

futurebuilders

An Investment Fund for Voluntary and
Community Sector Public Service Delivery

September 2003



HM TREASURY

Compact
Working Group



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FOREWORD BY THE RT HON PAUL BOATENG MP, CHIEF SECRETARY TO THE TREASURY AND SIR MICHAEL BICHARD CHAIR OF THE COMPACT WORKING GROUP

In the *futurebuilders* consultation document, we invited you to have your say and the response to that invitation has been excellent. We are grateful for the engagement of so many individuals, voluntary and community organisations, public sector agencies and other interested parties in the consultation exercise.

The comments and suggestions that have been made have been given careful consideration in making the final decisions about the fund, outlined in this document.

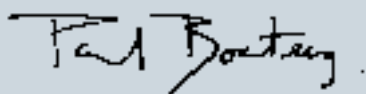
futurebuilders is breaking new ground, change is not always comfortable and caution is understandable. But *futurebuilders* is about bringing about change to stimulate and support a greater role for the voluntary and community sector in service delivery. It will do this through making judicious investments that will have maximum impact in particular organisations.

We believe that *futurebuilders* should provide both grants and loans because, to achieve its aim, the fund must offer a wide variety of financial options, in order to cater for the needs of the broadest range of service providing organisations. The watchword, therefore, will be flexibility. Flexibility, so that there is the minimum of prescription at the outset, and flexibility to review and make adjustments to the fund along the way, in the light of experience.

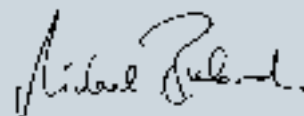
We must ensure that the fund is inclusive, reaching out to small, local and niche service providing organisations, as well as larger and better resourced ones; and reaching out to all parts of the community, reflecting the voluntary and community sector's rich diversity. This may mean helping less experienced or visible organisations to a position where they are ready for a *futurebuilders* investment.

Finally, for the fund to work, new partnerships must be forged both with those who have responsibility for commissioning and paying for services, and between organisations in the sector. This is where the Compact can come into its own. The implementation of the recommendations of the cross cutting review are also critical to the fund's success. And, of course, how the fund is managed and run will be a key factor.

We would like to thank everyone who has contributed to bringing us to this point. In particular, to the reference group, chaired by Sir Kenneth Stowe, to the task groups, to the consultants working with us, and to the small Treasury team which has co-ordinated the detailed work. We can be proud of what we have achieved together.



PAUL BOATENG



SIR MICHAEL BICHARD

EXECUTIVE SUMMARY

- The Government's vision** The Government regards the voluntary and community sector (VCS), including social enterprises, as a key partner in achieving its vision to deliver world class services which extend opportunity, tackle poverty and improve quality of life for all. This vision is underpinned by substantially increased resources, matched with radical reform. To this end, the 2002 Spending Review set out four principles for public service reform; clear, long term goals; independent audit and inspection; maximum local flexibility and discretion to innovate; and transparency.
- futurebuilders** In the 2002 Spending Review,¹ the Government announced the £125million, one off investment fund, *futurebuilders*, spread over three years to March 2006, to assist the voluntary and community sector in its public service work.
- Compact** The design of *futurebuilders* has been an exemplar of the Compact process as applied to the development of government policy. There was strong interest in the consultation on proposals for use of the fund, which ran from 30 April - 21 July 2003. The outcomes of that consultation have informed the final design of the fund.
- What it will do** *futurebuilders* is intended to showcase the best of VCS service delivery; to transform the capacity of some individual organisations, or groups of organisations working together, to engage in service delivery; and to capitalise on the sector's distinctive contribution to service delivery and ability to be creative. It will reinforce the independence of the sector, highlight its potential and lead to a better understanding of its role in service delivery.
- The principal test for schemes resourced by *futurebuilders* will be whether the investment enables an organisation, or group of organisations, to **expand or improve their service delivery**. Investments are intended to help **remove obstacles** and enable organisations to **modernise** to achieve this.
- It will help tackle the **lack of capital investment and development funding** in the sector. It will aim to fund the **best ideas**, wherever they may be, to create exemplars that inspire and lead in VCS public service delivery.
- What it will not do** *futurebuilders* is not **about a 'dash for cash'** for pet projects. It **cannot, nor was it ever intended that it should meet all the needs of all organisations** that deliver services. In particular, it cannot provide revenue funding. It **will not fill gaps** in service, nor shore up organisations in financial difficulties, nor provide stop gap funding, nor maintain operations at existing levels.
- The fund will **not be allocated geographically**, nor be targeted at specific areas. There will be **no ring fencing** within the fund for specific purposes and it **will not substitute where a funding stream exists** for a service.
- Who futurebuilders is for** The fund is aimed at:
- existing service delivery organisations that want to do **more**;
 - organisations **new** to service delivery; or
 - existing and new service providers that want to deliver services in a **different** way.

¹ HM Treasury (July 2002) *2002 Spending Review – Opportunity and security for all; Investing in an enterprising, fairer Britain*, Chapter 1. Cm 5570. Available on the HM Treasury website at www.hm-treasury.gov.uk.

It will help organisations where investment will have the maximum impact in achieving the aims and principles of *futurebuilders*.

Principles *futurebuilders* will assist schemes that are underpinned by six guiding principles:

- **Improving service for users**
- **Investing in sustainable schemes**
- **Promoting greater collaborative working**
- **Making the money go further**
- **Stretching and challenging organisations**
- **Inclusiveness.**

Priority service areas *futurebuilders* will be directed at those organisations working in, or across the fields of:

- health and social care;
- crime;
- community cohesion;
- education and learning; and
- support for children and young people.

There is scope for schemes to support a range of departmental Public Service Agreements (PSAs) to address a range of needs and meet a number of service delivery objectives over these priority service areas. The fund manager(s) will develop more detailed guidance.

There will be **no further targeting** within the service areas. This will allow flexibility to meet different needs and opportunities as reflected by priorities in different localities. **Cross cutting schemes** that work across these service boundaries will be encouraged.

The sector will also have the freedom to lead on developing **services that fall outside** the priority areas, but which can demonstrate a wider application if they are successful. In this way, *futurebuilders* can shape the market for services, as well as respond to it.

Service design The way in which services are designed and developed will be an important factor and the fund will be looking for evidence of:

- **better public services;**
- **working with local stakeholders; and**
- **respecting the independence of the sector.**

Local authorities and the local arms of central government take the lead in setting local strategic priorities, which will need to be taken into account when developing proposals for *futurebuilders* funding.

Assets The overall funding can be used to buy a wide variety of assets within three broad categories:

- physical assets (e.g. for buildings);
- intangible assets (for knowledge and skills; an evidence base; and research); and
- development funding (e.g. one off resource spend).

There will be no fixed allocations between the different forms of assets. The fund manager(s) will have flexibility to apportion the funds to best effect, within an overall annual investment plan, approved by ministers.

Finance *futurebuilders* will offer grants and different forms of loans, and there will be no fixed allocation between the different types of finance. The emphasis will be on maximum flexibility, so that the specific type of finance can be tailored to suit the needs of individual organisations.

The loans culture is new to many in the VCS and, while suitable for some, will not be right for all. The loans element of *futurebuilders* will be tailored to meet the needs of the sector. **There will be no minimum or maximum levels of investment.** The fund manager(s) will have the flexibility to invest small as well as large amounts in individual schemes.

futurebuilders will also be able to offer **finance to undertake essential development** to ensure a scheme is ready to access investment from the fund.

Information and advice There will be information and advice available to support *futurebuilders*. This will provide:

- information about the fund;
- clear direction about eligibility;
- an initial filtering of proposals;
- advice on forms of finance within *futurebuilders*;
- opportunities for collaboration between potential applicants;
- advice about any development needed; and
- signposting to additional specialist advice and support to develop proposals.

This will be made available in a simple, straight forward and speedy way.

Fund management How *futurebuilders* is set up and run is going to be crucial to its success. Following separate work into options for the management and operation of the fund, it has been decided that there will be an **open competition to appoint** the fund manager(s).

There is a **strong preference to site the fund outside government**, closer to the sector, and to utilise existing institutions where possible. Transparency, good decision making, clear timetables and accountability will be important, as will the ability to understand and support a strong, healthy and independent sector.

There will be key requirements of the fund manager(s) including making the fund **widely accessible, particularly to smaller, niche and local providers**; minimising the burden of application and assessment, including **operating a pre-application process**; investing resources to **help schemes to become ‘investment ready’**; and publishing both an **annual investment plan and an annual report**.

In addition to the guiding principles, decision making on eligibility will be governed by building in shared learning and good practice; investing strategically to provide added strength in the long term and investing in exemplar schemes that can, or have the potential to deliver lasting value and impact.

The **governance of the fund** will include mechanisms whereby principal stakeholders, such as public sector purchasers and the wider VCS can inform the investment plan, and so that regional priorities can be taken into account.

Joining up The success of *futurebuilders* will depend, in some measure, on the implementation of the key recommendations of the cross cutting review of the voluntary and community sector’s role in service delivery,² principally those related to full cost recovery and capacity building. The fund has a role in acting as a catalyst in spearheading the changes advocated in the cross cutting review. It will also provide valuable insights into the impact of the cross cutting review on service delivery organisations, and into their support needs.

Throughout the life of the *futurebuilders* fund, the Active Community Unit (ACU) in the Home Office will play a crucial role in ensuring that the principles applied in supporting funded schemes fit strategically with the work they are doing in taking forward the recommendations of the cross-cutting review, so that there is a consistent approach.

² HM Treasury (September 2002) *The Role of the Voluntary and Community Sector in Service Delivery. A Cross Cutting Review*.

Available on the Treasury website at www.hm-treasury.gov.uk

INTRODUCTION

1.1 In the 2002 Spending Review, the Government announced a £125 million one off investment fund called *futurebuilders*,¹ to assist the voluntary and community sector in its public service work. This document sets out the final design of the fund, following consultation. It outlines:

- guiding principles for the fund;
- how the fund will be applied within the priority service delivery areas;
- the assets the fund can buy;
- types of finance which the fund will provide; and
- the provision of information and advice to support the fund.

THE GOVERNMENT'S VISION

1.2 The Government has embarked upon a radical programme of public service modernisation, to deliver world-class services which extend opportunity, tackle poverty and improve the quality of life for all. This vision is underpinned by substantially increased resources, matched with radical reform. To this end, the 2002 Spending Review set out four principles for public service reform: clear long-term goals; independent audit and inspection; maximum local flexibility and discretion to innovate; and transparency.¹

1.3 The voluntary and community sector is a key part of the Government's vision for improving public services. Therefore, as part of the 2002 Spending Review, the Government conducted a cross-cutting review to explore how central and local government can work more effectively with the sector.² Box 1.1 sets out the conclusions of this cross cutting review.

¹ As outlined in the HM Treasury (July 2002) *2002 Spending Review*. Ibid.

² As outlined in the HM Treasury Cross Cutting Review. Ibid.

Box 1.1: Cross cutting review of the role of the voluntary and community sector in service delivery

The review confirmed that a modern and dynamic voluntary and community sector has a key role to play in public service delivery. It laid the foundations of a new framework for service delivery between the government and the voluntary and community sector.

