

Speech by The Chancellor of the Duchy of Lancaster, the Rt. Hon. Alan Milburn MP to the Association of Chief Executives of Voluntary Organisations (ACEVO) - 30<sup>th</sup> November 2004

**‘The Voluntary Sector - a Partner in Reform’**

I am pleased to be asked to be here at the launch of ACEVO’s ‘Surer Funding’ report. I believe it is an important event for the future of the voluntary sector.

Many years ago I used to work in the voluntary sector myself. So I have always had a high regard for the work you do. While I was out of Government, I had the honour of chairing the pre-legislative scrutiny committee looking at the Charities Bill and how it could best modernise charity law. I was delighted that last week’s Queen’s Speech included that Bill. In Government I have tried to find ways of better harnessing the voluntary sector to bring about improvement in public services and regeneration in local communities.

This report highlights the role many voluntary organisations are already playing in both regards. Rightly, however, it says that the potential of the sector will remain unfulfilled so long as the present systems of funding remain unchanged. I know Fiona Mactaggart, the Minister with responsibility for the voluntary sector, and others in Government will now want to consider your report with a view to bringing about improvements.

I believe the voluntary sector can extend its role not just in reforming public services but in spreading opportunity and deepening aspiration in our country.

Our insight today is that Britain can only succeed economically if we are mobile socially. Our success in a globally competitive economy depends on unlocking the talents of all our people. A knowledge economy needs an opportunity society. There is a glass ceiling on opportunity in our country. After seven years in government, we have raised it - but in truth, we have not yet broken it.

We are in it for the long haul, because together with the British people we want to forge a country where opportunity for all is a reality, not just an easy slogan.

So, as we look ahead to the future, having achieved full employment in some parts of Britain we must set ourselves the ambition of extending it to all.

Having cut child and pensioner poverty, we must now aim to end it.

Having increased childcare, we must make it more flexible, so that more are able to balance their work commitments and their family responsibilities.

Having increased resources for health and education, we must extend choice over hospitals and schools from those with wealth to those without.

In the last seven years much progress has been made. In the 1980s, the consensus was that Britain must inevitably fall behind. Today, a new consensus is emerging that Britain can move ahead. Then it was nostalgia about the past. Now it is hope about the future. The fatalism of the old consensus is giving way to the optimism of the new.

The true test of politics, however, is whether the changes you make endure. Clement Attlee embedded the welfare state. Margaret Thatcher embedded the free market. It is now time to move towards a new settlement to transform our country.

We seek to make irreversible the promise to ensure that wealth, power and opportunity are in the hands of the many, not the few - changing the basic contours of British politics for good.

We want to bring about change in the next five years - to spread - redistribute - opportunities in society so that people can realise their own aspirations for progress.

Finding new ways to empower people is the modern progressive cause. In a world of rapid change people often feel disempowered. You can see that in the way politics and public have become more distant not just over a few years but over recent decades. On the one side people are less deferential and more demanding. On the other, you have systems both of service provision and of political accountability that too often shut people out rather than letting them in. These systems belong to yesterday, not today.

That is why reform is so crucial and so urgent. Over these last seven years we have learned much. We are more experienced and more confident. We know what works and what does not. And we know that the biggest reforms always produce the best results - Bank of England independence, choice in public services, devolution to Scotland and Wales. There is no change without controversy, but no social justice without reform.

So as we look ahead we must deepen our commitment to progressive reforms that open up more opportunities for more people. It is here I believe the voluntary sector has such a key role to play.

A vibrant voluntary sector - forged from the combined efforts of millions of unpaid volunteers - is the bedrock of a modern civil society based on active citizenship. It can act as a catalyst to change the way Britain is governed - enabling this generation not just to beat poverty - but to unleash opportunity and aspiration. So that worth, not birth, becomes the fundamental determinant of life-chances.

Because voluntary organisations are grounded in local communities, they are uniquely well placed to build the social capital that can tackle poverty, fight crime and improve health. Some of the most inspiring people I meet in my own constituency of Darlington are the local residents and volunteers who lead community efforts to tackle these sorts of disadvantage.

In an era where citizens are better informed and ever more inquiring, doing things to people no longer works. It is doing things with them that now hold the key. Today, the priority must be to fashion an active citizenship where the state enables more people to make choices for themselves - so they are better able to realise their own aspirations. I believe this drive to forge new alliances so that responsibility is shared with citizens will be the centrepiece of the progressive political agenda for years to come.

