever before. The most recent data from the Annual Small Business Survey, suggests that there are 55,000 social enterprises representing around 5 per cent of all businesses with employees. The combined turnover of these social enterprises is £27 billion with a contribution to GDP estimated to be around £8.4 billion.

5.3 Previous research examining the characteristics and impact of a particular sub section of the social enterprise population⁴¹ demonstrates the range and breadth of social enterprise activity in the economy, along with the diversity of organisations in the sector. For example, while around one in five social enterprises have turnover of over £1 million annually, one in five also turns over less than £100,000 in a year.

5.4 Social enterprises are active in amongst other things, delivering training, social care, housing, leisure and childcare, with 83 per cent of social enterprises having objectives to help certain groups of people, and around half aiming to help the environment (34 per cent do both). The majority of activity to support particular groups of people is through the provision of goods and services to them, most commonly through training and education, social assistance and housing. However, one quarter of social enterprises support people through the provision of employment opportunities, 19 per cent of activity to support particular groups is focused on people with disabilities, with 24 per cent of social enterprises established to support the local community generally. Social enterprises are active across all parts of the UK, with around half operating in areas of multiple deprivation.

Enterprise in the third sector

5.5 Other organisations in the third sector, that would not necessarily call themselves social enterprises also undertake to earn some of their income through trading or contracting. Many charities for example operate a network of retail outlets for the sole purpose of generating income for the wider aims of the organisation and these shops are very much a part of society.⁴² Recent data⁴³ demonstrate that for the first time voluntary income for charities is a smaller proportion of overall sector income than

⁴¹ A *Survey of Social Enterprises Across the UK. Research report prepared for the Small Business Service*, IFF Research Ltd, July 2005. The research focused on organisations adopting two legal forms available to social enterprise – the Company Limited by Guarantee and the Industrial and Provident Society.

⁴² There are around 7,000 charity shops in the UK, which in 2005-06 turned over £550 million.

⁴³ *The UK Voluntary Sector Almanac*, NCVO, 2006

income that has been earned. In 1995, earned income made up 33 per cent of overall sector income, rising to 42.9 per cent in 2001-02 and 47.5 per cent, equivalent to £12.5 billion, in 2003-04. Looking at earned income in more detail, it is evident that the rise in this type of income is being driven by public service contracting, which is discussed in more detail in Chapter 6. Of the 47.5 per cent earned income figure, 42.7 per cent is generated from the public sector.

5.6 This shift in the funding mix represents organisations looking to diversify their income streams to ensure sustainability, which has gone hand in hand with increased opportunities to bid for public service delivery contracts. Organisations able to generate revenue may be conferred with greater autonomy and independence, with income generated from trading goods and services being a valuable source of unrestricted income.⁴⁴

5.7 However, feedback from the consultation has indicated a desire among some organisations that the trends towards organisations competing for public service contracts or looking to generate trading income should not detract from other important roles the third sector plays in society, such as promoting the voice of citizens or advocacy on behalf of underrepresented groups.

5.8 For some organisations in the third sector, enterprising activity will not be relevant. Between these organisations and social enterprises operating entirely in commercial markets, such as Café Direct or the Big Issue, there will be a spectrum of organisations reliant on various levels of grant income, charitable donations, contracts and traded income, along with input from volunteer activity.⁴⁵ The Government wants to ensure a healthy third sector, where organisations are enabled to operate along the spectrum of funding solutions.

IMPACT OF SOCIAL ENTERPRISE

5.9 The Government recognises that social enterprises contribute to its vision of a fairer, more just society. There is a growing evidence base on the contribution of social enterprise to a range of social, economic and environmental outcomes.

Meeting social and environmental needs

5.10 The social enterprise model enables those with a desire to bring about social change, a sustainable means to regenerate local communities and to change society for the better. Social enterprises are often locally based, have participatory structures and close community links, promoting development and regeneration.⁴⁶ In addition, social enterprises can provide employment opportunities particularly for disadvantaged groups.⁴⁷ One study focusing on the ability of the third sector to deliver unmet needs for goods and services and provide locally sourced jobs in areas such as home help, childcare, housing improvements, security, culture and sport argues that third sector organisations have a unique contribution to make to local development by having:⁴⁸

⁴⁴ *From Asking to Earning, Experiences of Trading*, RISE, October 2005.

⁴⁵ NCVO Sustainable Funding project

⁴⁶ *The Role of Social Enterprise in Regional Development*, Helen Haugh, Paul Tracey, University of Cambridge, September 2004.

⁴⁷ Social Firms for example provide employment opportunities for disabled groups. The sector has grown from 22 to 120 businesses since 1999.

⁴⁸ *The Third System Employment and Local Development Volume 1 – a synthesis report*, Mike Campbell, Policy Research Institute, Leeds Metropolitan University, 1999.

- multiple objectives, relating to meeting the multiple needs of the user rather than just profitability;
- new forms of work organisation, which can involve higher levels of participation in the organisation;
- the ability to create community confidence and involvement;
- a closeness to the community; and
- the creation of new sources of innovation, and a new approach to local development, arising from their flexibility and their ability to harness a range of financial resources and volunteer input.

Box 5.1 Sandwell Community Caring Trust

Midlands based Sandwell Community Caring Trust (SCCT) provides residential care, respite care and supported living for older people and those of all ages who live with learning or physical disabilities. Since it was established in 1997, the Trust has achieved impressive savings for its Local Council. In 1997, a care home for elderly people cost £452 per person, per week. Nine years later, SCCT has reduced that cost to £328. Sandwell provides high quality personal care, with 320 staff for 350 service users.

Service users have commented, ‘things used to get on top of me and I suffered from depression, but the Sandwell staff have helped me to look at life in a new way.’ ‘The Trust has shown me respect and I now feel a lot happier. It’s helped me with my everyday life.’

Encouraging ethical markets

5.11 The social enterprise model also fits with the growing preference among employees and consumers for companies to be committed to making a difference. There is emerging evidence of a shift in public attitudes with consumers and employees increasingly expecting that companies show a high degree of social and environmental responsibility.⁴⁹ In this way, social enterprise can be seen in certain markets to influence the wider business landscape through competition, for example in fairtrade.

Improving public services

5.12 Social enterprise is well placed to make a valuable contribution to service delivery and many social enterprises operate in markets where the public sector is a major customer. Recent research by the Small Business Service (SBS) has highlighted a growing number of social enterprises operating in public service sectors, such as health, training and social care.⁵⁰ The role of third sector organisations in the delivery of public services is discussed more fully in Chapter 6.

Increasing enterprise

5.13 Social enterprises make a valuable contribution to increasing enterprise and entrepreneurship, helping to boost business numbers and offering a business model that attracts underrepresented groups into the business population. Findings from

⁴⁹ *The Business Case for Corporate Responsibility*, AD Little, Cambridge/BITC, London 2003.

⁵⁰ *A study of the benefits of public sector procurement from small business*, SBS research report 2005.

Global Entrepreneurship Monitor highlight that women and certain black and minority ethnic groups are more likely to choose to be social entrepreneurs than conventional entrepreneurs.⁵¹ Social enterprise may also be an attractive way to enable young people to fulfil their desire for sustainable social and environmental change.

THE LAST TEN YEARS – GROWING SUPPORT FOR ENTERPRISE

5.14 The Policy Action Team 3 (PAT 3) report set out an agenda for using enterprise to help tackle social exclusion and contribute to neighbourhood renewal.⁵² The report emphasised the role of social enterprise in strengthening the social and economic fabric of deprived communities, acting as a bridge between the community and the mainstream economy. PAT 3 recommended that the SBS, and the Regional Development Agencies (RDAs), have a remit to promote social enterprise, in the same way as other businesses. The Social Enterprise Unit, now in the Cabinet Office has taken forward this role since 2001, working in partnership across departments.