In doing this it did not tightly define the 'voluntary and community sector' – understanding it to be “wider in scope than ‘general charities’ and the ‘voluntary sector’, inclusive of organisations reflecting the characteristics of social enterprise, but narrower in scope than ‘non-profit’, ‘third’ sector or ‘social economy.’”³

In particular, the review set out 42 recommendations, including:

- improving the way the funding relationship and mechanisms work;
- building capacity (e.g. governance, skills, standards, ICT) through investing in infrastructure and support for the sector; and
- embedding the Compact in government and across the sector.

The Active Community Unit in the Home Office is leading cross-government work to implement these recommendations, as part of delivering the Home Office's Public Service Agreement 'to increase voluntary and community sector activity, including increasing community participation, by 5 per cent, by 2006'.

1.4 Since the Spending Review, the Government has built on the conclusions of the cross-cutting review. For example, in Budget 2003, the Government announced a study of departmental involvement with the voluntary and community sector in service delivery, and the potential for going further, in order to inform the next Spending Review in 2004.

1.5 The cross cutting review identified several obstacles and challenges that need to be overcome to enable the sector to develop its public service delivery role, and thus fully support the Government's wider vision for public service reform. For example, the review identified the following main development needs:

- planning and developing schemes, including contracting;
- reconfiguring some existing services;
- developing different ways of working with other organisations; and
- attracting and recruiting the right staff.

³ As outlined in the HM Treasury Cross Cutting Review. Ibid

- I.6** One of the important obstacles is the general lack of capital investment in the sector. This is reinforced by a lack of flexible funding, especially for smaller organisations, and also lack of access to development funds. This limits the sector's ability to develop a wider range of services and adapt to the public service delivery agenda.

AIM OF FUTUREBUILDERS

- Aims** **I.7** *futurebuilders* was established in the 2002 Spending Review to help tackle these obstacles and meet these challenges.⁴

- Objectives** **I.8** *futurebuilders* is intended to showcase the best of voluntary and community sector service delivery; to transform the capacity of some individual organisations, or groups of organisations working together, to engage in service delivery; and to capitalise on the sector's distinctive contribution to service delivery and ability to be creative. It will reinforce the independence of the sector, highlight its potential and lead to a better understanding of its role in service delivery.

- I.9** By supporting schemes that can have most impact, the fund will accelerate the pace of change, foster mutual support and spread knowledge about the necessary ingredients of success. It will aim to fund the best ideas, wherever they may be, to create exemplars that inspire and lead in VCS public service delivery.

- I.10** To fulfil this remit the fund has three objectives:

- to overcome obstacles to efficient voluntary and community sector service delivery;
- to modernise service delivery organisations for the long term; and
- to increase the scale and scope of voluntary and community sector service delivery.

- I.11** In meeting these objectives, the fund will be directed to those voluntary and community organisations, or partnerships of organisations, directly involved in delivering key public services in or across the fields of:

- health and social care;
- crime;
- community cohesion;

⁴ The fund is spread over the three years 2003-04 to 2005-06 and is split between 80% capital and 20% resource funding. It applies to England only as policy for the voluntary and community sector is a devolved matter; the devolved administrations in Scotland, Wales and Northern Ireland will receive a proportionate allocation based on the Barnett formula. It will be for them to decide how to use that allocation. `

⁵ HM Treasury (September 2002) *The Role of the Voluntary and Community Sector in Service Delivery. A Cross Cutting Review*. Available on the Treasury website at www.hm-treasury.gov.uk

- education and learning; and
- support for children and young people.

Further details about the priorities can be found in Chapter 3.

I.12 The principal test for schemes resourced by *futurebuilders* will be whether the investment enables an organisation, or groups of organisations, to expand or improve their delivery of public services. Public services are defined as services that are wholly or partly funded, or could be funded, from the public purse⁵, including national, regional and local government and statutory agencies at all levels. This includes many types of service provision, ranging from services which are required by statute, to those which are mainstream but discretionary, to those which are complementary and preventative.

I.13 Therefore, the challenge for *futurebuilders* is to transform the capacity of voluntary and community organisations to engage in service delivery, to capitalise on the sector's ability to be creative and, most importantly, to improve public services for those who use them. The fund should provide a foundation on which to build further.

WHAT THE FUND WILL NOT DO

Who **I.14** There are some clear things that *futurebuilders* will not finance. It is not a 'dash for cash' for pet projects. Nor will it be used to provide additional resources for organisations in financial difficulty, nor provide a stop-gap injection of money, nor simply maintain operations at current levels. In addition, *futurebuilders* will not be used to resource schemes for which there is already a funding stream in place.

I.15 *futurebuilders* cannot, nor was it ever intended that it should meet all the needs of all organisations that deliver services. In particular, it cannot provide revenue funding.

I.16 The fund will not be allocated geographically, nor targeted at specific areas. Nor will there be any ring fencing within the fund for specific purposes. The aim is to provide maximum flexibility in the operation of the fund.

WHO IT IS FOR

I.17 The fund is aimed at:

- existing service delivery organisations that want to do more;
- organisations new to service delivery; or

⁵ As outlined in HM Treasury Cross Cutting Review. Ibid.

- existing and new service providers that want to deliver services in a different way
- I.18** It will help organisations where investment will have the maximum impact in achieving the aims and principles of *futurebuilders*. It will fund more of services that work well now, ways of improving services and services that are new.
- I.19** It is designed to challenge organisations to do more or better, or to deliver services differently, or all three. It will appeal to learning organisations that are entrepreneurial in spirit and are in a position to enter into, and manage major change.

COMPACT

I.20 From the outset, *futurebuilders* has been a unique undertaking.

New way of working

I.21 The development of the fund set out to be an exemplar of the Compact, demonstrating a commitment to its principles, and enacted through the accompanying codes of good practice. This will continue during the setting up phase of the fund and in its eventual operation. The process was agreed in a Memorandum between government and the Compact Working Group, and this is included at Annex A.

Process

I.22 The voluntary and community sector has been in the driving seat in designing the fund, working through a reference group and the Compact Working Group. These final conclusions reflect a joint assessment by government and the sector of what is needed and what will work. A list of participants in the process can be found in Annex B.

Task Groups

I.23 Task groups, led by experienced practitioners from the sector, each prepared a background paper on an aspect of the fund. The ideas in those papers have informed the thinking and shaped the fund throughout. The task group papers, and how to obtain them, as well as the individual contributions of task group members that fed into them, are listed in Annex C.

Evaluation

I.24 The Government is commissioning an evaluation of the process by which the fund has been developed, particularly because of its innovative nature, so that the experience can be captured and lessons learned.

I.25 A glossary of terms used in this document is included at Annex G.

2

PRINCIPLES FOR INVESTMENT

INTRODUCTION

- 2.1 Chapter 1 set out the vision, aim and objectives for *futurebuilders*. This chapter sets out the guiding principles that underpin the fund and will inform the development of criteria by the fund manager(s) for assessing applications for funding.

GUIDING PRINCIPLES

- 2.2 *futurebuilders* will assist schemes that are underpinned by six guiding principles:

Improving service for users

- 2.3 Improving services for users is the over-riding principle of the fund and will be central to its operation.
- 2.4 The involvement and empowerment of service users is acknowledged to be one of the key strengths of the voluntary and community sector in delivering services, and the fund will seek to build on this. *futurebuilders* will be a means to this end.
- 2.5 The involvement of service users might occur in both the planning and development of services financed by *futurebuilders*, in evaluating their success, and sometimes in their delivery. Schemes will need to show how they intend to deliver improved services for users, and be able to show that this has been achieved.

Investing in sustainable schemes

- 2.6 *The second principle means being sure that the service will continue, where the need remains, thereby justifying the investment. In most cases, this will involve organisations in securing an income stream to cover ongoing costs*
- 2.7 *futurebuilders* will invest in sustainable schemes that have a life beyond the period of investment. It would be a waste of valuable resources to invest in schemes that are not sustainable in the longer term. Schemes will need to demonstrate how **the ongoing costs to support the planned development in the longer term will be met**. Ensuring that the price for public sector contracts reflects the full cost of the service will be important in achieving this.

Promoting greater collaborative working

- 2.8 *The third principle is about creating a new climate of collaboration, both within the sector and with commissioners and purchasers of services. Partnership approaches will be encouraged and explored at the access stage, although joint working will not be an absolute requirement.*
- 2.9 Working together effectively to achieve common ends is consistent with the values of the voluntary and community sector. There are many ways in which organisations could work together to provide services more effectively, for instance through joint ventures or sharing backroom services.

2.10 In particular *futurebuilders* will encourage local public sector purchasers of services to think about how to work more effectively with the voluntary and community sector, and enhance its capacity to do more. This could produce different ways of delivering services, a fresh approach to designing services and, most importantly, more appropriate methods of procuring services. *futurebuilders* will resource schemes that seek to create a better environment for both purchasers and providers, adopting the best practice on commissioning and contracting for services, recommended in the cross-cutting review.

Making money go further

2.11 *Enabling the fund to have a life beyond the three years is the basis of the fourth principle. It also means levering in other resources, and, in particular, how a futurebuilders investment can be used to add value to other, existing funding streams*

2.12 There are various ways in which the money could be ‘stretched’ to go further, for example:

- joining-up with other funding streams, or using existing funding;
- bringing in specialist skills and know-how;
- using existing resources in a different way; and
- working with others to pool resources.

2.13 *futurebuilders* itself has been designed to be sustainable, so that the fund is ‘worth’ more than the initial £125 million, and has an impact beyond the three year period covered by the 2002 Spending Review. In this way the money would be ‘stretched’ and go further than would otherwise be the case.

2.14 *futurebuilders* will try to achieve this through using some of the £125m to establish a more sustainable source of finance for the voluntary and community sector beyond the initial three years. This should begin to counteract the tendency towards short term, grant-based funding, which was identified by the cross cutting review as a barrier to greater involvement in service delivery. Alternative forms of finance have the potential to be recycled for use again, and by other organisations. This approach should begin to provide some stability in finance streams and also contribute towards diversifying the traditional funding base of the voluntary and community sector. Chapter 4 discusses how this will be done.

Stretching and challenging organisations

2.15 *The fifth principle is about enabling the fund to aim high – in other words it will fund schemes that showcase what the sector can achieve when functioning at its best. This will include tried and tested services, as well as new ideas. Innovative schemes will be eligible, but innovation will not be a requirement.*

2.16 *futurebuilders* will harness the vision, specialist knowledge and expertise of the sector to fund high quality schemes that exemplify good practice and have the potential to be replicated.

Inclusiveness 2.17 *The sixth principle means proactively pursuing inclusiveness.*

2.18 The fund will strive to be inclusive, recognising, for example, the particular needs of disabled people, black and minority ethnic communities, those in rural areas and the contribution of faith groups to service delivery.

2.19 The fund will play an important role in ensuring the effective implementation of the Race Relations (Amendment) Act 2000 and the Race Relations Act 1976.

2.20 *futurebuilders* will also support organisations from all parts of the sector. It will not resource one part of the broad voluntary and community sector over and above another. The fund will work to reinforce the diversity of the sector, which is widely recognised as an important, distinctive and positive characteristic. The type of organisation delivering a service will therefore be a secondary consideration to the service it is delivering. The provider could take any number of forms with different legal bases. It could be a small, community organisation, a local voluntary organisation, a social enterprise, a large national voluntary organisation, or indeed groups of these working together.