Here the voluntary sector has a twin role: first, helping communities take greater control; and second, helping open up our great public services to greater choice. Let me now say something about each.

Making Britain fairer has to mean giving local communities a bigger say. For decades, policy-makers practised a top-down approach. You can see it in the old-fashioned inner-city regeneration schemes of the 1980s, where resources were allocated regardless of the views of those who were

supposed to benefit. It is hardly surprising that such schemes came - and went - and failed to achieve sustained results.

John Prescott has learned those lessons. His New Deal for Communities has broken new ground by building sustainability from the bottom up. Thanks to John's reforms local people are being involved in the decisions that affect their local communities so they have a far bigger stake in actually making them work.

Similarly, David Blunkett's proposals for police reform aim to put more power in the hands of local people to combat street level disorder and enhance community liveability, allying the authorities with the majority who work hard and play by the rules, against the minority who do not.

In the weeks ahead, Margaret Beckett will set out further proposals for improving local neighbourhoods in the forthcoming DEFRA five-year plan. The ODPM five-year strategy will deepen this approach, with reforms that re-invigorate local government and pass power downwards and outwards to local communities themselves.

In cities as diverse as Chicago in the United States, and Porto Alegre in Brazil, local people already control local budgets and services. The results are impressive - both for public engagement and service improvement. We are looking at how the same lessons can be applied here. We are examining how local neighbourhoods could fashion their own programmes for improvement from below rather than simply receiving hand-me-down programmes from above. We need to examine positively the Scarman Trusts' proposals for 'Community Service Agreements' whereby a community enters into a reciprocal arrangement with a public authority, for example to clear up a piece of waste ground, provide new activities for teenagers, and so on. This bottom-up approach is about more than giving people a say about their future. It is about giving them a stake in the future.

We believe that Britain's strength ultimately resides in our families and communities, where the character and values of citizens are formed. It is grounded in a proud labour movement tradition of self help, not just state aid. It is the tradition of William Morris, Robert Owen, and R.H. Tawney. In this tradition, the State controls less and enables more.

It was Keir Hardie himself who said: "Socialism is not help from the outside in the form of state help - it is the people themselves acting through their organisations, regulating their own affairs" [Evidence to the

Royal Commission on Trade Unions, 1885]. A century ago the pioneers of British socialism did not believe the state was people's salvation. Their tradition was one in which an enabling state helped people to help themselves.

It is a tradition we should be seeking to apply to the modern world in the recognition that just as there are limits to the role of free markets, there are limits to the role of centralised states. Progress can often best be achieved upwards from the efforts of individuals, families and communities not just downwards from the efforts of governments. The job of Government today is, of course, not just to provide security - protecting those too vulnerable to protect themselves. But it is also to provide opportunity so that all have the chance to progress.

Reform opens the door to a Britain where more opportunities are available to more people. That is the purpose of the changes we seek to make. Such an approach requires a bigger role for voluntary, community and residents organisations. Not just in community regeneration but in service delivery.

The sector's role in mainstream service provision has grown considerably since the 1980s. Housing associations are now the main providers of affordable new homes. Voluntary hospices are the main providers of care for the dying, giving rise to a new branch of modern medicine. And the voluntary sector is also a major provider of environmental regeneration, learning disability, mental health, alcohol, and drug services.

Organisations like Turning Point, the British Red Cross or the RNID belie the image of an amateur, disorganised, volunteer-run sector. They are big successful professional organisations. And they provide just the kind of services that are needed today - personally delivered, fairly provided. Where government can at times appear remote, the best of the voluntary sector can be more sensitive and responsive to the specific needs of individuals and communities.

Within our public services, reforms that have introduced common standards and inspection systems over recent years have allowed our country to make progress towards a system - commonplace elsewhere in Europe - where the origin of the provider becomes less important than the standards they provide.

In local government, more services are now provided by the private sector. In social services, care for the elderly is now dominated by private

providers. In education, the private sector now has a foot in the door delivering school and local education authority services. In health, the concordat with the private sector and the introduction of new overseas providers into the NHS has allowed many more NHS patients to be treated in independent sector hospitals.