The 2002 strategy

5.15 The first Government strategy for social enterprise in 2002 identified three key areas for action – to create an enabling environment for social enterprise, to make social enterprises better businesses, and to establish the value of social enterprise.⁵³ Since 2002, there has been increasing understanding of the business support needs of social enterprise alongside an increase in provision of finance available to the sector. This has been achieved through targeted provision, increasing awareness among mainstream commercial providers, and through growth of the network of Community Development Finance Institutions (CDFIs). The Government also launched the Community Interest Company in 2005, providing a lightly regulated legal form for social enterprise, which enables new or existing organisations to clearly signal their social or environmental aims. In its first year, over 450 Community Interest Companies were registered. Moreover, the social enterprise sector, over the last few years has taken steps in working together and in partnership with the Government to support the growth of the sector and to contribute to growing understanding and awareness of social enterprise.

5.16 Social enterprise also continues to be an important part of the Government's overall strategy for enterprise development, for example through the Local Enterprise Growth Initiative (LEGI). LEGI provides flexible, devolved investment in the most deprived areas to support locally developed proposals to stimulate economic activity and productivity through enterprise development. Social enterprise was a feature of the ten successful bids in the first round of funding.⁵⁴

⁵¹ *Global Entrepreneurship Monitor: Focus on Social Entrepreneurs*, London Business School, 2004.

⁵² *Policy Action Team 3: Enterprise and social exclusion*, HM Treasury, 1999.

⁵³ *Social Enterprise: a strategy for success*, DTI, July 2002.

⁵⁴ *Social Enterprise and the Local Enterprise Growth Initiative. A Guide and Information Resource*, Social Enterprise Unit, May 2006.

Box 5.2: Lenders in the third sector

In addition to the mainstream and specialist banks that lend to the third sector, some enterprising third sector organisations themselves provide finance to other organisations in the third sector or to individuals, particularly in deprived communities.

Community Development Financial Institutions (CDFIs) are organisations that supply capital and business support to individuals and organisations who are unable to access it from conventional sources such as commercial banks. The Government has been supporting the creation and growth of the CDFI sector, through the Phoenix Fund, since 2000. Since then growth in the sector has been positive with 64 CDFIs now engaged in a range of capital lending, business support and personal lending operations across the UK. CDFIs also benefit from investment incentivised by Community Investment Tax Relief. Support to the CDFI sector has now been devolved to the Regional Development Agencies.

Credit unions are mutual financial organisations offering savings and loan facilities to their members. Credit unions are legally obliged to define a group of people who share a 'common bond' from whom they can recruit their membership and to whom they can provide services. This is often the workplace and/or the local community. The Government recognises that credit unions can be vital in targeting those encountering exclusion from mainstream financial services, helping clients obtain money advice in the course of providing a loan, and connecting people to other mainstream opportunities. To boost the coverage, capacity and sustainability of credit unions and personal lending CDFIs the Government has established a Growth Fund of £36m. In order to increase the ability of credit unions to lend to the financially excluded, the Government has also increased the maximum rate that they are able to charge on loans.

The Pre-Budget Report sets out further support for credit unions and personal lending CDFIs.

THE CONSULTATION

5.17 Overall, the promoting enterprise strand of the consultation demonstrated the clear diversity of organisations delivering social and environmental benefits through a variety of business solutions, with different stages of development and needs along those stages. Moreover, for organisations within the wider third sector, while developing trading strategies or moving to increased diversification of income streams is appropriate for some, it is not relevant for all.

Fostering a culture of social enterprise

5.18 The consultation highlighted that the concept of social enterprise needs a higher profile – social enterprise is often not sufficiently understood within the public or private sector, for example, when social enterprises look to access commercial finance. The value and benefit of social enterprise solutions needs to be marketed widely, and be based on a solid base of evidence on the social and environmental impacts the sector can have. In addition, learning and best practice within the sector need to be shared more widely - parts of the sector are already delivering solutions to local problems in innovative and enterprising ways, often in partnership with Government. However, there is no clear mechanism for sharing these experiences.

5.19 The Government has taken steps to promote the social enterprise sector, notably through supporting the sector to establish the Social Enterprise Coalition, as the voice for social enterprise. The Social Enterprise Action plan,⁵⁵ launched in November 2006, sets out measures to build the evidence and raise awareness of the

⁵⁵ *Social enterprise action plan. Scaling new heights*, Cabinet Office, November 2006

impact of social enterprise and to promote successful social enterprise models. Through the action plan the Government, with the social enterprise sector, is:

- developing a programme to appoint 20 social enterprise ambassadors to raise awareness of social enterprise;
- strengthening social enterprise within enterprise education and business studies;
- developing a new research programme to build the evidence on the economic, social and environmental value of the sector; and
- working in partnership to raise awareness and understanding of social enterprise among a range of audiences.

Providing appropriate support

5.20 The social enterprise model has the potential to attract individuals wanting to make a difference, turning people into active citizens leading social and environmental change. This includes groups who may be underrepresented in the wider business world. However, the consultation demonstrated that not everyone has the necessary skills and confidence to take forward the commitment they may have. Adopting an enterprise approach requires a range of skills - in business planning, financial management and knowledge of the different legal forms open to social enterprise activity. Third sector organisations need access to high quality advice and business support services and can be more successful when they do.⁵⁶ The consultation highlighted that currently this provision is uneven and sometimes difficult to navigate.

5.21 The Government has a role in ensuring that this information and advice is available and provides a gateway to support through Business Link, managed by the RDAs. Business Link provides information, diagnoses individual needs and brokers support from the most appropriate provider of help. Responding to the concern that the proliferation of business support schemes has created a complex picture, making it difficult and time consuming for businesses to access relevant support, Budget 2006 announced that the Government is working with the RDAs and other bodies to reduce the number of business support services from around 3,000 to no more than 100 by 2010.

5.22 Since the 2002 strategy for social enterprise, standards and training materials for advisers to social enterprises have been developed to improve the quality of support available. The Social Enterprise Action Plan announced additional investment for the RDAs to improve Business Link's capacity to broker support for social enterprise, alongside improved information to social enterprise via the Business Link website. This investment will start from an initial pilot level of at least £0.5 million in 2007-08, rising to £1.8 million per year to 2011, subject to the 2007 Comprehensive Spending Review. The Government is also taking steps to understand better the specific skills needs of social enterprises.

Enabling access to finance

5.23 The consultation demonstrated that social enterprises have a range of finance needs - from start-up through to securing the investment needed to sustain and grow the business. Third sector organisations have very different experiences of accessing the appropriate finance, whether it be from Government or from commercial sources.

⁵⁶ *Paradise Gained? The Business Link Tracker Study, in Conference Proceedings (Vol 2) of 24th ISBA National Small Firms Conference, Leicester, November 2001.*

Consultation responses have highlighted the need for patient finance at the start-up or expansion stage and that existing reliefs on tax to encourage investment in enterprise could work harder for social enterprise.

5.24 Evidence suggests that the overall financing picture for social enterprise is improving, particularly with regard to debt finance in commercial markets and from CDFIs, which the Government has supported through the Phoenix Fund and Community Investment Tax Relief (CITR). However social enterprises still report difficulties accessing risk capital, which can act as a barrier to high-growth social enterprises. Work undertaken for the policy review by Durham Business School examining paths to sustainability for larger social enterprises, has highlighted that patterns of growth among businesses are extremely variable. However, a common strategy identified by the research is diversification, attempting to replace one source of income with a more stable raft of income streams from a variety of sources, including looking for different and more innovative sources of finance. This implies a need for increased financial awareness for growing social enterprises, along with a need for accessible and flexible financial products.

5.25 Alongside this finding for larger social enterprises, there is also evidence that smaller social enterprises appear to self-select out of accessing external finance, with significantly more social enterprises with 1-9 employees as compared with same sized mainstream businesses, feeling discouraged from accessing finance. This is despite similar rates of actual rejection for finance between the two types of business.⁵⁷

5.26 The Social Enterprise action plan therefore announced:

- £10 million to be made available for investment in social enterprise;
- a roll-out of financial awareness training for social enterprises; and
- an invitation for evidence from all interested parties for the joint HM Treasury/Cabinet Office review, with the Small Business Service and HM Revenue and Customs, of the operation of the CITR and other incentives that will report progress at Budget 2007.

Working with Government

5.27 As set out in Chapters 6 and 7, the consultation highlighted many issues around the interaction Government has with third sector organisations, particularly around the delivery of public services. The Social Enterprise Action Plan sets out specific work to promote further collaboration between social enterprise and Government, including in the delivery of the 2012 Olympics, in sustainable waste management and in regeneration and to build the voice of social enterprise in Government policy making.