2.21 **It will be the responsibility of the fund manager(s) to translate these principles into clear and simple criteria for accessing the fund and assessing applications.**

3

PRIORITY SERVICE AREAS

INTRODUCTION

3.0 Chapter 2 set out the guiding principles for the use of the fund. This chapter focuses on the priority service areas on which the fund is targeted.

3.1 *futurebuilders* will contribute to five key government public service priorities:

- health and social care;
- crime;
- community cohesion;
- education and learning; and
- support for children and young people.

In addition, schemes that can produce better services for users through working across these traditional public service boundaries will be actively encouraged.

3.2 Specific areas where *futurebuilders*, together with the voluntary and community sector, could add further value are listed. This chapter also highlights the importance of service development and design, of working across traditional public service ‘boundaries’, and working with local purchasers.

3.3 While the five public service categories are fixed, the further detail set out in this chapter is indicative and is meant to represent the potential areas in which *futurebuilders* could provide funding within these five broader categories. *There will be no further targetting within the service areas for investment. Nor will the funds be apportioned between the service areas.* This will allow maximum flexibility to meet different needs and opportunities as reflected by priorities in different localities.

PUBLIC SERVICE PRIORITY AREAS

Public Service Agreements (PSAs)

3.4 *futurebuilders* has the scope to serve both the goals and aspirations of government and, at the same time, those of voluntary and community organisations that wish to develop their public service delivery role further.

3.5 Public Service Agreements (PSAs) set out each department’s priorities, objectives and key outcome targets and form an integral part of the Government’s public expenditure plans. The 2002 Spending Review resulted in a set of agreed targets.⁶ Details of how government departments intend to meet these targets are set out in Service Delivery Agreements, which can be found on departmental websites.

⁶ Which are published on the Treasury website (www.hm-treasury.gov.uk).

Health and Social Care

3.6 The Department of Health has a number of PSAs where there is potential for increased input from the voluntary and community sector. These include:

- improved **access to health services** and increased **service capacity**;
- improved life outcomes of adults and children with **mental health** problems;
- improved quality of life and independence of **older people**;
- improved life chances for **children**; and
- increased participation of **drugs users** in drug treatment programmes and an increased proportion of users successfully sustaining or completing drug treatment programmes.

3.7 The VCS has identified a range of specific services where it could play a greater role in health and social care. These include, but are not confined to:

- home from hospital schemes;
- services to prevent admission to hospital;
- hospice at home care;
- provision of aids to daily living;
- falls prevention work with older people;
- support for carers;
- a range of information and advice services; and
- schemes to help people live well with long term health problems.

3.8 The Home Office has a number of PSAs where there is potential for increased input from the sector, including:

- reducing crime and the **fear of crime**;
- improving the level of **public confidence** in the Criminal Justice System;
- protecting the public and **reducing reoffending**;
- reducing the harm caused by **drugs**;

3.9 Further specific services where the voluntary and community sector could play a greater role include:

-
- Crime**
- specialist drug treatment schemes, family support for substance misusers and sharing and applying learning;
 - work with offenders, particularly in prisons and with specific probation service programmes, to help with rehabilitation and to reduce reoffending;
 - sustaining local involvement in crime reduction programmes;
 - victim support services;
- Community cohesion**
- bringing about measurable improvements in **race equality**;
 - **refugee integration** and inclusion, particularly mental health and trauma services, and services for children; and
 - helping **communities to come together** to solve problems and strengthen links.
- Education and Learning**
- 3.10** The sector can contribute to all six of the Department for Education and Skills delivery objectives:
- sustaining improvements in **primary** education;
 - transforming **secondary** education;
 - **pupil inclusion**;
 - **raising attainment** at 14-19;
 - improving the **skills** of young people and adults and raising participation and quality in post-16 learning provision; and
 - tackling the **adult skills deficit**.
- 3.11** There are also four specific areas where the sector could make a significant, further contribution:
- raising participation in schools, colleges and higher education and helping the Department to reach out to all communities;
 - supporting youth work and informal education;
 - working with schools and colleges to deliver citizenship and an alternative curriculum for young people at risk of dropping out; and
 - adult learning and basic skills.

Children and Young People

- 3.12** Since the publication of the *futurebuilders'* consultation document in April 2003, the machinery of government change announced in June transferred the responsibility for children and young people to DfES, bringing together services across government for these groups into one place. A Children and Families Directorate is being established to support the Minister for Children and Young People and take forward the outcomes of the consultation on the Children at Risk green paper, launched on 8 September 2003.
- 3.13** The voluntary and community sector has always played a vital role in the provision of services tailored to children, young people or their families. Within government, the **Children and Young People's Unit (CYPUP)** has been a centre of excellence in developing and promoting services with a preventative focus, enabling children and young people to get the best possible start in life. The voluntary and community sector is key to achieving this aim.
- 3.14** The CYPUP does not have a PSA target but it has four strategic aims:
- to influence policy in the interests of children and young people;
 - to promote prevention rather than reaction;
 - to develop expertise on what works; and
 - to promote child and youth participation and engagement.
- 3.15** The CYPUP sees the sector as contributing significantly to the achievement of these aims, through involvement in the following strands of CYPUP led work:
- the Children's Fund - a £450 million fund over three years for partnership working, delivering services to children at risk aged between 5-13 years;
 - Local Network Fund - a £70 million fund to invest in the activities of local community and voluntary groups working for and with children and young people in poverty aged 0-19 years;
 - Local Preventative Strategies - aimed at improving the co-ordination of planning and delivery of services for children at risk;
 - supporting improved delivery in four key areas of access to play, leisure, sport and culture opportunities, child and adolescent mental health services, family support services and youth services.
- 3.16** **Sure Start** aims to achieve better outcomes for children, parents and communities by:
- increasing the availability of childcare for all children;
 - improving health, education and emotional development for young children; and
 - supporting parents as parents, and in their aspirations towards employment.

3.17 This is achieved by helping to develop services in disadvantaged areas, alongside financial help for parents to afford childcare, and by promoting the principles of Sure Start to all services for children and parents. Sure Start is delivering free part-time education for three and four year olds, at least 250,000 new childcare places by March 2006, children's centres and local, community-based services in disadvantaged areas.

3.18 The Sure Start Unit already enjoys close collaboration with the voluntary and community sector on a national and local level where voluntary and community organisations are responsible for, or involved in a large number of programmes. The Unit believes there is scope for greater collaboration to meet its targets for:

- an increase in the proportion of young children aged 0-5 with normal levels of personal, social and emotional development for their age;
- a 6% reduction in the proportion of mothers who continue to smoke during pregnancy;
- an increase in the proportion of children having normal levels of communication, language and literacy;
- a 12% reduction in the proportion of young children living in households where no-one is working; and
- delivering more and better childcare.

**Working
across
public
service
boundaries**

3.19 There will be considerable scope within *futurebuilders* for schemes which will support a range of departmental PSAs, including those of other departments not specifically mentioned in this section. For example, a drug treatment scheme could support both Department of Health and Home Office objectives, and schemes working with young, vulnerable people could support the delivery of objectives across the Home Office, DfES, Department of Health, the Children and Young People's Unit and other departments. In short, the specific areas identified by departments and the task group offer innumerable opportunities for cross cutting schemes which address a range of needs and meet a number of objectives across the five main public service categories, set out at the start of this chapter.

SERVICE DESIGN AND DEVELOPMENT

3.20 The way in which services are designed and developed is one the most important factors that determines whether or not a scheme will succeed in meeting its aims. *futurebuilders* will expect three key guidelines to be followed at the service development stage:

- better public services;
- working with local stakeholders; and
- respecting the independence of the sector.

Better outcomes for service users

3.21 The Government is committed to delivering world class public services. At the heart of this commitment is ensuring that the users of these services are thoroughly satisfied and have their needs met. *futurebuilders* is no exception in this respect. Better outcomes for service users – in the form of better health, better life chances for young people, better education, and closer communities – should be at the forefront of decisions about how services are developed and designed at the outset.

Collaboration at the local level

3.22 Ultimately, the success of *futurebuilders* depends on good relationships between local public sector purchasers and providers. While not eligible to apply to the fund themselves, public sector purchasers may, for example, be able to help the voluntary and community sector to explore the potential need for the proposed service they wish to develop. *futurebuilders* is most likely to succeed where purchasers and organisations can work together effectively to achieve shared objectives for service delivery. There are increasingly opportunities through partnerships for different sectors and a variety of agencies to lead in taking forward specific initiatives.

3.23 *futurebuilders* will be looking for evidence of the good practice advocated in the cross cutting review, in particular in involving the sector in service planning and design, and in longer term funding relationships based in full cost recovery. It will be vital for many schemes wishing to access *futurebuilders* to have reached an understanding with commissioners and purchasers as to how the proposed service development fits with the strategic priorities and how it would be funded in the longer term.

3.24 A collaborative approach underpinned by the Compact will allow the distinctive contribution of the voluntary and community sector to be fully realised. At the same time, the voluntary and community sector will need to take full account of the national priorities and targets towards which local purchasers are working.

3.25 Voluntary and community organisations and social enterprises are encouraged to open a dialogue with their own local purchasers over *futurebuilders*, to discuss potential services which could be supported by the fund.

The independence of the voluntary and community sector

“The third sector’s independence and ability to innovate are key strengths. We welcome the proposals’ recognition of these strengths and recommend that they are valued and promoted...The third sector must retain, through consultation and discussion, the freedom to develop new and better ways of providing public services.”

Consultation response from ACEVO (Association of Chief Executives of Voluntary Organisations)

3.26 One of the strengths of the voluntary and community sector is its independent role in identifying and responding to the needs of local people. In many service areas, it led early developments and continues to innovate. The Government wishes to preserve the ability of voluntary and community organisations and social enterprises to devise new and better ways of providing services.

3.27 *futurebuilders* will, therefore, provide some freedom for the sector to pursue ways of doing things that might not immediately or obviously help to meet government delivery targets, but which could, if successful, have a significant impact and wider application if they are replicated. The *need* for such schemes would have to be demonstrated, but this does not mean that schemes should be restricted to 'known markets'. Funding such schemes may involve higher risk, and this would need to be balanced against their likely success, and the opportunity they provide for the sector to influence and shape the market, as well as respond to it.

4

ASSETS AND FINANCE

INTRODUCTION

4.1 The last chapter set out indicative specific services within the broad priority service areas on which the fund is targeted. To build on this, this chapter explains the practicalities of:

- what the fund can ‘buy’;
- the types of finance the fund will provide; and
- information and advice to assist organisations in accessing the fund.

ASSETS *FUTUREBUILDERS* CAN BUY

4.2 Of the £125 million over three years for the *futurebuilders* fund, 80 per cent (£100 million) is set aside for capital investment, and 20 per cent (£25 million) is resource funding. **For the purposes of the Government’s fiscal rules this 80:20 ratio is fixed and is not open to negotiation.** This, however, should not become an obstacle to the effectiveness of *futurebuilders*, as this funding can be used to ‘buy’ a wide variety of assets within three broad categories:

- physical assets (e.g. for buildings);
- intangible assets (e.g. for intellectual property); and
- development funding (e.g. for one off resource funding).