Now, we can take the next steps. We need to move beyond an automatic assumption that the only alternative to the public sector is the private sector. Over the next decade, the voluntary sector should become as integral to public service delivery in Britain as either the public or private sectors. It can help open up public services so they become more responsive and offer those who use them far greater choice.

I do not argue that the voluntary sector can - or should - replace the state. The public sector and the voluntary sector should be partners, not rivals. They have a shared ambition: to unlock new opportunities for families and communities alike, to create a Britain in which people can go as far as they have the talent to go, where opportunity and prosperity are widely shared.

The voluntary sector can help us deliver the opportunity society we seek. The potential is already there. Realising it will require a new drive to bring the voluntary sector in from the cold. That will involve, not just leadership from national government, but also action from local agencies. After all, most of the relationships between the sector and government are local, involving primary care trusts and local councils.

The September 2002 Treasury cross-cutting review looked at the relationship between government and the community and voluntary sector, including building capacity within the VCS and improving the way government funds the sector. An NAO study is also examining departmental progress in implementing the Treasury's recommendations.

Here, as we all know, there is room for considerable improvement. Too often contracts are tentative and short-term. Bidding and procurement processes are bureaucratic. Decision-making is too slow. Announcements are often delayed. Goalposts can be moved at the very last moment. Poorly written contracts place services at risk.

There is a vicious cycle that limits the voluntary sector's ability to deliver. On the one side, organisations delivering services that meet the complex needs of ex-offenders, the long-term unemployed, or those with mental health problems spend time and energy chasing dozens of short-

term funding streams, rather than investing in staff development and service improvement. Local homelessness projects and drug treatment centres can be forced to close down just as they're starting to make an impact. Too many voluntary organisations do excellent, important work but can't get the stable funding that would allow them to develop and expand their services.

On the other side, Government agencies are nervous about contracts with organisations that lack capacity. They then want voluntary organisations charities to account for every penny, micromanaging the relationship and clawing back resources whenever they can. In turn, this keeps capacity in the sector down, preventing it from moving up.

It is time to break out of this spiral. Above all, the voluntary sector needs a level playing field, as this report recommends. Through the 'Future Builders' Fund and 'Change Up' Infrastructure Fund, government is already making a sizeable investment in the voluntary sector's capacity. We now need to encourage local councils and PCTs, crime and disorder partnerships and local strategic partnerships to move from a 'grants culture' to a 'contract culture'. One where long-term funding meets the overhead costs of voluntary organisations so they can build their leadership, skill their staff and grow the capacity of citizens themselves to play a leading role in their communities.

Long-term contracts could also have the potential to lever into the voluntary sector significant additional resources. A voluntary sector equivalent of the private finance initiative - VFI alongside PFI - becomes possible when organisations can borrow from the markets against the long-term contracts they receive.

At a minimum, voluntary organisations must have a right to bid - alongside public and private bodies - for any tendered public service. In this and other ways, government can find practical ways of breaking the culture that all too often places the voluntary sector on the margins when it should be at the centre of a modern and diverse system of public service delivery. One that moves beyond the one size fits all, 'Whitehall knows best' model of public services, toward services that are tailor-made to match the needs of diverse communities across our country. It is this model that the Government should take forward.

This report provides powerful recommendations for change. But this is a two-way street. Government can, and should, do more. But so must the voluntary sector itself. Reform is needed here too.

To be blunt: you won't get something for nothing. To get a better funding regime, voluntary organisations will need to demonstrate the added value they can bring to public services. They need to be clearer about what they're promising, and what they can deliver. They need to get tough about the value of their work, as well as its cost. That way they can play a bigger role in helping spread opportunities in our society.

Over these last seven years, the Government has built sure foundations towards that long-term goal. The economy is strong and stable. Unemployment has fallen. The number of people in work has risen. Britain is working. Prosperity is growing. Poverty is being eroded. Public services are feeling the benefits of resources and resources.

In politics, however, it is not yesterday's achievement but tomorrow's challenge that spurs us on. Reform is not a process that starts one day and stops the next. It has to go on and on and on, if we are to realise the fairer, better society we seek. That is what should now drive us.

I believe voluntary and community organisations can become key partners in reform. There is a new future beckoning for the whole of the voluntary sector. As your report rightly implies, that future will not just happen. It has to be made. Together that is what we must do.

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