⁵⁷ *Finance for Small and Medium-Sized Enterprises: Comparisons of Social Enterprise and Mainstream Business*, DTI, forthcoming.

INTRODUCTION

6.1 Modern and efficient public services delivering high quality outcomes for individuals and families in health, education, childcare, social care, criminal justice and employment services, are at the heart of the Government's vision of a society where economic prosperity and social justice provide stability, security and opportunity for everyone. The third sector has historically played an important role providing public services, identifying needs, campaigning for change and developing dynamic, innovative solutions.

6.2 The third sector makes a unique contribution – through its focus on the needs of service users, its knowledge and expertise to meet complex needs and tackle difficult social issues, its potential to be flexible and offer joined up services, its capacity to earn users' trust and its ability to innovate.

6.3 The Government wants to ensure that the third sector is at the heart of reforms to improve public services as contractors delivering public services, as campaigners for change, as advisers influencing the design of services and as innovators from which the public sector can learn. This will require a new approach to commissioning and procurement embracing the sector's multiple roles in shaping and delivering services, and particularly in working with users to ensure that services meet their needs. This close engagement between users and providers is often referred to as co-production, and the third sector's close relationship with the users of its services makes it ideally placed to promote co-production.⁵⁸

6.4 The Government also wants to find creative ways to support the sector's role in the shaping of public services, to listen more carefully and systematically to the sector's proposals for change across the public sector and to improve the ways in which it learns from and sustains the sector's innovative approaches. The involvement of the third sector has never been about abdicating the Government's responsibility to properly fund services but ensuring that, in the right circumstances, the sector can flourish and provide services where it is best placed to do so.

6.5 In the decade ahead, there will a rising expectation of the quality of public services and growing demands for choice and personalisation. Moreover, the global challenges society faces will have a major impact on the environment in which public services and the third sector operate and make it essential that Government renews and builds on its partnership with the third sector to improve public services.

THE LAST TEN YEARS - BUILDING THE PARTNERSHIP

6.6 There have been two major landmarks in the developing partnership on public services between the Government and the third sector: the 1998 establishment of the Compact (and in particular for public services the code on funding and procurement)⁵⁹

⁵⁸ Co-production refers to the process through which people and public services work together to create the outcomes valued by both for example learning, good health and safe neighbourhoods.

⁵⁹ *Funding and Procurement. Compact Code of Good Practice*, Compact, 2005

and the 2002 cross-cutting review of the role of the voluntary sector in service delivery.⁶⁰ The 2002 review, and the subsequent 2004 Spending Review,⁶¹ laid the foundations for:

- investment in the capacity of the sector both through Futurebuilders to provide access to loan capital and through ChangeUp (and the new delivery body Capacitybuilders) to invest in the sector's infrastructure to support front-line organisations;
- the Invest to Save Budget (ISB) Inclusive Communities Fund which since 1998 has allocated over £100 million in resource and capital grants to innovative service delivery initiatives involving third sector organisations; and
- HM Treasury's publication of Guidance to Funders⁶² (recently revised) encouraging longer-term funding, full cost recovery, the appropriate sharing of risks and clarifying the rules on advance payments and the clawback of assets.

6.7 The National Audit Office⁶³ and the Public Accounts Committee⁶⁴ have reported on implementing the recommendations on the funding relationships and some of the barriers to progress on the 2002 cross-cutting review. The Government accepted these reports and the clear message that more needs to be done to meet the scale and complexity of the challenge to deliver its ambition for a stronger partnership.

Box 6.1 Brent Community Transport

Community transport is one of many areas in which the third sector is playing a growing and successful role in service delivery. For example, Brent Community Transport (BCT) was founded in 1975, to address social imbalances in transport within the London Borough of Brent. Two years ago, it was awarded £440,000 by the Urban Bus Challenge to run the 'Brentlink' project. It now runs an accessible bus service targeting isolated areas of the community and those with poor access to mainstream transport.

Establishing the Brentlink service involved developing new relationships with stakeholders such as Transport for London and London Borough of Brent, as well as many local third sector organisations. At a Brentlink Review Forum last year, a user praised the initiative for 'help[ing] us vulnerable and less mobile people to get about, and not have to depend solely on the mainstream buses.' BCT sees its community transport provision as a way to make a direct contribution to tackling social exclusion and creating equal access to services and opportunities in society.

www.brentcommunitytransport.co.uk

Action across Government

6.8 In responding to these challenges, Government departments have considered how they can work with the sector more effectively to improve public services and key departments have made commitments towards more effective partnership working. For example:

⁶⁰ *The Role of the Voluntary and Community Sector in Service Delivery: a Cross-Cutting-Review*, HM Treasury, 2002

⁶¹ *Exploring the Role of the Third Sector in Public Service Delivery and Reform: a Discussion Document*, HM Treasury, February 2005

⁶² *Improving Financial Relationships with the Third Sector: Guidance to Funders and Purchasers*, HM Treasury, May 2006

⁶³ *Working with the Third Sector*, National Audit Office, 2005

⁶⁴ *Working with the Voluntary Sector. Thirty-second Report*, Public Accounts Committee, 2006

- the Welfare Reform Green Paper⁶⁵ committed Government to increasing the role of the third sector in the delivery of welfare to work services, particularly Pathways to Work and the New Deal for Disabled People. The Department for Work and Pensions (DWP) is taking a number of steps to ensure the full involvement of the broadest range of third sector organisations, both in the delivery of existing services and in designing new welfare programmes;
- subject to legislation, from 2008 the Home Office will begin to contest the work of probation services, opening up opportunities for the third and private sectors to play a bigger role in delivering services to offenders;
- the Department of Health (DH) has established a Social Enterprise Fund to support social enterprise in the health sector, and are taking forward the proposals from the Third Sector Commissioning Taskforce⁶⁶ to improve commissioning and procurement of health and social care;
- the Department for Education and Skills (DfES) has set out plans to build the involvement of the third sector in services for children and young people, and established a £3 million fund for 2006-08 to build the capacity of the sector to play a greater strategic and delivery role in children and young people's services;⁶⁷ and
- the Office of the Third Sector has developed an Action Plan for Third Sector Public Service Delivery. The plan, bringing together the work of Government departments, will help improve commissioning and procurement from the third sector and identifies the opportunities for the third sector to play a greater role.

6.9 The 2007 Comprehensive Spending Review (2007 CSR) offers wider opportunities for progress. With 90 per cent of Public Service Agreement targets (PSAs) due to end in the forthcoming spending period, the Government will articulate a smaller set of 'corporate' PSAs in 2007 CSR, focused on the Government's top priority outcomes for the spending period. Measures to strengthen the PSA framework in the 2007 CSR will drive effective joint working across Government, ensure clear accountability for delivery, reduce bureaucracy and build citizen engagement. In line with the commitment in the Local Government White Paper, the total number of indicators impacting on Local Authorities will fall to about 200.

THE CONSULTATION

6.10 The consultation has highlighted a gap between the Government's ambition to increase the sector's involvement in public services and the experience of frontline third sector organisations, particularly at a local level. Whilst significant progress has been made in opening up public service delivery to providers such as third sector organisations, there is a desire to see accelerated progress in dismantling the barriers, especially in commissioning and procurement and building the capacity of smaller organisations to contribute.

⁶⁵ *A new deal for welfare: Empowering people to work*, DWP, January 2006

⁶⁶ *No excuses. Embrace partnership now. Step towards change*, Report of the Third Sector Commissioning Taskforce, June 2006

⁶⁷ The third sector capacity building programme

Supporting the roles of the third sector in improving public services

6.11 The Government believes that the steps set out above and commitments in the Action Plan for Third Sector Public Service Delivery will start to help meet the sector's concerns about the commissioning and procurement landscape. Through the consultation, third sector organisations have emphasised the different roles they can play in improving public services – delivering innovative services, designing services and advocating on behalf of service users. The Government needs to recognise further these complementary approaches and ensure it embraces them all in improving public service delivery. Moreover, the Government needs to explore ways to ensure that the range of third sector organisations including smaller organisations, are able to be more involved in public service delivery, where appropriate. Smaller organisations may currently lack the capacity to compete for public service contracts. However, investment in the sector through Futurebuilders and ChangeUp and work to support the quality and effectiveness of working in consortia or in sub-contracting roles could support these organisations more effectively to build capacity for future delivery.