Physical assets

4.3 Physical assets are tangible and have physical substance, for example a building, equipment, vehicles or land. A physical asset can be bought from new (e.g. a new house), or enhanced (e.g. building an extension to a house). This does not include maintaining an asset at its current state (e.g. repainting the walls in a house) as this would be an ongoing – or recurring – cost. As a general rule of thumb, capital investment should result in an asset that lasts more than one year. More detail on “what counts as capital” is set out in Annex E.

4.4 In practice, this means that *futurebuilders* can ‘buy’:

- a building or office costs, including for shared use;
- reconfiguring a service, where new buildings are needed to extend the service or deliver it in a different way;
- conversion of a building to make it suitable for service delivery; and

- Information and Communications Technology (ICT), either for the first time, or to up-grade, to access the internet, or to deliver services electronically. In all cases, the organisation would have to demonstrate that the associated ongoing revenue costs can be met.

Intangible assets

4.5 Intangible assets are those that do not have physical substance, for example knowledge, experience and intellectual property rights. Investing in intangible assets will be important to modernise and promote good practice across the sector.

4.6 In practice, this means *futurebuilders* can 'buy':

- new research, including into needs and into the potential for the voluntary and community sector to provide the services to meet those needs;
- the establishment of an evidence base for the voluntary and community sector's distinctive contribution to service delivery. Much has been asserted about the 'distinctive contribution' that the voluntary and community sector makes to public service delivery. Confirming these claims through a clear evidence base could strengthen the sector's position; and
- sharing and learning about what works. An accessible knowledge base could minimise reinventing the wheel and assist with professional development in the sector.

Development Funding

4.7 This applies when an organisation requires one-off resource funding to help with development for the long term. For example, an organisation might need to train its staff to use a new computer system, or employ a consultant to work towards management or strategic change.

4.8 In practice this means that *futurebuilders* can 'buy' the development of new ideas, investment in change, testing out new approaches and working up new services. This could involve planning, installing new systems and obtaining professional advice. However, it will not be available to fund day-to-day revenue costs, nor to provide stop-gap funding.

ARRANGING FINANCE

4.9 The purpose of *futurebuilders* is to offer a fresh opportunity for the VCS to finance enhanced service delivery. It is right for the fund to include provision for relatively new forms of finance, as well as more established methods, in order to test out their appropriateness and to offer organisations the widest possible choice of funding options.

4.10 *futurebuilders will, therefore, offer grants and different forms of loans, with no presumption in favour of one or the other, and there will be no fixed allocation between different types of finance.* The emphasis will be on maximum flexibility, so that the specific type of finance

can be tailored to suit the needs of individual organisations, taking into account their particular circumstances. The fund will, therefore, have the ability to invest in the widest range of schemes, with the priority on those that can have most impact on service improvements, by whichever financial means is most appropriate.

- 4.11** In addition, paragraph 4.18 below sets out how the fund will be structured in order to 'stretch' the available resources to effectively increase the amount of resource available for development purposes.
- 4.12** A small organisation, for instance new to service delivery, with few reserves and no capital assets will be operating quite differently from an established provider that owns a building and has established in-house resources to develop new services. The fund will be able to support each in the most appropriate way. Diagram 4.1 below illustrates the range of finance that will be available.

**DIAGRAM 4.1
SPECTRUM OF FINANCE**

| Grant | Loan Guarantee | Patient Loan | Supported Loan | Loan | Equity Stake |
|-----------------|-----------------------------|--|-------------------------|---------------------------------|----------------------|
| One-off payment | Financial risk underwritten | Detailed terms set after funds allocated | Well below market rates | Near commercial terms and rates | In social enterprise |

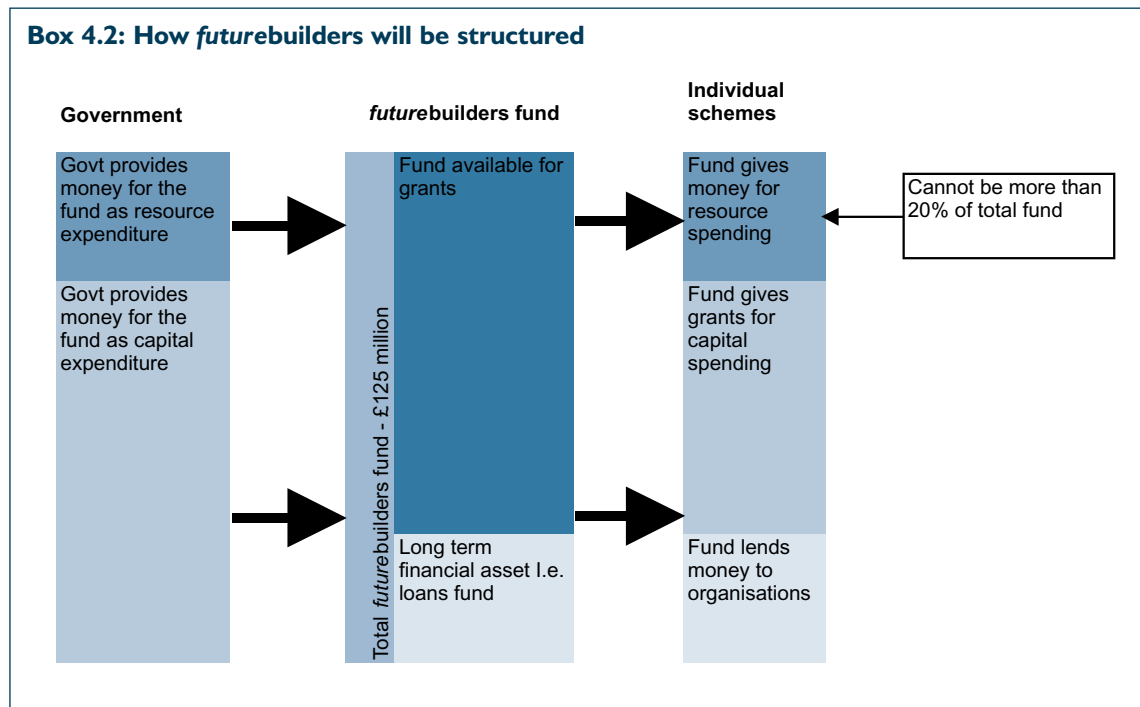
One or any combination of above, for:
Physical Assets
Intangible assets, including research
Development funding for new venture, equipment or building



- Grant funding 4.13** A grant is quite simply a payment made by one body to support another body to provide a particular service. Voluntary and community organisations receive numerous grant payments ranging in size from a few hundred to several million pounds. Grants can provide a very suitable form of finance in particular circumstances and/or for specific services. For example, a grant may be more appropriate for an organisation embarking on service delivery and acquiring an asset for the first time to provide a particular service.
- 4.14** The drawback of grant funding is that it can sometimes unintentionally foster a culture of short-termism or grant-dependency. The cross cutting review of the role of the voluntary and community sector in service delivery highlighted the importance of building the capacity of the sector. Central to this is supporting an investment approach that allows financial planning for the longer term. It is important that *futurebuilders* offers a range of finance that promotes a longer-term investment approach where this is appropriate.

- Loan funding** 4.15 A loan is a way of borrowing money on a temporary basis to fund a particular initiative, on the understanding that it will later be repaid. The loans culture is new to many in the VCS, although it is a more familiar method of funding for social enterprises, and becoming more widespread. While suitable for some, it will not be right for all. There are, however, different ways in which loans can be set-up to make this a realistic option. *futurebuilders* will offer:
- ‘loan guarantees’, effectively underwriting a financial risk being taken by an organisation in order to develop its services. Once that liability ceases, the guarantee would end and the funds would become available again, for use by another organisation;
 - ‘patient’ loans, made over a long period of time, with the terms not being set until the loan is partially spent and the likely timetable for repayment is clearer;
 - ‘supported loans’, set at below market rates, to take account of the particular circumstances of voluntary and community organisations. This might, under certain circumstances, mean repaying only the capital sum without interest; and
- Equity stake** 4.16 Few voluntary and community organisations are established to make it possible for them to raise capital finance by issuing shares. As new forms of social enterprises are established, however, the use of equity finance may grow.¹
- 4.17 It would be possible to combine the forms of finance to fund different elements of a single scheme, and to phase these.
- A sustainable fund** 4.18 The use of *futurebuilders* to issue loans offers a useful way of ‘stretching’ the £125 million over a longer period – a kind of ‘recycling’ of the resources – and also allows the money to ‘buy’ a wider range of assets. The 80:20 ratio of capital to resource funding is fixed, but this strict classification can be managed through the use of loans to effectively increase the amount of resource funding available for one-off development costs.
- 4.19 Central government is able to use capital investment to ‘buy’ a financial asset (in this case a loan fund) – as the assets last longer than one year, yielding an income over a period of time. The resulting loans that can be issued from the fund can be used by the voluntary and community organisation for *any* purpose – capital or resource – within the overall principles and service areas set out in chapters 2 and 3. The effective use of loans will increase the amount of development funding available. Box 4.2 below shows how the fund will be structured.

¹ *The Financing of Social Enterprise: a special report by the Bank of England. (May 2003)*



- 4.20** Some organisations may be sceptical about the usefulnesses and impact of loans , while others may be understandably cautious about committing themselves to a loan.
- 4.21** It is also the case that many organisations are not always aware of the variety of forms of finance available to them, nor which would be most appropriate to their circumstances. The management of the fund will include advice to organisations on the most suitable form of finance for their scheme. There is no intention that *futurebuilders* investments should lead to organisations overstressing themselves. This would be counterproductive and undermine capacity rather than strengthen it.
- 4.22** Rather, *futurebuilders* is to help organisations to be ‘fit for purpose’ as deliverers of public services. The costs of providing services need to be covered by an adequate income stream. This revenue stream is usually in the form of a contract with a purchasing agency. One of the key recommendations of the cross-cutting review is that *‘it is legitimate for providers to include the relevant element of overheads in their cost estimates for providing a given service under service agreement or contract.’*² In other words, contracts should be based on full cost recovery, which could include the cost of servicing a loan. While full cost recovery is not yet comprehensively in place, the intention is that it will be, as contracts come up for renewal. The ability to recover the relevant element of overheads in contract prices should enable trustees and directors to make longer-term financial plans with more confidence.

² Recommendation 13. *Cross-cutting review of the Voluntary and Community Sector’s Role in Service Delivery*, HM Treasury September 2002.

“We see the value of a shift away from a traditional grant fund towards a more diverse range of funding options. We recognise that this cannot be achieved overnight and that not all parts of the sector may yet be ready to embrace a different approach but futurebuilders should be viewed as an early attempt to change mind-sets and the funding culture within government and the sector in the context of the wider cross cutting review.”

National Council for Voluntary Organisations (NCVO) Response to consultation

INFORMATION AND ADVICE

4.23 *futurebuilders* wants to capture the ideas and proposals that offer the best chance of improving services. *futurebuilders* also recognises that organisations are not always sure about what form of finance is best suited to what they want to achieve. The fund will take a pro-active stance – going beyond a simple, open bidding process to investing in development so that the best worked up proposals come forward. Information and advice will be available to give guidance to organisations. There will be a single access point to the fund for all potential applicants, providing:

- information about the fund;
- clear direction about eligibility for the fund;
- an initial filtering of proposals;
- advice on appropriate forms of finance within *futurebuilders*;
- advice about any development needed; and
- signposting to additional specialist advice and support to develop prospects.

“If delivered correctly, range of finance will build the capacity of VCOs to deliver services as long as organisations are not pushed to deliver services quickly without proper consideration for building physical and organisational capacity.”

consultation response from COVER

4.24 Such assistance may not be needed to the same extent by all organisations. There is a strong feeling that it could be of particular benefit to smaller organisations, those wanting to take part in service delivery for the first time or those exploring new ways of working. It has the potential, therefore, for being a powerful mechanism for the fund to achieve its aim of being fully inclusive.

4.25 Early preparatory work should help to ensure that sound schemes are put forward to access *futurebuilders*, and that the resources overall can be spent to best effect. The fund will be able to offer finance for organisations to undertake essential development to bring schemes to a state of readiness to make the best use of an investment from the fund.

4.26 Information and advice will not:

- provide a fully comprehensive funding advice service, nor in depth support for organisational development. This would be neither appropriate nor feasible. *futurebuilders* will work in partnership with other providers of business support for service providing voluntary and community organisations, so that together they offer a range of complementary, accessible services to organisations preparing to access the fund; nor
- undertake the assessment of full detailed applications to the fund. This will be the task of the fund manager(s).

4.27 It can be seen that this will need to be a high quality resource, delivered by experienced people, with competencies in financial management and business planning, as well as knowledge of markets for service delivery and an understanding of the wider context in which the VCS operates. A keen awareness of the independence of organisations, their governance structures and the distinctive culture of the sector will also be important.

4.28 Information and advice will be provided in a simple, straightforward and speedy way, keeping costs and bureaucracy, which have to be met from the £125million, to a minimum.

4.29 The example in Box 4.5 below illustrates (hypothetically) how the approach to assets and finance, explained in this chapter, coupled with appropriate information and advice, could be put into practice to support a specific scheme.

BOX 4.5: USING DIFFERENT FORMS OF FINANCE AND ASSETS

Brookside has a small, but significant Somali community, within which a number of self-help groups have sprung up. The area has a vibrant voluntary and community sector with an established infrastructure, as well as more recent social enterprises.

Brookside Borough Council works with its partners in the Local Strategic Partnership to identify a major requirement to improve mental health services for adolescents from the Somali community.

Working with key voluntary organisations in the area, together they develop an outline proposal which calls on *futurebuilders* to invest significantly in the development of three different provider and advocacy agencies based within the locality, and also to incentivise a national provider to offer structured training and support to them.

The Primary Care Trusts and the local authority commit to three year renewable revenue funding for the service, meeting the full costs of the scheme. *futurebuilders* agrees to provide start up finance, some development funding, and also a one-off grant to enable the local voluntary organisations to map existing provision.

futurebuilders is able to help one of the providers negotiate with a bank to obtain a discounted mortgage for two houses that they plan to use as long term supported housing.

The final evaluation of the scheme identifies improved health outcomes for a higher number of people, and a stronger group of black led voluntary and community organisations working collaboratively to deliver services.

5

FUND MANAGEMENT

- 5.1 How *futurebuilders* is set up and run is going to be crucial to its success.
- 5.2 Following separate work into the management and operation of the fund, it has been decided that there should be an open competition to appoint the fund manager(s).
- 5.3 The strong preference is for *futurebuilders* to be sited outside government, and closer to the voluntary and community sector. The fund will need to be managed by the institution or institutions which can demonstrate best that they can support a strong, independent healthy and voluntary and community sector.
- 5.4 Existing structures which either have the capability to manage the fund, or could develop that capacity quickly will be preferred. The costs of operating and administering the fund will be met from the fund.
- 5.5 Transparency, good decision-making, clear time tables and accountability will be important. The fund manager(s) will have the task of translating the principles of the fund into criteria for seeking and assessing applications.

Key requirements of the fund manager(s) will be to:

- make the fund **widely accessible**, particularly to smaller, niche and local providers who might not otherwise be aware of it;
- minimise the burden of application and assessment, including operating a **pre-application process**;
- invest resources to help schemes to become **'investment ready'**;
- publish an **annual investment plan**; and
- publish an **annual report** on the operation and performance of the fund.

GOVERNING THEMES

- 5.6 Decision making on eligibility will be governed by two themes. Firstly, the theme of encouraging learning.

Encouraging Learning

- 5.7 *Organisations will be expected to commit to sharing the lessons from their scheme, taking responsibility for contributing to a knowledge and evidence base that will benefit the sector as a whole*
- 5.8 The voluntary and community sector achieves an enormous amount and there is much to be proud of. However, there is a need to share these experiences and lessons, not only

within a wide and diverse sector, but also with a wider audience. Organisations often work in isolation, good practice can be lost, lessons learned from poor practice are locked away, and evaluations can gather dust. Consequently, wheels are re-invented, mistakes are repeated and few organisations, including funders, feel a responsibility for promoting successful models. In addition, public sector purchasers need to be able to understand what the voluntary and community sector can offer if they are to engage more effectively with the sector.

5.9 Organisations funded through *futurebuilders* will have an obligation to show how the learning from their scheme could influence practice in the wider sector. *futurebuilders* will initiate a concerted attempt to illustrate the success of the sector, including establishing an evidence to substantiate claims that it makes a distinctive contribution to service delivery.

Strategic Investment

5.10 Secondly, the theme of strategic investment will govern *futurebuilders*.

5.11 *Some organisations will be able to access the fund quickly; others will take longer to become investment ready. The fund will be able to support this development, so that access is broadened and there is scope for funding a wider range of service improvements*

5.12 *futurebuilders* will invest in the voluntary and community sector, including social enterprises, to provide added strength in the long term. This means investing in good ideas that can be turned into practical proposals rather than solely rewarding organisations that are adept at bidding for funding. The fund will support organisations that take longer to access the fund or deliver results, as well as those that can make use of the resources and deliver results quickly.

5.13 *futurebuilders* will help and encourage organisations that have not traditionally accessed funding for service provision to do so. This will be important for small, niche and local organisations and those providing services for socially excluded groups. Some organisations serving black and minority ethnic communities, for example, will require particular help to access the fund.

5.14 *Investing in a broad range of schemes, but at sufficient depth in each to secure the planned change, rather than spreading the resources thinly over a large number of organisations, but not sufficiently in each to lead to step change*

5.15 This means that the fund will have the flexibility to fund both small and large scale schemes that can, or have the potential to deliver lasting value and impact. Such schemes should illustrate how success can be achieved, how it could be replicated, and act as beacons for others to follow.

Governance

5.16 *futurebuilders* is tied largely to service priorities set by the Government. The fund manager(s) will not therefore have unfettered freedom over how to invest the money. Equally, the VCS will be in the driving seat in delivering the service improvements which the fund has been established to achieve. The governance of the fund will be critical, therefore, in balancing interests. Mechanisms will need to include a way for principal

stakeholders such as public sector purchasers of services at national, regional and local level, and the wider voluntary and community and social enterprise sector to inform each investment round of the fund. The ACU, with its lead responsibility for delivering the PSA target to increase voluntary and community sector activity and for implementation of the wider cross cutting review, will also have a role.

- 5.17** This fund is breaking new ground, which creates considerable potential for future ways of working. It will be set up and managed so that it has the capacity to evolve and take on other related finance streams at a later stage, if it proves a successful model.

6 JOINING UP

INTRODUCTION

- 6.1** This chapter sets out how *futurebuilders* contributes to other government activity and highlights, in addition to the priority service delivery areas outlined in Chapter 3, other areas where good co-ordination will be paramount.

THE ACTIVE COMMUNITY UNIT (ACU)

- 6.2** The ACU in the Home Office is responsible for delivery of the Government-wide Public Service Agreement (PSA) target to '*increase voluntary and community sector activity, including increasing community participation, by 5%, by April 2006.*'
- 6.3** The ACU will work with other government departments (including the Treasury), local government and the voluntary and community sector to achieve the PSA target. *futurebuilders* is one of the many activities that will contribute to its achievement.
- 6.4** This is in addition to how *futurebuilders* will assist individual departments to deliver their own, specific service delivery targets, as described in Chapter 3.
- 6.5** The cross cutting review of the voluntary and community sector's role in service delivery set out 42 recommendations to improve the operating environment within which government and the sector work together to deliver services. The ACU was allocated £93 million to lead cross-government work to implement the recommendations.
- 6.6** Key recommendations include action:
- to improve the way the funding relationship and mechanisms work;
 - to build capacity (e.g. governance, skills, standards, ICT) through investing in infrastructure and support for voluntary and community organisations; and
 - embedding the Compact in government and across the sector.

Taken together, these should create a better environment for effective service delivery by the sector.

- 6.7** *futurebuilders* is additional to, and separate from, but complementary to the work of the Active Community Unit (ACU) in the Home Office, in implementing the recommendations of the cross cutting review.
- 6.8** Specifically, *futurebuilders* is about enhancing the capability of organisations delivering front-line services, not about developing the sector's wider service delivery role, nor about general voluntary and community sector development, nor about infrastructure support. The success of *futurebuilders* will depend, in some measure, on the implementation of

the key recommendations of the cross cutting review, principally those related to full cost recovery, building capacity and developing infrastructure. While not the remit of *futurebuilders* itself, the fund does have a role in acting as a catalyst in spearheading these changes as they impact upon the operation of the fund.

- 6.9** Specifically, *futurebuilders* should contribute to this work in many ways, to help create:
- a better understanding of the sector's distinctive contribution to service delivery;
 - a clearer picture of where the sector can take on a greater role in service delivery;
 - an understanding of the capacity building and infrastructure needs of service providing organisations. This could be in relation both to general support needs, such as ICT, and to the specific sub-sectors that the fund will cover, such as health and social care; and
 - an assessment of the extent to which full cost recovery is being implemented.

6.10 The *futurebuilders* task groups also identified a number of other specific recommendations of the cross cutting review which would affect the success of *futurebuilders*. These include:

- greater involvement of the sector in the planning and design of programmes and services ;
- implementation of the cross cutting review at the local level; and
- tackling skills gaps.

6.11 The *futurebuilders* task groups also identified the need to build capacity and develop infrastructure in a more general way to help organisations get the most out of the fund. Their particular ideas and suggestions have been shared with the ACU, for consideration in the development of the various strategies being prepared to implement the review.

THE SOCIAL ENTERPRISE UNIT

6.12 The Government's social enterprise strategy¹ identifies the role that social enterprise activity can play in the delivery and reform of public services. The strategy sets out a three year programme to promote and sustain social enterprise activity, working with a range of other stakeholders. *futurebuilders* is one such stakeholder.

¹ DTI (July 2002) *Social Enterprise: a strategy for success* www.dti.gov.uk/socialenterprise

- 6.13** Many of the barriers faced by social enterprises when delivering services are similar to those faced by the wider voluntary and community sector. Indeed, a substantial number of voluntary and community organisations share many of the characteristics of social enterprises. Social enterprises delivering services in the priority public service areas will have equal access to the *futurebuilders* fund, and they will be appropriately supported to enable them to do so. *futurebuilders* will also support voluntary and community organisations that wish to become more sustainable enterprises but are currently dependent on grant aid. These are all ways in which the Government can help to create the environment in which social enterprise can flourish.
- 6.14** The development of the *futurebuilders* fund will continue to take account of the work of the Social Enterprise Unit, for example, in opening up public procurement, especially to social enterprises at the local level.