6.12 The Local Government White Paper⁶⁸ noted that to deliver its ambitions, local government would need to work in partnership not only with other statutory bodies but also with the third sector. It outlined steps to strengthen the way councils engage with citizens, including a revised best value duty to secure participation, establishing the key principles of commissioning of services, and steps to a more stable and sustainable environment for the third sector.

6.13 The 2007 CSR will build on progress to date by further embedding user engagement in the design, delivery and governance of public service and enabling users to hold service providers to account by providing new rights to information on local service performance. In addition to giving users a real say in the decisions that affect their experience of public services, increased devolution of decision making to local levels will allow service providers the flexibility to provide responsive and innovative services. The third sector has a key role in ensuring that the views of the hard to reach groups are represented - often the third sector is at its strongest when it works to empower users and to engage communities.

6.14 As a further step in the third sector review, the Government will commission research on where the third sector plays an important role in shaping public services, the mechanisms through which they are involved and the resulting improvement in services. The Government will also undertake an analytical study on how the public sector can learn from and spread the third sector's innovative approaches to delivering public services.

⁶⁸ *Strong and Prosperous Communities, the Local Government White Paper*, DCLG, 2006.

Box 6.2: Housing Associations

Housing Associations are a significant part of the third sector, both in terms of size and in the nature of their work. The National Housing Federation (NHF) represents 1,400 Housing Associations in England and acts as the voice of affordable housing, with members providing two million affordable homes for five million people.

Housing Associations often work alongside other third sector organisations to deliver services, particularly to enable people to live independently in their own homes. They also enjoy close links with local communities through tenant and resident involvement and can play a key role in both incubating and helping community organisations to grow and develop.

The next phase of the review needs to explore with Housing Associations their role in developing social policy initiatives beyond housing, for example in local training and employment, developing community facilities, environmental sustainability, and financial inclusion; and how they can be enabled to support smaller community organisations more effectively.

Best practice in commissioning and procurement

6.15 The consultation highlighted that there is inconsistency in the commissioning and procurement practices of some statutory bodies, including Local Authorities, Primary Care Trusts and Learning and Skills Councils. These inconsistencies, can include short-term contracting, a failure to offer a fair price or reflect full cost recovery and excessive monitoring. They have a negative impact on the ability of third sector organisations to be able to compete for public service delivery contracts. The Government needs to do more to ensure that best practice in commissioning and procurement is disseminated and promoted.

6.16 The Action Plan for Third Sector Public Service Delivery brings together activity from across Government including the DfES, DH, the Department for Communities and Local Government (DCLG) the Home Office and DWP, to help improve the commissioning and procurement landscape. It sets out a series of practical actions to support the training of key commissioners, to ensure that commissioning frameworks developed by departments allow for third sector involvement, that unnecessary burdens in contracts are removed and that standard contracts are developed in some key service areas.

6.17 However, there is more to do to ensure that best practice on commissioning and procurement is embedded throughout Government. **The Treasury and Office of the Third Sector will work closely with departments through the next stage of the review to ensure that the commitments set out in the Action Plan are fully embedded in the wider Comprehensive Spending Review.**

Box 6.3 The Shaw Trust – delivering training and employment

Shaw Trust is a national charity that provides training and work opportunities for people who are disadvantaged in the labour market due to disability, ill health or other social circumstances. They are the largest UK provider of employment services for disabled people.

This is achieved working in partnership with employers and Government through:

- Government-funded employment services to support people moving from benefits to work, with guidance on finding jobs, training and benefits;
- pre-employment activities in a supportive environment;
- work-related, accredited training;
- support for increased independence for disabled people; and
- creating jobs through social enterprise.

The Shaw Trust now supports over 50,000 people a year across England, Scotland and Wales through job preparation, job finding, job support, job retention and job creation. Shaw Trust currently finds jobs for, or supports in jobs, over 10,000 people a year.

The Shaw Trust has a network of over 1,200 staff and 16 per cent of the staff has a disability.

The vision of the Shaw Trust is that every disabled and disadvantaged person has the opportunity for work. Their mission is to empower the individual through access to employment. Their purpose is to provide the resources and opportunities for disabled and disadvantaged people to engage more fully within society and realise their potential.

www.shaw-trust.org.uk

Recognising wider value

6.18 The consultation demonstrated that a narrow focus on financial efficiency and value for money in the delivery of public services may have unintended consequences for the third sector's ability to help transform public services. The Government needs to take more account of the value the third sector brings to public services through engaging communities and the delivery of multiple outcomes, for example, in offering employment to those who have become detached from the labour market or in delivering environmental benefits. Alongside this recognition, there is a desire to be able to demonstrate the third sector's impact more persuasively through a stronger evidence base. This needs to go beyond the many individual examples of third sector organisations delivering excellent outcomes to identifying where and how the sector impacts on better outcomes more generally. The Government also needs to spread understanding of the role of third sector organisations in delivering preventative services and the value this can bring.

6.19 The Social Enterprise Action Plan sets out how Government will consult partners on how to tackle the barriers to the use of social clauses, develop template social clauses in contracts in order to achieve multiple outcomes and work with commissioners pioneering the use of social clauses to draw together leading practice.⁶⁹

6.20 The Action Plan for Third Sector Public Service Delivery includes a commitment from Capacitybuilders and the Charities Evaluation Service to help support the capacity of the sector to identify and promote its impacts. The Office of the Third Sector will also

⁶⁹ *Social enterprise action plan: Scaling new heights*, Cabinet Office, November 2006.

work with the Social Exclusion Taskforce to develop a rating system for the evaluation of programmes. This work will help the third sector benchmark their performance against other service providers.

6.21 The Treasury and the Office of the Third Sector will draw this work together and consider the best way to build the framework and evidence base on the value the third sector contributes to improving public services, as set out in Chapter 8.

7

CREATING AN ENVIRONMENT FOR A HEALTHY THIRD SECTOR

INTRODUCTION

7.1 The Government wants to support the development of a healthy third sector, where organisations are empowered and enabled to achieve change. As set out in Chapters 2-6 the Government recognises the vital role of third sector organisations in creating strong and connected communities, providing voice for underrepresented groups, campaigning for change, fostering active citizenship through volunteering and mentoring, promoting enterprising solutions to social and environmental problems and transforming public services. Third sector organisations have been instrumental in bringing about social change, and the Government wants to ensure that they are able to achieve more.

7.2 Creating the environment for a healthy third sector means supporting the conditions where third sector organisations can get established, grow and achieve their aims. It means leaving organisations to develop in their own way, but working to build an environment where they are able to do this. It also means recognising the life cycle of third sector organisations, and providing tailored support at different stages.

7.3 The Government recognises the value and contributions of the range of organisations in the third sector, organisations of different sizes, in different areas and with different approaches. In a healthy third sector, it should be easy to set up a new organisation or to grow an existing one. Organisations should be able to get access to information and advice when they need it. Funding should be available to organisations with worthwhile ideas, without them being over-burdened with application processes or monitoring requirements. Organisations should have the potential to own their own buildings or other assets. Organisations should have the skills they need to grow themselves and to work effectively in partnership with others.

THE LAST TEN YEARS – BUILDING THE ENVIRONMENT

7.4 There are a number of essential building blocks needed to create a supportive environment for third sector organisations. Drawing on the issues from the consultation, the Government has identified five critical elements to creating the environment for third sector organisations to thrive:

- creating the right financial base so that viable organisations have access to finance and funding;
- building the capacity needed to enable organisations to work effectively, particularly through supporting skills and infrastructure;
- enabling effective relationships;
- ensuring that regulation is proportionate; and
- gathering and disseminating evidence and best practice.

7.5 The Government has put in place a series of measures to build the capacity of third sector organisations, to ensure organisations can access finance and funding and to promote partnership working. Key investments such as the Futurebuilders fund and the ChangeUp programme alongside the Compact are working to build an environment where organisations can thrive. There is now evidence to suggest that the public sector

is the most important source of income for the third sector. For example, in 1995 the public sector contributed 28 per cent of income for charities, while in 2003-04 public sector contributions accounted for just over 38 per cent of the income of general charities. This income includes that generated through public service contracts (20.3 per cent of total income for charities) and through Government grants (17.8 per cent of total income for charities), reflecting both the Government's recognition of the important role of third sector organisations, as well as the increased contracting of public services.⁷⁰

Box 7.1 Proportionate regulation

Third sector organisations face many of the same regulations as private sector businesses, such as health and safety rules and employment regulations. They may also be subject to regulation relating to their form or status. The Government is committed to ensuring that regulation is appropriate and that complying with regulation is as easy as possible. Departmental simplification plans, will outline measures to reduce administrative burdens to businesses in general, as well as measures to reduce administrative burdens of regulations specific to third sector organisations.

Organisations across the board will benefit from measures to simplify employment law and provide new guidance on managing risk at work. The simplification plan of the Charity Commission will also outline measures, which will particularly benefit third sector organisations. Measures include the introduction of online services and reducing the annual return and accounting burden for charities with annual income over £10,000.

In addition, in November 2006 the Office of the Third Sector published its response to the Better Regulation Task Force Report *Better Regulation for Civil Society*. The Report identified specific regulatory burdens that were inhibiting the third sector, making 11 recommendations for a range of Government departments and agencies, and identifying areas for further work. The Government response sets out actions that will be taken to address these issues.^a

The Charities Act 2006 includes a number of measures to reduce the regulatory burden on charities. For example, the charitable incorporated organisation will be a new legal form specifically for charities. It will enable charities to have the benefits of incorporation without the dual registration and regulation that is currently required of charities in company form. Other measures will particularly help small charities, such as increasing the mandatory registration threshold or giving them freedoms to take certain actions without the need to obtain the approval of the Charity Commission.

The cooperative and credit union sectors are operating using legislation that dates back many years. HM Treasury, in partnership with the cooperative sector and other stakeholders, is to undertake a review of the cooperatives legislation, the Industrial and Provident Societies Act and the Credit Unions Act. The Government will identify the strengths and weaknesses of the current framework and produce recommendations for improvement and reform.

Through the next phase of the review, the Government will continue to work with the third sector to ensure the right balance of regulation.

^a *Better regulation for civil society, The Government's Response*, Cabinet Office, 2006

⁷⁰ *The UK Voluntary Sector Almanac*, NCVO, 2006.

THE CONSULTATION

The funding relationship

7.6 All third sector organisations need a strong financial base to ensure their ongoing operation and to provide a platform for growth. Through the consultation, the Government has recognised that access to appropriate funding and finance is often the single biggest concern facing third sector organisations and that the finance needs of organisations vary greatly, at different stages of the life cycle of an organisation. The Government needs to understand better when it is appropriate to offer contracts to third sector organisations, when investment is required, and when Government should be offering grant funding.

7.7 In its funding and contracting relationship with the third sector the Government wants to ensure that the relationships created are sustainable and consistent. The consultation has highlighted that best practice in funding and contracting is not being implemented consistently at different levels of Government and by the range of statutory bodies. The Government has set out this best practice in the Compact code on funding and procurement⁷¹ and Guidance to Funders⁷² but must take steps to drive implementation of good practice, particularly around longer-term funding and contracting arrangements and proportionate monitoring and reporting requirements. The Government must also ensure that there is appropriate information about available sources of funding and wider support to the third sector.

7.8 The Local Government White Paper set a clear expectation that Local Authorities, where appropriate will pass on three year funding settlements to their partner organisations. Moreover, **when Government departments and their agencies receive their 2008-09 to 2010-11 budgets through the 2007 Comprehensive Spending Review (2007 CSR), they will be expected to pass on the flexibility and certainty of that three year funding to third sector organisations that they fund as the norm rather than the exception.**

7.9 The Government will continue to drive through implementation of best practice in funding and purchasing at all levels of Government, working alongside the Commissioner for the Compact.

7.10 The Government is also interested in the case for development of a single source of information on funding and other Government provision of support to the third sector. This would build on the information provided through the Government funding portal, the supply2.gov.uk portal for lower value public sector contracts and the increased provision of information to social enterprise through the Business Link website.

Enabling access to finance

7.11 In addition, the consultation has highlighted the difficulties some organisations have faced in seeking investment from commercial markets. The Government has a role in ensuring that investors are able to take informed decisions about the risk and reward of investing in third sector organisations. This may involve raising awareness of third sector organisations among lenders or creating incentives to encourage investors to enter the market, such as through the £10 million being made available for investment in social enterprises, set out in Chapter 5. The Government has also provided support to promote the creation and growth of the Community Development Finance Institution

⁷¹ *Funding and Procurement, Compact Code of Good Practice, Compact, 2005.*

⁷² *Improving financial relationships with the third sector: Guidance to funders and purchasers, HM Treasury, May 2006.*

network to increase finance to businesses and social enterprise in deprived communities.

Box 7.2 A framework for giving

Voluntary donations from individuals remain an extremely important income stream for charities at 20.6 per cent of total income.^a The Government has put in place a framework to encourage a broader culture of planned, regular and tax-efficient giving, including through payroll giving and Gift Aid. The 2000 Getting Britain Giving package of measures made a number of changes to make the tax effective giving framework more generous and flexible. In addition, in 2001 the Government launched the Giving Campaign with the goal of encouraging a greater culture of giving. More recently, in order to help charities involved in telephone fundraising make best use of Gift Aid, in 2005 the Government removed the requirement for charities to send written confirmation to donors who had made oral Gift Aid declarations, provided the charity maintains an auditable record. In 2004-05, 61,889 charities reclaimed over £720 million in tax from donations made using Gift Aid.

A Generous Society (published in November 2005) sets out the next steps for increasing the number of people giving to charities in a planned and regular tax effective way. It includes measures ranging from working with young people to instil the culture of giving at an early age, to delivering a training package that supports charities on tax effective giving so that they get the full benefit of the schemes available.^b

^a *The UK Voluntary Sector Almanac*, NCVO 2006.

^b *A Generous Society: Next steps on charitable giving in England*, Home Office, 2005

Sector support 7.12 Feedback from the consultation demonstrated that high quality infrastructure and business support organisations can play a vital role in building third sector capacity at a local level. The consultation has highlighted that the benefits of investment in local and national infrastructure and business support are not being fully realised at the frontline and that support organisations are not fully meeting the needs of the diversity of organisations in the third sector. The Government needs to continue to strengthen, integrate and modernise infrastructure, business support and capacity building, so that it can provide high quality support to meet the range of needs of third sector organisations, accessible to all and reflecting and promoting diversity.

7.13 Government support provided through Business Link and the ChangeUp infrastructure programme, should together ensure that the range of third sector organisations can access the type of support they need. The Social Enterprise Action Plan announced additional funding for the Regional Development Agencies to support Business Link, as set out in Chapter 5, and the ChangeUp programme is investing £70 million to 2008.

7.14 The ChangeUp programme was launched in 2004 after extensive consultation with the sector, setting out a ten-year capacity building framework for the third sector. This work is geared towards helping third sector organisations have easy access to information and resources; supporting a culture of learning and development, promoting good management, leadership and employment practices, and raising the profile of the sector as a place to work.

7.15 ChangeUp is delivered in two ways: by the national hubs of expertise, providing support services to infrastructure organisations around the country; and by 127 local ChangeUp consortia in England, which have all produced detailed infrastructure

investment plans. ChangeUp is now managed and delivered by Capacitybuilders, a non-departmental public body established in April 2006. Recently, Capacitybuilders has launched a pilot Improving Reach Programme to improve access to capacity building and support for a range of frontline organisations. The Local Government White Paper⁷³ also announced that the Government will consider how best to coordinate Capacitybuilders and ChangeUp funding with the voluntary and community sector capacity building efforts of Local Authorities and Local Strategic Partnerships.

7.16 The Government, working alongside Capacitybuilders, would welcome the views of the sector on the strategic direction of Change Up and capacity building, in particular, the case for a more focused approach and the most effective ways to target support, and would encourage the sector to contribute to the consultation Capacitybuilders are leading on their Strategic Framework.