OTHER GOVERNMENT DEPARTMENTS

- 6.15** Chapter 3 highlighted relevant public service delivery targets of the key government departments including the Home Office, Department of Health and the Department for Education and Skills, responsible for the priority service for *futurebuilders*. Beyond these, there are, also, other government departments whose public service delivery targets could be supported as a result of activity funded by the *futurebuilders* fund. For example, the Department for Environment, Food and Rural Affairs (DEFRA) has a target to improve the accessibility of services for rural people, which includes access to key services such as health care and post-16 education. This clearly falls within the priority service areas of *futurebuilders*. DEFRA has identified considerable scope for voluntary and community organisations to help in the delivery of this target and such organisations are encouraged to work with *futurebuilders*.

LOCAL GOVERNMENT

- 6.16** The Cross Cutting Review acknowledged that, to be fully effective, its benefits needed to be experienced locally by voluntary and community organisations that work with local government and other public sector partners. Local government is therefore a key partner in its implementation. And the same is true of *futurebuilders*. Indeed it is hoped that *futurebuilders* will create examples of good practice between voluntary and community organisations and local authorities in service delivery. This in turn will support implementation of the wider cross-cutting review at local level.
- 6.17** Local government has a particular role to play in helping to determine the likely market for services or for a particular delivery approach funded under *futurebuilders*. Further work will be undertaken with the Local Government Association, the ACU and others to fully engage local authorities in *futurebuilders*. This will ensure that the opportunities the fund presents to further develop the relationship between voluntary and community organisations and local government are taken up.

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A MEMORANDUM

futurebuilders

This Memorandum was published in November 2002 and signified the beginning of the process for designing the *futurebuilders* fund.

DEVELOPING VOLUNTARY AND COMMUNITY SECTOR CAPABILITY FOR PUBLIC SERVICE DELIVERY

I. BACKGROUND

This Fund has been established as a result of the Cross-Cutting Review (CCR) of the Voluntary and Community Sector's (VCS) Role in Service Delivery. It became clear during the review that, while there is a wish by many voluntary and community organisations (VCOs) to develop their service delivery role, in furtherance of their (usually) charitable objectives, they see that some key obstacles need to be removed and capacity actively developed to enable them to do so.

The Active Community Unit has lead responsibility within government for the full implementation of the recommendations of the review, working with colleagues across government, in local government and in the VCS. The development of *futurebuilders* will proceed in parallel with this wider implementation of the review. The Treasury will lead the work on *futurebuilders*, working in partnership with colleagues in the VCS.

The development of *futurebuilders* is complementary to the development of the generic strategy for capacity building and infrastructure support in the sector, which is one of the principal recommendations of the review. The dividing line between building the capacity of individual organisations or partnerships for service delivery and wider capacity building across the sector is a fine one and the boundaries may not always be clear. There will be close working, therefore, between the Treasury and the ACU in order to explore areas of mutual interest and to avoid overlap.

2. PURPOSE

futurebuilders is a one-off, £125m investment fund, over the three years of the Spending Review (SR) 2002, specifically to assist voluntary and community sector service providing organisations in their public service work.¹ Public services are services wholly or partly funded from the public purse, that is government, central and local.

The fund will harness the vision, specialist knowledge and expertise of service providers to transform their capability, capitalise on the sector's ability for innovation, and, most importantly, to improve service outcomes. High quality schemes that exemplify good practice, encourage partnership working and help to replicate success, and that can demonstrate that they can deliver sustainable services on the ground, will be candidates for funding.

This will be targeted investment to provide exemplars that can point the way ahead for the VCS in its service delivery role. There will be a programme of dissemination following the completion of the schemes and the closure of the fund.

¹See Cross Cutting Review of the Voluntary Community Sector's Role in Service Delivery page 7 for a definition of the VCS

The purpose of *futurebuilders* is in tune with the overall theme of SR2002, of investing resources to bring about reforms to deliver results. The implementation of the recommendations of the CCR will put in place a new framework for service delivery between government and the VCS. The *futurebuilders* fund will allow organisations at the front line of delivering services, to take advantage of the opportunities that this new framework should create.

It is for non-recurring capital expenditure, not to meet ongoing revenue commitments. Detailed guidance on what counts as capital will be issued shortly.

AIMS

The government's aims for *futurebuilders* are to:

- overcome obstacles to efficient service delivery

the cross-cutting review highlighted key obstacles to organisations developing their service delivery role

- modernise the VCS for the long term

this refers to modernising organisations, (either individual organisations or organisations working together), directly involved in service delivery, not to general VCS development and capacity building

- increase both the scope and scale of VCS service delivery

the review revealed that organisations see opportunities to extend their service delivery role given the right circumstances

FOCUS

The focus of the fund will be closely linked to the government's commitment to deliver world-class public services. The government has therefore decided that funding will be directed to those organisations directly involved in delivering key public services in:

- health and social care
- crime and social cohesion
- education and learning
- support for children and young people

Schemes that work across these boundaries will be welcomed. The fund will also be open to organisations new to service delivery as well as existing ones and will also promote innovative ways of delivering services, as well as replicating existing good practice.

3. GUIDING PRINCIPLES

The following principles will underpin the development of the fund. Proposals should:

- maximise the value and impact of the resources
- ensure that good practice is adopted, promoted and replicated
- ensure that resources are targeted to schemes where the VCS can add value to service delivery
- lead to sustainable services
- ensure that smaller and local providers can benefit and thrive, as well as larger providers

4. THEMES

The intention now is to develop thinking around key themes to develop proposals for the use of the fund:

- Principles of good practice (e.g. meeting the needs of different minority communities, for example BME groups; user and carer involvement; standards; delivery to rural areas)
- How organisations can work more effectively together (e.g. large/small; national/local; consortia)
- Modernising the sector (e.g. co-location; ICT delivery; mergers;)
- Increasing the scale and scope of delivery (e.g. enabling specialist providers to expand; small providers wanting to grow; new models of service delivery; VCS commissioning role)
- Making the money go further (e.g. leveraging in other resources; creating working capital)

It is recognised that there may well be some overlap between the themes as the work progresses. Opportunities will be built into the process for the sharing of information and ideas, both in an informal and a more structured way.

futurebuilders is of interest to other government departments, purchasers of service and funders more widely. The involvement of practitioners in the fields that the fund will cover will be essential in informing the process, so that the fund resources high quality and sustainable schemes. It will be important too to avoid duplication with other funding programmes or future plans. Nor is *futurebuilders* to resource schemes that would more appropriately be funded from other sources. The Treasury will be convening an initial meeting for colleagues in other government departments to see how their input to the development of this fund can most effectively be achieved.

5. PROCESS FOR DEVELOPING THE FUND

There is a commitment to developing the fund in close co-operation with the VCS. The government sees this most appropriately be taken forward within the overall context of the Compact, and with the involvement of the Compact Working Group (CWG). The retiring chair of the CWG, Sir Kenneth Stowe, has agreed to work with government to bring proposals to the CWG for wider consultation and subsequent submission to the Chief Secretary to the Treasury.

The process will be based on a working collaboration between government and the VCS. The intention is for this to be an exemplar of the Compact process as applied to the development of government policy. The agreed process represents a ground-breaking approach. As a new way of working, it will be a learning experience for all involved. It will not all be perfect, but there is a determination that it will be as good as possible. The importance of evaluating the process has been noted, to draw out lessons for the future and indicate where change may be needed should the process be adopted again.

The CWG gains its legitimacy through 'representation following consultation'. There will be a full thirteen weeks period of consultation before proposals are finalised. This should ensure that there has been the broadest possible input to the proposals within VCS, and widespread ownership of them, particularly from smaller and more local providers.

Within this generic framework, the detailed work on the proposals will be led by individuals with relevant experience of the specific themes and of service delivery in general.

The role of the CWG will be to:

- approve and oversee the process to be adopted, (in effect to 'Compact proof' it)
- submit the final proposals for the use of the fund and its management, operation and administration to the Chief Secretary to the Treasury

Four stages are envisaged in designing the fund:

1. Small task groups will take forward detailed work to develop ideas around specific themes, and to draft proposals for the use of the fund
2. Consultation period on the draft proposals
3. Proposals refined and put to CWG
4. Final proposals put to ministers and agreed

Two seminars will be held during the process for the task groups and a range of professionals, in order to provide a reality check on the emerging proposals.

In parallel with this, the Treasury will commission work on the options for the operation, management and administration of the fund. The fund is currently held centrally in the Treasury, with the intention of transferring it once decisions have been made about its appropriate location.

TASK GROUPS

It has been agreed that small task groups of 5/6 people will be convened to take forward work on each of the five themes over the autumn, composed principally of individuals from the VCS who have considerable direct experience in the field. The groups' task will be to tease out the key questions, identify possible solutions and draft proposals for how the fund might be used. They will take practical examples and extrapolate general principles from them that can be applied to the fund. The groups will be able to call on additional expertise if they need to.

The work of the individual task groups will be distilled into one set of draft proposals. These will then be issued for consultation.

Following discussion with Sir Kenneth Stowe, it was agreed that the chairs of the groups would be appointed by the Treasury. The chairs are to be responsible for putting together the groups, drawing on a range of suggestions for membership. They will be looking for the individuals who are best placed to take the work forward on behalf of the wider sector.

The chairs of the groups are as follows:

- Good practice: Erica De'Ath, NCVCCO
- Large and small organisations working together: Victor Adebawale, Turning Point
- Modernising the Sector: Clare Thomas, Bridge House Estates
- Increasing the scale and scope of service delivery: Sir Nicholas Young, British Red Cross
- Making the money go further: Geraldine Peacock, Guide Dogs for the Blind

A small reference group will meet at key points during the process to guide the overall direction of the work. This will be chaired by Sir Kenneth Stowe, and consist of the task group chairs, the National Council for Voluntary Organisations, the Council for Ethnic Minority Voluntary Organisations, the Active Community Unit and the Treasury.

The Treasury will put in place a secretariat to co-ordinate the activities of the task groups, service the reference group, undertake some policy analysis, draft papers and provide an information flow to the VCS. The reference group looks to the umbrella networks in the VCS to play a key role in the dissemination of information and in facilitating consultation.

Provision has been made for the payment of expenses to participants in the reference group and task groups.

6. TIMETABLE

This is a significant amount of money and it is important that it is spent to best effect. The fund is available over the three years of SR2002, with full end of year flexibility, so it does not all have to be spent straight away. It is important to get it right. Sufficient time therefore needs to be allowed to undertake the necessary preparatory work. Nevertheless, the intention is that this will be completed in order for the fund to come on stream as early in the year 2003/04 as possible.

B PARTICIPATION

This is a list of representatives of the VCS who participated in the development of proposals for consultation.