Skills development

7.17 The consultation highlighted that the development of the third sector is dependent on the skills of its paid workforce and its volunteers, and gaps in the skills base for third sector organisations can significantly limit their impact. The skills needs of third sector organisations are extremely diverse, ranging from community leadership to financial and business planning to fundraising and marketing. The third sector has a growing and diverse workforce and the Government needs to find the means to provide appropriate and accessible learning and training opportunities, as well as to promote the third sector as a career path.

7.18 The consultation also suggested that in forging effective partnerships with Government, it is critical to recognise that the skills of those working in the public sector are as relevant as those in the third sector. More needs to be done to raise awareness and understanding of the third sector in the public sector, particularly among commissioners and procurement officers, and to improve the skills of public bodies to work effectively with the third sector. There is a particular need to find ways to support public officials in developing better partnerships with faith and equalities groups.

7.19 The Government has already signalled that it wants to improve the overall skills provision in the UK, and in 2004 Sandy Leitch was commissioned to lead an independent review of skills. He was asked to identify the optimal skills mix for the UK in 2020 in order to maximise economic growth, productivity and social justice. An interim report was published in 2005, and the final report is published alongside the Pre-Budget Report.

7.20 The Government will consider what steps need to be taken for a more strategic approach to skills development in the third sector, and on how to promote the third sector as a career path. The Government will also work with partners to further build the skills of public sector officials at all levels of Government working with the third sector.

Partnership working

7.21 The consultation demonstrated strong support for the Compact. However, more needs to be done to ensure effective enforcement of its principles, particularly around issues such as the funding relationship and in the third sector's representation in key decision making arenas at a local level, as set out in Chapter 2.

7.22 The newly appointed Commissioner for the Compact is taking forward the implementation of the Compact principles and will champion their dissemination and

⁷³ *Strong and Prosperous communities, the Local Government White Paper*, DCLG, 2006

application across Government. The appointment of the Commissioner will help raise awareness of the Compact at every level, and will support the public sector and third sector bodies in making the partnership fully effective. As well as promoting effective ways of working and highlighting best practice, the Commissioner will be developing tools to assess systems for ensuring Compact compliance.

7.23 The Government has also made funding available to promote the development of effective partnerships through the Invest to Save Budget – Inclusive Communities Fund (ISB). Since 1998, the ISB has allocated nearly £100 million to innovative approaches to public service delivery involving the third sector. In response to the early feedback from the consultation, the ninth ISB resource allocation round is focusing on developing genuine partnerships between Local Authorities and third sector organisations to enable more effective delivery of local services. Up to £13.5 million will be allocated to innovative partnership projects that will deliver real benefits to local communities, and foster closer relations between Local Authorities and community organisations. The outcome of ISB Round 9 will be announced during Budget 2007.

Box 7.3 Corporate community involvement

The consultation highlighted that there is a desire among some third sector organisations to forge greater partnerships with the private sector. Businesses play a vital role in the communities in which they operate and the active engagement of businesses with third sector organisations working in the community is growing all the time. Often corporate community involvement will be a one-off activity, such as a philanthropic donation to a third sector organisation. However increasingly the recognition of a strong connection between a company's daily activities and the well being of society, along with the growing business case for involvement is driving a more comprehensive approach to responsible business practice. There are many good examples of corporate community involvement as a strategic and integrated partnership where business, third sector organisations and other community bodies such as schools work together to advance the interests of all involved. It is also evident that businesses are increasingly using third sector organisations, particularly social enterprises, in their supply chains.

The Government recognises that the private sector can contribute to the aims and objectives of the third sector in a way that Government cannot. Business has specific skills and experience to offer, and local businesses are well placed to understand and respond to local problems. Government has demonstrated its support for business activity in the local community through the promotion of best practice and by providing a means for business to get involved. The new youth volunteering organisation, *v*, for example is being delivered as a partnership between the third sector, young people and the private sector, with the Government matching investment from private companies.

Building the evidence

7.24 Overall, the consultation highlighted the immense contribution that third sector organisations are making every day to the delivery of services, to supporting vulnerable and marginalised groups and to building communities. Individual organisations are able to demonstrate clear impact and delivery across a range of outcomes. However, the Government recognises that there is a need to go beyond these individual examples and case studies to build a strong and coherent evidence base across the third sector. The consultation also highlighted the need for a mechanism to collect qualitative and quantitative evidence of best practice, and that Government should make more effective use of the evidence that it has.

7.25 A robust evidence base is critical to understanding the third sector's contribution to social and economic regeneration. For Government, the evidence base provides the

foundations for improving its relationship with the sector. For the third sector, evidence of the value added and impact can provide the case for further support and for increased partnership working with others. Effective dissemination of best practice helps other organisations, and the public sector itself, to reap the benefits from replicating what works well. The Government has taken a series of steps to build this evidence base for example in areas such as levels of active citizenship and volunteering from the Citizenship Survey and on the size, scope and financing needs of social enterprises. A number of organisations in the third sector also make an important contribution to the evidence base. The UK Voluntary Sector Almanac, published by the National Council for Voluntary Organisations (NCVO) for example, is a key source of information on charities.

7.26 There are current plans to boost the evidence base further on social enterprise and to establish a centre of excellence on research in charitable giving. **The Government wants to ensure that this work contributes to a growing and coordinated plan for evidence building and that this evidence is used and disseminated effectively. As set out in Chapter 8, the Government will look to build the evidence in partnership with the third sector in five key areas – voice and campaigning, communities, public services, social enterprise and supporting the environment for a healthy third sector.**

8.1 Chapters 2-7 describe the key messages from the consultation along with areas for action the Government is taking or considering. This chapter summarises those areas and sets out the further questions the Government wants to work with the third sector to explore, in order to build the evidence base.

THE NEXT STAGE

8.2 The consultation has shown that there is a wide range of areas where the Government needs to develop its understanding further, working with third sector partners and drawing on the information that has already been received. These fall into five broad categories:

- voice and campaigning – enabling individuals and groups’ voices to be heard;
- communities – building active, strong and connected communities;
- public services – creating an environment where third sector organisations can contribute fully to transforming public services;
- social enterprise – supporting social enterprises to start up and thrive; and
- supporting the environment for a healthy third sector.

8.3 The priority for the Government in the next few months is to work with partner organisations to examine these five areas in more depth. This will involve further consideration of the consultation responses already received, research, assessment of international evidence and focused consultation events. The Government will continue to consider the longer-term opportunities and challenges for the third sector, in the light of ongoing analysis of potential developments in the economy, the environment and society.

Enabling voice and campaigning

8.4 The Government’s vision is for a transformation in individuals’ and groups’ belief that their voices have been actively heard. This is particularly important for groups whose opinions may have been marginalised in the past. It should result in more opinions being voiced and heard in both formal and informal ways, on issues of local, national and international importance.

8.5 Chapter 3 sets out that the Government will work to develop innovative models of consultation, including through the use of new technology. Work in the next few months will focus on the areas below. The Government will work with the third sector to look at:

- what new mechanisms does Government need to put in place to ensure it can respond appropriately and effectively to consultation with the third sector. How could Government use new technology to facilitate this?
- what are the key skills needed by individuals and organisations to enable them to effectively engage with Government at all levels?

- what can be learnt from other countries' experience of citizens' voices influencing what happens at a local, national or international level?

Strengthening communities

8.6 The Government's vision is of strong, active and participative communities, where individuals and groups are encouraged to be involved in society and are empowered to be able to achieve change. People from every background should be valued and feel able to make a full contribution.

8.7 Chapter 2 sets out plans to establish a £30 million Community Assets Fund, and additional funding for the Safer and Stronger Communities block of Local Area Agreements. The Government will also consider how best to embed community capacity building within its overall strategy for third sector capacity building and will further examine the nature and level of grants available to small organisations. Chapter 4 sets out that the Government will look to develop the evidence base on the opportunities for volunteering in the public sector and on the value of volunteering in building skills. The Government will also continue to take action to ensure there is sufficient information available about the necessary rules applicable to volunteer involving organisations and continue to work with the sector to develop a modernised volunteering infrastructure.

8.8 Work in the next few months on creating active, strong and connected communities will additionally focus on the areas below. The Government will work with the third sector to look at:

- what lessons can be learnt from other countries to ensure communities are strong, active and connected?
- how can Government ensure that small community groups are reached and resourced effectively? What is the current level and nature of the support available to small community organisations at a local level?
- how can the social and economic impact of small community based organisations best be measured?
- how can Government best consolidate the investment it has already made in volunteering and mentoring?
- how can volunteering boost social cohesion by increasing the diversity of volunteers and by linking up diverse groups and different generations of volunteers?

Transforming public services

8.9 Building on the Action Plan for Third Sector Public Service Delivery, the Government's vision is for the third sector's role in transforming public services to be recognised and valued. As well as being a major deliverer of public services, the third sector should be used as consultants in their design, delivery and development. The third sector should be a constant challenge to other deliverers of public services.

8.10 Chapter 6 sets out that the Government will commission research on where the third sector plays an important role in shaping public services, the ways in which they are involved and the resulting improvement in services. The Government will also undertake an analytical study on how the public sector can learn from and scale up the

third sector's innovative approaches to delivering public services and will work across Government to embed the commitments in the Action Plan for Third Sector Public Service Delivery. Work in the next few months will additionally focus on the areas below. The Government will work with the third sector to look at:

- what are the priorities for establishing a better evidence base for the third sector's role in transforming public services?
- how best can commissioning and procurement commitments be embedded and built on (for example through sub-commissioning, social clauses, tackling bad practice)?
- how will the changing public service delivery environment in the next ten years impact on third sector organisations?

Encouraging social enterprise

8.11 As set out in the Social Enterprise Action Plan, the Government's vision is of dynamic and sustainable social enterprises, contributing to a stronger economy and fairer society. The Action Plan sets out the way in which Government intends to work with the sector to foster a culture of social enterprise, ensure that the right information and advice is available, enable social enterprises to access appropriate finance, and enable social enterprises to work with Government. The Action Plan is part of an ongoing process, in which Government and the sector continue to learn about what works best.

8.12 Work over the next few months will focus on implementation of the Action Plan, working with the sector. In addition, the third sector review gives the opportunity to explore those areas where more evidence is needed. The Government will work with the third sector to look at:

- what are the particular skills needs of social enterprise leaders and employees and are they being met by mainstream business education and training networks and organisations?
- what more evidence exists on the effectiveness of social enterprises in tackling particular social and environmental challenges, and what, if any, sector specific barriers exist to prevent them from doing so?

Supporting the environment for a healthy third sector

8.13 The Government wants to support the development of a healthy third sector, where organisations are empowered and enabled to achieve change. The Government has set out that to support this, when Government departments and their agencies receive their 2008-09 to 2010-11 budgets through the 2007 Comprehensive Spending Review, they will be expected to pass on the flexibility and certainty of that three year funding to third sector organisations as the norm rather than the exception. Moreover, the Government is considering what needs to be done to further build the skills of the third sector workforce and of public sector officials working with the third sector, and to promote the third sector as a career path. The Government is interested in the case for development of a single source of information on funding and other Government provision of support to the third sector, building on the Government funding portal. The Government will also explore how it can sustainably deliver on the ChangeUp framework for sector capacity building, including how it can support the range of organisations in the third sector.

8.14 In addition, the Government will work with the sector to look at:

- how the Government can understand better when it should invest in organisations, offer contracts or provide grant funding, linked to evidence on the life cycle and growth of different organisations in the third sector; and
- how Government can better use and disseminate best practice and evidence on the third sector.

GATHERING EVIDENCE

8.15 To contribute to gathering information in these areas, and as part of the second stage of the review, an interactive web-based consultation will be launched in December. It will provide the opportunity to post responses to the specific questions posed in this document and for comments to be shared on the proposed five themes. It will also include a 'post box' for organisations to share with the review evidence and analysis, which will help inform the next stage of the work. The questions will be available at:

- www.cabinetoffice.gov.uk/third_sector
- www.hm-treasury.gov.uk/ctsfu

8.16 As well as further meetings of the advisory panel, a small number of thematic round table meetings will also be held across the country, covering each one of the five themes. These meetings will be for local, regional and national organisations in the sector and will provide a focused opportunity to explore the developing vision in these areas and to help define the future role of the third sector in social and economic regeneration.

A

THE CONSULTATION

A.1 As part of the consultation process there were 93 consultation events in total: 9 regional, and 84 sub-regional and sub-sectoral events, held throughout England. Amongst these were specific events with corporates, social enterprises, credit unions, mutuals and cooperatives, young people's organisations, faith groups, disability groups, black and minority ethnic organisations, lesbian, gay, bisexual and transgender communities, and other equalities groups. This was to ensure that all strands of the third sector had an opportunity to feed in their views to the review. The Government Offices along with national, regional and local networks and Government departments helped to organise these events. The organisations themselves designed the events, taking into account the diversity and size of the groups that attended.

A.2 HM Treasury and the Cabinet Office have been awarded a Compact commendation in excellence for the third sector review consultation. The consultation events are listed below:

- 15th May: London – Review launch event, HM Treasury
- 5th June: Guildford - South East regional event
- 7th June: Bristol - South West regional event
- 12th June: Newcastle-upon-Tyne - North East regional event
- 19th June: Cambridge - East of England regional event
- 26th June: Nottingham - East Midlands regional event
- 3rd July: Leeds - Yorkshire and Humberside regional event
- 11th July: Bedfordshire - Sub-regional event, held in partnership with East Mentoring Forum
- 17th July: London - Sub-regional event, held in partnership with the Third Sector Alliance
- 18th July: Wokingham - Sub-regional event, held in partnership with Regional Action and Involvement South East (RAISE)
- 19th July: Birmingham - West Midlands regional event
- 24th July: London – Social enterprise sub-sectoral event held in partnership with the Social Enterprise Coalition (SEC)
- 25th July: London - Department for Communities and Local Government (DCLG) and Faith Communities Consultative Council (FCCC) meeting
- 26th July: Kent - Sub-regional event, held in partnership with Kent Community Alliance of Networks (Kent CAN) and RAISE
- 26th July: Manchester - North West regional event
- 1st August: Sussex - Sub-regional event, held in partnership with the qualities Group of West Sussex County Council and RAISE
- 9th August: Sussex - Sub-regional event, held in partnership with RAISE

- 16th August: Middlesbrough - Sub-regional event, held in partnership with Tees Valley Voluntary and Community Sector Forum
- 21st August: Bulwell (Nottingham) - Sub-regional event held in partnership with Nottingham Council for Voluntary Service (CVS)
- 29th August: Newcastle-upon-Tyne - Sub-regional event, held in partnership with the Pentagon Partnership
- 30th August: Plymouth - Sub-regional event, held in partnership with Government Office South West (GOSW) and Plymouth Community Partnership
- 31st August: Cambridge - Sub-regional event, held in partnership with the Commission for Racial Equality (CRE)
- 1st September: Southampton - Sub-regional event, held in partnership with Southampton Voluntary Service
- 2nd September: Southall (London) - Community Media Association (CMA) event
- 4th September: London - Corporate Community Involvement event
- 4th September: London - Local Government Association (LGA) event
- 5th September: Gloucester - Sub-regional event, held in partnership with GOSW and Gloucester CVS
- 5th September: York - Sub-regional event, held in partnership with the National Association for Voluntary and Community Action (NAVCA) and York CVS
- 5th September: London - Community Sector Coalition (CSC) event
- 5th September: Sussex - Sub-regional event, held in partnership with RAISE
- 6th September: London - Sub-regional event, held in partnership with the Association of Chief Executives of Voluntary Organisations (ACEVO)
- 6th September: London - Sub-regional event held in partnership with the Confederation of Indian Organisations (CIO)
- 6th September: Bournemouth and Poole - Sub-regional event, held in partnership with GOSW and Bournemouth and Poole CVS
- 6th September: Kings Lynn - Sub-regional event, held in partnership with NAVCA and West Norfolk Voluntary and Community Action
- 6th September: Oxfordshire - Sub-regional event, held in partnership with South Oxon Voluntary Sector Forum and RAISE
- 7th September: Bolton - Sub-regional event, held in partnership with NAVCA and Bolton CVS
- 7th September: Manchester - Association of British Credit Unions Limited (ABCUL) event