REFERENCE GROUP

Chair:

Sir Kenneth Stowe

Members:

| | |
|----------------------------|--|
| Lord Adebowale | Turning Point |
| Sir Michael Bichard, Chair | Compact Working Group |
| Erica De'Ath | National Council of Voluntary Child Care Organisations |
| Helen Edwards | Active Community Directorate, Home Office |
| Stuart Etherington | National Council for Voluntary Organisations |
| Tina Jenkins | Active Community Unit, Home Office |
| Geraldine Peacock | Charity Commissioner |
| Krishna Sarda | Council of Ethnic Minority Voluntary Organisations |
| Clare Thomas | Bridge House Estates Trust Fund |
| Sir Nicholas Young | British Red Cross Society |

COMPACT WORKING GROUP

Chair:

Sir Michael Bichard

Members:

| | |
|-------------------|--|
| Caryl Agard | Progress Trust |
| Carl Allen | Sofala Development and Cultural Development Centre |
| Fran Beckett | Association of Chief Executives of Voluntary Organisations and Church Urban Fund (until February 2003) |
| Margaret Bolton | Independent |
| Sylvia Brown | Action with Communities in Rural England |
| Peter Calderbank | Broadcasting Support Services |
| Asher Craig | Council of Ethnic Minority Voluntary Organisations |
| Kevin Curley | National Association of Councils for Voluntary Service |
| Ceryse Fear | Active Community Directorate, Home Office |
| Trevor Hazelgrove | Salisbury and District Council for Voluntary Service |
| Ben Kernighan | National Council for Voluntary Organisations |
| Colin Low | Royal National Institute for the Blind |
| Barbara Lowndes | Tameside Association of Community Organisations |
| Chris Penberthy | Volunteer Development England |
| William Plowden | Independent |
| Tracey Sisley | Active Community Unit, Home Office |

| | |
|--------------------|---|
| Jane Slowey | Birmingham Voluntary Service Council |
| Christopher Spence | National Centre for Volunteering |
| Liz Stuart | Nuneaton and Bedworth Council for Voluntary Service |
| David Tyler | Community Matters |

TASK GROUPS

Principles of Good Practice

Chair:

| | |
|--------------|--|
| Erica De'Ath | National Council of Voluntary Child Care Organisations |
|--------------|--|

Members:

| | |
|---------------------|--|
| Wynne Garnett | ENGAGE East Midlands |
| Alison Lovegrove | Council of Ethnic Minority Voluntary Organisations |
| Juliet Lyon | Prison Reform Trust |
| Jane Raimes | Dorset Community Action |
| Su Sayer | United Response |
| David Tyler | Community Matters |
| Dr Richard Whitcutt | Industry in Action |

How organisations can work more effectively together

Chair:

| | |
|----------------|---------------|
| Lord Adebowale | Turning Point |
|----------------|---------------|

Members:

| | |
|------------------|--|
| Ros Cassy | The Hampton Trust |
| Natalie Cronin | National Society for the Prevention of Cruelty to Children |
| Joy Higginson | Children North East |
| Ruth le Sirge | Mental Health Foundation |
| Colin Low | Royal National Institute for the Blind |
| Susanne Rauprich | National Council for Voluntary Youth Services |

Modernising the sector

Chair:

| | |
|--------------|---------------------------------|
| Clare Thomas | Bridge House Estates Trust Fund |
|--------------|---------------------------------|

Members:

| | |
|------------------|---|
| Lord Best | Joseph Rowntree Foundation |
| Mark Blake | Windsor Fellowship |
| David Carrington | Independent Consultant |
| Susanna Cheal | The Who Cares Trust |
| Carole Howells | Newcastle Council for Voluntary Service |
| Ed Mayo | New Economics Foundation |
| Joyce Moseley | RPS Rainer |
| Crispin Truman | Revolving Doors Agency |

| | |
|---------------|------------------------|
| Julia Unwin | Independent Consultant |
| Ruth Spellman | Investors in People UK |

Reference Group Members:

| | |
|-----------------|--|
| Jo Cleary | Corporation of London |
| Gill Davies | Worshipful Company of Information Technologists |
| Philippa Gitlin | Family Service Units |
| Ben Hughes | British Association of Settlements and Social Action Centres |
| Margaret Hyde | Esmee Fairbairn Foundation |
| Toby Johns | Baring Foundation |
| Danny Levine | Independent consultant |
| Bill Lucas | Independent consultant |
| Harry Marsh | Independent consultant |
| Peter Martin | Addaction |

*Increasing the scale and scope of service delivery***Chair:**

| | |
|--------------------|---------------------------|
| Sir Nicholas Young | British Red Cross Society |
|--------------------|---------------------------|

Members:

| | |
|-------------------|---|
| Caroline Abrahams | National Children Home |
| Mike Adamson | British Red Cross Society |
| Douglas Bennett | North London Hospice |
| Craig Harris | National Association for the Care and Resettlement of Offenders |
| John Knight | Leonard Cheshire |
| Ben Kernighan | National Council for Voluntary Organisations |
| Hanif Malik | South Leeds Elderly and Community Group |
| Dame Gill Oliver | Macmillan Cancer Relief |
| Stephen Sears | Ealing Community Transport |
| Brian Strevens | SCA Community Care Services, Southampton |

Reference Group Members:

| | |
|------------------|--|
| Simon Armson | Samaritans |
| Richard Brewster | Scope |
| Ian Bruce | Royal National Institute for the Blind |
| Isaac Dweben | Cancer Black Care |
| Mark Lever | Women's Royal Voluntary Service |
| Cliff Prior | Rethink |
| Judith Rich | Independent |
| Rob Thompson | Department of Health |

*Making the money go further***Chair:**

Geraldine Peacock Charity Commissioner

Members:

| | |
|---------------------|---|
| Richard Brewster | Scope |
| Bruce Gordon | Deloitte & Touche |
| Richard Gutch | Community Fund |
| Andy Haines | Boys and Girls Welfare Society, North West |
| Chris Hanvey | Barnardo's |
| Malcolm Hayday | Charity Bank |
| Keith Hickey | Help the Aged |
| Professor Ray Jones | Wiltshire County Council |
| David King | Cancer Research UK |
| John Kingston | Charities Aid Foundation |
| Mary Marsh | National Society for the Prevention of Cruelty to Children |
| Ed Mayo | New Economics Foundation |
| Bharat Mehta | City Parochial Foundation |
| Jake Melville | Booze Allen |
| Kate Sayer | Sayer Vincent |
| Maggie Semple | Experience Corps |
| Jane Slowey | Birmingham Voluntary Service Council |
| Paul Streets | Diabetes UK |
| Nick Wilkie | National Council for Voluntary Organisations (Sustainable Funding Project) |

Reference Group Members:

| | |
|----------------|---------------------|
| Phil Smith | Consultant |
| Ian Hargreaves | Economic journalist |
| Bill Knight | Retired solicitor |

HM Treasury:

Merran Buchanan
 Helen Bush
 David Carrington
 Anita Charlesworth
 Dermot Hennessy
 Helen Horton
 Linda Joy
 Daniel Micklethwaite
 Pat Samuel

C TASK GROUP PAPERS

Each of the five task groups involved in developing proposals for consultation produced a report of their work. These are published on the Treasury website at www.hm-treasury.gov.uk. They comprised:

1. MODERNISING THE SECTOR

(Chaired by Clare Thomas)

This task group looked at the role of fixed and financial assets; the role of ICT in modernisation; collaborative working and replication. The Task Group's work was further informed by a regional focus group.

2. INCREASING THE SCALE AND SCOPE OF SERVICE DELIVERY

(Chaired by Nicholas Young)

This task group considered how *futurebuilders* could be a strategic investment; and identified opportunities for evidence and communication; helping VCOs grow; working and learning together; developing and sharing infrastructure; and building skills.

3. MAKING THE MONEY GO FURTHER

(Chaired by Geraldine Peacock)

This task group investigated whether the money should be spread deep or thin; how different forms of partnership working could be used; how resources could be levered in; and replication.

4. ORGANISATIONS WORKING EFFECTIVELY TOGETHER

(Chaired by Victor Adebawale)

This task group considered how effective partnerships may be created between different types of VCO, particularly how larger organisations can share their resources more effectively with smaller organisations for better services.

5. PRINCIPLES OF GOOD PRACTICE IN PUBLIC SERVICE DELIVERY

(Chaired by Erica De' Ath)

This task group looked at how principles of good practice could meet the needs of different groups, and identified principles of transparency, a focus on outcomes and building on good practice.

CONTRIBUTIONS FROM TASK GROUP MEMBERS

Below is a list of individual (unpublished) papers which informed task group thinking.

- The role of ICT in modernising the voluntary sector
Susanna Cheal, The Who Cares? Trust
- Small community groups and shared back office functions/group models
Ben Hughes, bassac

- Modernising Capital, Funding, Product Development and Procurement
Ed Mayo, New Economics Foundation
- A report to the “modernising the sector” task group on consultation undertaken with small groups
Carole Howells, Newcastle Council for Voluntary Service
- Replication through partnership
Crispin Truman, Revolving Doors Agency
- Briefing on franchising in the third/voluntary sector
Prepared by Joyce Moseley using material from a thesis by Colin Rees
- *futurebuilders* - strengthening the BME voluntary sector / addressing social exclusion in BME communities & supporting social cohesion
Mark Blake
- Note on infrastructure needs
Philipa Gitlin, Family Service Units
- Modernising doesn't always equal growth
Crispin Truman, Revolving Doors Agency
- Opinion piece
Crispin Truman, Revolving Doors Agency
- Developing Managers and Leaders in the Sector
Ruth Spellman, Chief Executive, Investors in People UK
- Draft IT and internet strategy for the voluntary and community sector
Joe Saxton, Co-chair, Voluntary and Community Sector Internet and IT Task Force
- Developing the ICT capacity of the voluntary and community sector
NCVO submission, October 2002
- E-enabling the Voluntary and Community Sectors
Hall Aitken
- ICT's Success – a report funded by the Baring Foundation and The Worshipful Company of Information Technologists
- Building a bigger voluntary sector: the voluntary housing sector as a case study
Richard Best, 13 December 2002
- An overview of the market for children's services
Caroline Abrahams, Director of Public Policy, NCH
- Market Analysis: Domiciliary Care And Assisted Living
Brian Strevens
- The marketplaces the Red Cross operates in
Mike Adamson
- A note from Gill Oliver, Macmillan Cancer Care
- Public/private/voluntary sector partnerships
Paul Streets
- Replicating Success – Franchise Models
Kate Sayer

- Sharing Buildings/Backroom Services
Bharat Mehta
- Making the Money go Further
Ed Mayo, New Economics Foundation
- The Adventure Capital Fund: Investing in community enterprise: a demonstration programme
Ed Mayo, New Economics Foundation
- Modernising the sector – the need for capital
Julia Unwin
- Email comments to the Making the Money Go Further task group
David King, Cancer Research UK
- Fighting Fuel Poverty - The British Gas Approach
Nick Wilkie, NCVO
- Information on homelessdirect and NHS Lift
Nick Wilkie, NCVO
- Influencing, disseminating and replicating success
Richard Gutch
- Leveraging and the different forms of finance
Malcolm Hayday
- Cluster observations relating to *futurebuilders*
Wynne Garnett, National Network of Regional Generalist VS networks ENGAGE East Midlands
- Partnership Working with Community groups
David Tyler, Community matters
- Crime and community cohesion
Juliet Lyon, Prison Reform Trust
- Knowledge Centre For Care
Su Sayer, United Response
- Rural Issues
Su Sayer, United Response
- Good Practice in Service Delivery for the Ethnic Minority Voluntary Sector
CEMVO Alison Lovegrove – CEMVO
- Towards a Level Playing Field in the Provision of Social Services
Su Sayer, United Response
- Asset Development – a report to the City Parachial Foundation
David Carrington (not for citation)

D

EXAMPLES

The examples outlined below illustrate various elements of the *futurebuilders* fund:

1. Collaborative working (one of the six guiding principles for *futurebuilders*):

THE CHILDREN'S CENTRE PROJECT

A consortium of seven children's charities, including the National Children's Bureau, Childline and I CAN, plan to combine existing services, build a regional infrastructure to minimise service duplication and develop new joint services to help socially excluded children and young people. In time, six of the charities plan to move into a new shared office. The project aims to develop a new culture of joint working before any move. The move is designed to enable separate charities to work under the same roof to maximise the impact of service delivery. A further 20 children's charities have expressed an interest and could join the Children's Centre Project.