- 8th September: Cowes (Isle of Wight) - Sub-regional event, held in partnership with the Rural Community Council
- 8th September: Portsmouth - Sub-regional event, held in partnership with Portsmouth Council of Community Services
- 8th September: Luton - Sub-regional event, Luton Council Meeting
- 11th September: Taunton - Sub-regional event, held in partnership with GOSW and Equality South West
- 11th September: Yeovil - Sub-regional event, held in partnership with UpStart Services
- 11th September: Merseyside - Sub-regional event, held in partnership with Merseyside Network for Europe and Liverpool CVS
- 12th September: Wiltshire and Swindon - Sub-regional event, held in partnership with GOSW and Salisbury CVS
- 12th September: Teesdale and Wear Valley - Sub-regional event, held in partnership with NAVCA and 2D (Teesdale and Wear Valley CVS)
- 13th September: Birmingham - Sub-regional event, held in partnership with Women Acting in Today's Society
- 14th September: London - Regional Development Agency (RDA) event
- 14th September: Leicester - Sub-regional event, held in partnership with CIO, Leicester Ethnic Minority Partnership and Voice East Midlands
- 14th September: Hampshire - Sub-regional event, held in partnership with Clubs for Young People (CYP) and Hampshire and Isle of Wight Youth Options
- 14th/15th September: Newquay - Sub-regional event, held in partnership with Cornwall Voluntary Sector Forum
- 15th September: Lancashire - Sub-regional event, held in partnership with West Lancashire CVS
- 15th September: Newcastle-upon-Tyne - Sub-regional event, held in partnership with the Institute for Public Policy Research North
- 18th September: London - Greater London regional event
- 20th September: Surrey - Sub-regional event, held in partnership with Surrey Community Action
- 20th September: Tower Hamlets (London) - Sub-regional event, held in partnership with the Tower Hamlets Community Empowerment Network
- 20th September: Chester - Directory of Social Change event
- 20th September: Nottinghamshire - Sub-regional event, held in partnership with Voice East Midlands and Nottingham Black Partnership (NBP)
- 21st September: Exeter - Sub-regional event, held in partnership with NAVCA and Exeter CVS

- 21st September: Derby - Sub-regional event, held in partnership with Voice East Midlands and Derby Millennium Network
- 21st September: Hyde - Sub-regional event, held in partnership with Tameside Third Sector Coalition (T3SC)
- 21st September: Manchester - Sub-regional event, held in partnership with the CIO
- 21st September: Kent - Voluntary Action West Kent annual conference
- 21st September: Oxfordshire - Sub-regional event, held in partnership with the Vale of White Horse Voluntary Sector Forum
- 22nd September: Basingstoke - Sub-regional event, held in partnership with RAISE and Test Valley Community Services
- 22nd September: Lincolnshire - Sub-regional event, held in partnership with East Midland Cooperative Council
- 22nd September: Lincolnshire - Sub-regional event, held in partnership with R3N & Voice East Midlands
- 25th September: Derby - Sub-regional event, held in partnership with NAVCA, Derby CVS and Jobs Education and Training (JET)
- 25th September: Workington, Cumbria - Sub-regional event, held in partnership with Cooperative and Mutual Solutions Ltd
- 26th September: Oxfordshire - Sub-regional event, held in partnership with South Oxfordshire Voluntary Sector Forum and RAISE
- 26th September: London - Sub-regional events, held in partnership with CYP
- 27th September: Herefordshire - Sub-regional event, held in partnership with NAVCA and Herefordshire Voluntary Action
- 27th September: London - Sub-regional event, held in partnership with Voluntary Action Westminster
- 28th September: Halifax - Sub-regional event, held in partnership with Action Halifax
- 28th September: Essex - Sub-regional event, held in partnership with CYP and Essex Association of Boys' Clubs
- 29th September: Kent - Sub-regional event, held in partnership with RAISE and Southern Association of Voluntary Action Groups for Europe (SAVAGE)
- 29th September: Waltham Forest (London) - Sub-regional event, held in partnership with Waltham Forest BME Alliance
- 2nd October: Greater Manchester - Sub-regional event, held in partnership with North West Network
- 2nd October: Stoke Newington (London) - Sub-regional event, held in partnership with Newington Green Black Senior Citizens Group
- 2nd October: London - National Housing Federation event

- 3rd October: Cambourne (Cambridgeshire) - Sub-regional event, held in partnership with Space East
- 3rd October: London - Sub-regional event, held in partnership with the Women's Resource Centre
- 4th October: London - Black Training and Enterprise Group (BTEG) event
- 4th October: Rotherham - Sub-regional event, held in partnership with South Yorkshire Open Forum
- 5th October: London – Sub-sectoral faith event, held in partnership with Faithworks, FCCC and DCLG
- 6th October: Congleton - Sub-regional event, held in partnership with Congleton District CVS and Volunteer Centre
- 9th October: Leicester - Sub-regional event, held in partnership with Voluntary Action Leicester
- 9th October: Leicester - Sub-regional event, held in partnership with Leicester North West Community Forum
- 11th October: Manchester - Community Transport Association (CTA) event
- 12th October: London - Charities' Tax Reform Group event
- 12th October: Worcester - Sub-regional event, held in partnership with West Midlands Region Churches Forum
- 25th October: London – Sub-sectoral disability groups event, held in partnership with the Office of Disability Issues, Department for Work and Pensions (DWP) and Department of Health (DH)
- 26th October: London - Aston Mansfield event
- 30th October: London – Sub-sectoral lesbian, gay, bisexual and transgender (LGBT) event, held in partnership with the LGBT Consortium
- 1st November: London - Sub-regional event, held in partnership with Voluntary Organisations Disability Group (VODG)
- 8th November: Luton - Sub-regional event, held in partnership with Luton Assembly
- 9th November: Birmingham - Sub-regional event, held in partnership with ACEVO

B

CROSS-DEPARTMENTAL MINISTERIAL GROUP

B.1 The review is overseen by a cross-departmental ministerial group. The members are:

- Rt. Hon. Hilary Armstrong MP - Social Exclusion Minister and Chancellor of the Duchy of Lancaster
- Ed Miliband MP - Minister for the Third Sector
- Rt. Hon. Dawn Primarolo MP - Paymaster General, HM Treasury
- Vera Baird QC MP - Parliamentary Under-Secretary of State for Constitutional Affairs, Department for Constitutional Affairs
- Parmjit Dhanda MP - Parliamentary Under-Secretary of State, Department for Education and Skills
- Barry Gardiner MP - Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs
- Rt. Hon. Margaret Hodge MBE MP - Minister of State for Industry and the Regions, Department of Trade and Industry
- David Lammy MP - Parliamentary Under-Secretary of State for Culture, Department for Culture, Media and Sport
- Ivan Lewis MP - Parliamentary Under-Secretary of State for Care Services, Department of Health
- Jim Murphy MP - Minister of State for Employment and Welfare Reform, Department for Work and Pensions
- Phil Woolas MP - Minister of State for Local Government, Department for Communities and Local Government.

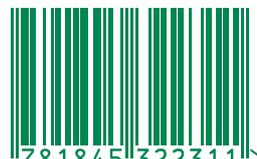


THE THIRD SECTOR ADVISORY PANEL

C.1 The review is advised by a third sector advisory panel, drawn from a range of organisations. The members are:

- Maeve Sherlock - Chair
- Chris Bain - Infrastructure National Partnerships (INP)
- Fran Beckett - Church Urban Fund
- Jonathan Bland - Social Enterprise Coalition (SEC)
- Stephen Bubb - Association of Chief Executives of Voluntary Organisations (ACEVO)
- Jeremy Crook - Black Training and Enterprise Group (BTEG)
- Kevin Curley - National Association for Voluntary and Community Action (NAVCA)
- Stuart Etherington - National Council for Voluntary Organisations (NCVO)
- Anjelica Finnegan - v20 member
- Tom Flood - BTCV
- Olga Heaven - Hibiscus
- Dame Elisabeth Hoodless - CSV
- Bharat Mehta - City Parochial Foundation (CPF)
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