2. Collaborative working, (one of the six guiding principles for *futurebuilders*) and also an organisation that is replicating success:

REVOLVING DOORS AGENCY

The Revolving Doors Agency helps people with mental health problems in the criminal justice system. Such people have complex support needs and demand the services of many agencies, including the Police, prison, hospitals, housing and health services. The multi-agency work of Revolving Doors is promising and it has now established a partnership team to provide the consultancy and support to roll out this model in other areas. The partnership team needed full funding in year 1, reducing to 50% funding in year 2 and 10% in year 3. Ultimately it aims to be self-financing.

Continual growth is not the only way to spread success and Revolving Doors wants to concentrate its core talents on developing new approaches to working with other vulnerable people whilst the partnership team promotes the successful tried and tested model.

3. Organisations working together to maximise influence and effectiveness:

CLUSTER DEVELOPMENT

A cluster based approach is being developed in the East Midlands to stimulate collaboration between voluntary and community organisations and other stakeholders with a common interest with a view to improving effectiveness and sustainability. This approach recognises that there is competition between organisations but enables organisations to compete effectively. By stimulating collaboration the approach both challenges and changes existing working practices. It could be applied in a range of settings not least to help smaller service providing organisations to develop the critical mass necessary to compete for services.

4. Using different types of assets and finance:

CONTACT A FAMILY

Contact a Family, a national charity, needed accommodation following a rent free arrangement in central London which expired. It brought together a package of funding to purchase a £1.3 million property near the City of London. The property includes prime office space which generates income for core costs, offers local branches quality meeting rooms and accommodates the Head Office team.

5. Partnerships between national and local organisations based on commissioning models:

NATIONAL CHILDREN'S HOME AND BARNARDO'S

Within Sure Start and the Children's Fund, larger voluntary organisations like Barnardo's and National Children's Home (NCH) are acting as lead bodies and commissioning services from smaller organisations and community groups in local areas. In the process, they build the capacity of the local groups, for example through providing child protection training, and also extend the reach of the overall service. This approach provides clear incentives for both the large and small organisations.

GUIDE DOGS FOR THE BLIND

The Guide Dogs for the Blind Association utilised some of its own reserves to commission mobility services in some areas, on the understanding that the local authority would ring fence the resources it saved in the process. These resources were then redirected to provide communication and independent living skills for the visually impaired, which were provided by more local and specialist voluntary organisations. In this way, the overall service provision was increased, in some areas additional resources were also levered in and large and small organisations worked together to provide complementary services.

E CONSULTATION

On 30 April 2003, the Treasury and the Compact Working Group jointly published a *futurebuilders* consultation document¹ (available on the Treasury website at: www.hm-treasury.gov.uk), seeking views on:

- proposals to guide the use of the Fund;
- ways in which the Fund could be targeted within service delivery areas; and
- types of financial assistance *futurebuilders* could provide.

In their Foreword to the consultation document, the Rt. Hon. Paul Boateng MP (Chief Secretary to the Treasury) and Sir Michael Bichard (Chair of the Compact Working Group) wrote:

“This is a truly exciting venture. From the very outset, futurebuilders has been an innovative and unique undertaking...It [the consultation document] is our joint assessment of what is needed and how it would work in practice...Now it is the turn of the sector itself to have its say.”

The document contained a pull out questionnaire with 24 questions on which views were sought. Consultation ended on 21 July 2003, following a full twelve-week period in accordance with the Compact.

EXTENT OF THE CONSULTATION

Dissemination

There was strong interest in the consultation. 11,845 hard copies of the consultation document were distributed. By the end of July, there had been 36,859 downloads of the *futurebuilders* consultation document from the Treasury website alone. The consultation document was also accessible via the Active Community Unit and Compact Working Group websites, and was placed on numerous VCS websites. *futurebuilders* received coverage in newspapers, sector press and various VCS newsletters – including Guardian Society, Third Sector, and NCVO’s ‘Voluntary Sector’.

During consultation, the Government Offices and the Regional Voluntary Sector Networks worked closely with the Treasury to hold consultation events in each of the English regions. This is increasingly becoming the locus for consultation that reaches from the national to the local level. Twelve events were held, nine regional events, plus two additional meeting in the West Midlands and one for national organisations at the Treasury. Around 1800 delegates attended the events in total. All events were over subscribed and carried waiting lists.

¹ Foreword, *futurebuilders* consultation document, April 2003 (www.hm-treasury.gov.uk)

Two members of the Treasury Team attended each event, and were accompanied by members of the VCS Task Groups where possible. The same format was adopted for the events, and Treasury officials made a standard presentation on the fund, both for consistency.

In addition, members of the Treasury Team gave presentations at seven local, sub-regional and specialist events, including one held by the CASS Business School, one by the Charity Finance Director's Group and one to Strategic Health Authorities. These involved approximately 500 delegates.

Response to consultation

561 responses were received through a variety of media – email, post and telephone. Respondents made good use of the pull-out questionnaire, others typed their own submissions. Table A below shows the breakdown of responses by different categories of respondent. The highest proportion of responses came from representatives of local VCOs (37 per cent). Significantly, over one in ten responses (12 per cent) came from representative of local government.

TABLE A

| Category of respondent | Number of responses received | Percentage of total responses |
|----------------------------------|------------------------------|-------------------------------|
| VCS Umbrella | 56 | 9.8 |
| VCS National | 96 | 17.2 |
| VCS Local | 209 | 37.4 |
| Central Government | 5 | 0.7 |
| Regional government | 4 | 0.7 |
| Local Government | 66 | 11.8 |
| Local Arms of Central Government | 14 | 2.5 |
| Private Sector | 18 | 3.2 |
| Other Funders | 53 | 9.5 |
| Other | 18 | 3.2 |
| Don't Know | 22 | 9.9 |
| | 561 | 100 |

Report

A consultation report² has been published alongside this document. This summarises the responses to the consultation, identifies the key messages and the actions to be taken to address the concerns raised. Those actions have been reflected in the final design of the fund. The consultation report is available on the HMS Treasury website and the Compact Working Group website.

² *futurebuilders: Summary of responses to consultation, HM Treasury (September 2002).*

F

WHAT COUNTS AS CAPITAL

INTRODUCTION

D.1 Public spending is divided into resource and capital, because the Government controls total spending according to two strict fiscal rules. The fiscal rules apply differently to resource and capital spending (the total current budget must balance over the economic cycle, whereas it is acceptable to borrow for capital expenditure up to certain debt limits). In setting public spending plans for the next three years in the 2002 Spending Review, the Government therefore had separate limits for resource and capital spending and allocated budgets accordingly. It is therefore not possible to transfer funds from capital to resource. There is, however, some flexibility to transfer funds from resource to capital to promote extra investment in public services.

EXAMPLES OF SCHEMES

D.2 This section looks at some common types of scheme which could be put forward for the fund, and their likely classification. The principal test is to consider whether the expenditure is an essential part of, and is directly related to, acquiring an asset.

- ***Co-location of organisations.*** The purchase of new buildings and set up costs would be capital. In addition, resource costs that are an essential part of acquiring an asset – such as the fees of lawyers, architects and surveyors, and any taxes paid, can be included as part of the cost of acquiring the capital asset, and so count as capital. Development and feasibility work, project management and wind-up of existing leases would score as resource.
- ***Mergers.*** Mergers do not necessarily lead to the acquisition of a capital asset. Feasibility studies and the legal costs associated with the merger will all score as resource, as will the wind up of leases and costs associated with the sale of assets. The only costs which will score as capital are the purchase or refurbishment of an existing asset, commonly a building (see co-location above).
- ***New IT systems and upgrading existing IT.*** The installation of hardware and associated software (operating systems and applications), the initial purchase of licences and the purchase of databases would all count as capital. Staff training and project management costs are resource.
- ***Vehicles.*** The purchase of a vehicle and its kitting out costs would be capital. The depreciation/replacement costs, insurance and driver accreditation would all score as resource.
- ***Reconfiguring services.*** This would depend on whether the changes proposed included purchasing a capital asset. For example, if the proposal was to replace a residential facility with community based provision, the purchase of the new facility and resource costs essential to acquire the new premises would score as capital (see co-location above). But ‘hump’ costs associated with twin-tracking, associated development costs and project management would all be resource.

- ***One-off schemes to achieve step change.*** Again, it would depend on whether the scheme involved the purchase of an asset. Training manuals and materials are not considered to be capital assets. Staff and revenue costs, as well as the costs of training, all count as resource – as mentioned above, it may be possible to fund these from the resource element of *futurebuilders*.
- ***A development fund.*** Under this proposal, central government would make a grant to an intermediary body to provide temporary finance (loans) to voluntary and community sector service providing organisations. The original grant would be classified as capital, provided that it was for the sole purpose of making loans or acquiring capital assets. The purpose of the loans would be flexible.
- ***Endowments.*** Under this proposal, the grants given would be used to strengthen the balance sheet of the organisation. Provided that the grants given were to purchase a financial asset, for example, shares or some other form of financial investment, they would score as capital.

G GLOSSARY

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| ACD | Active Community Directorate |
| BME | Black and Minority Ethnic |
| CCR | Cross Cutting Review |
| CWG | Compact Working Group |
| CYPU | Children and Young People's Unit |
| DAT | Drug Action Team |
| DEFRA | Department for the Environment, Food and Rural Affairs |
| DfES | Department for Education and Skills |
| DoH | Department of Health |
| DTI | Department for Trade and Industry |
| GOs | Government Offices for the Regions |
| HMT | Her Majesty's Treasury |
| HO | Home Office |
| LGA | Local Government Association |
| LSC | Learning and Skills Council |
| LSP | Local Strategic Partnership |
| NCH | National Children's Home |
| PCT | Primary Care Trust |
| PSA | Public Services Agreement |
| RDA | Regional Development Agency |
| RVSN | Regional Voluntary Sector Network |
| SEnU | Social Enterprise Unit |
| SHA | Strategic Health Authority |
| SR | Spending Review |
| VCO | Voluntary and/or Community Organisation |
| VCS | Voluntary and Community Sector |
| YOT | Youth Offending Team |

