

futurebuilders

An Investment Fund for Voluntary and
Community Sector Public Service Delivery

PROPOSALS FOR CONSULTATION

April 2003



HM TREASURY

Compact
Working Group



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FOREWORD BY THE RT HON PAUL BOATENG, MP AND SIR MICHAEL BICHARD, CHAIR, COMPACT WORKING GROUP

The role of voluntary and community organisations and social enterprises is central to this government's commitment to delivering world class public services. The sector is a crucial partner in working with central and local government to improve services for users. And the Government equally has a key role in creating a climate and operating environment that is conducive to active participation.

Over the last six years, real strides have been made in laying foundations to deepen understanding and strengthen the partnership between government and the sector in achieving our shared vision. The Compact is the fundamental framework for this relationship and every opportunity should be taken to reinforce its value and relevance.

But our work is by no means over and new challenges lie ahead for both government and the voluntary and community sector. World-class public services are crucial to the Government's goal of a stronger and fairer society. At the same time, individual service providing organisations can and want to take on more and make changes themselves. Brimming with ideas, and often frustrated because of lack of much needed development funds, they can, given the right help, realise their ambitions and act as beacons to others wanting to do the same.

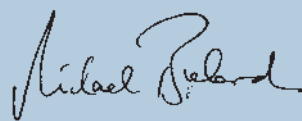
Encouraging such innovation is where *futurebuilders* comes in. It is a £125 million fund for strategic investment that will make a real difference in the long term. It will allow organisations to modernise, so that the scale and scope of the sector's contribution to service delivery will be increased. By supporting schemes that can have the most impact, the fund will accelerate the pace of change, foster mutual support and spread knowledge about the necessary ingredients for success. Coupled with the implementation of the cross cutting review, we must aim to build for the future.

This truly is an exciting venture. From the very outset, *futurebuilders* has been an innovative and unique undertaking. The sector has been in the driving seat in designing the fund, working through the Compact Working Group. The proposals in this consultation document are the result of the deliberations by groups led by, and comprising experienced individuals in the sector over recent months. It 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. We very much hope that there will be as broad a participation in the consultation as possible so that the final shape of *futurebuilders* will be the right response to the right needs, and be owned by the sector and government as a whole.



PAUL BOATENG



SIR MICHAEL BICHARD

EXECUTIVE SUMMARY

Vision 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. The voluntary and community sector is a key part of the Government's vision for improving public services.

SR2002 In the 2002 Spending Review, the Government announced a £125 million *futurebuilders* fund, spread over three years, 2003-04 to 2005-06, to assist the voluntary and community sector in their public service work. This document presents proposals for:

- principles to guide the use of the fund;
- ways in which the fund could be targeted at public services;
- the way in which the fund could be set-up; and
- invites responses to these proposals.

Compact The voluntary and community sector is at the heart of the development of *futurebuilders* and this document has been drawn up in accordance with the principles set out in the Compact on relations between the Government and the sector, launched in November 1998.

Priorities It has been agreed that *futurebuilders* will contribute to four key government public service priorities:

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

PSAs Government departments' Public Service Agreements (PSAs) set out each department's objectives and targets and form an integral part of the Government's public expenditure plans. Relevant departments, for example, the Home Office, the Department of Health and the Department for Education and Skills have identified where there is potential for the voluntary and community sector to play a greater role.

Scope There is scope within the *futurebuilders* fund for schemes to support a range of targets to address a range of needs over the four main public service priority areas. The sector will

also be able to use this as an opportunity to develop good practice for programmes that may have longer term impact.

Guidelines

The way in which services are designed and developed will be important in determining whether a scheme will succeed in meeting the aims of *futurebuilders*. Three key guidelines will need to be followed when developing a proposal:

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

Assets

The document discusses what the fund might 'buy':

- physical assets (e.g. buildings);
- intangible assets (e.g. intellectual property);
- development funding (e.g. one-off revenue funding); and
- how the finance might be tailored to suit the needs of the individual organisation, offering a range of funding including grants, loans and guarantees.

The document also seeks views on whether there should be a business support function as part of the fund to provide organisations with the support and technical assistance they need during the application process.

Administration

The Government has commissioned separate work into the management and operation of the *futurebuilders* fund. Different models will be examined before final decisions are taken. Chapter 5 is therefore simply for information only. However, some key preferences have emerged – for example, that the fund should be placed away from government and closer to the sector; that there should be no need to set up a new institution to run the fund; that there ought to be clear transparency, no additional bureaucracy and that all costs of operation and administration should be met from the fund. The Active Community Unit (ACU) in the Home Office, with its lead responsibility for the PSA target “to increase voluntary and community sector activity, including increasing community participation by 5 per cent by 2006”, will need to play a role.

Joining up

futurebuilders is additional, separate and complementary to the work of the Active Community Unit (ACU) in the Home Office. It will not duplicate what is being done by the ACU. Specifically, *futurebuilders* is about enhancing the capability of organisations delivering front line services, not about developing the wider service delivery role, nor about general voluntary sector development or infrastructure.

futurebuilders and the ACU's work are, however, interdependent. 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 and capacity building.

Excellent co-ordination across government will be paramount. The ACU will be in the lead to deliver the PSA and will work across government and the sector to implement the cross cutting review and to help build capacity for service delivery. *futurebuilders* has an important role to play in making this happen.

INTRODUCTION

1.1 In the 2002 Spending Review, the Government announced a £125 million *futurebuilders* fund to assist the voluntary and community sector in its public service work. This document presents proposals for:

- principles to guide the use of the fund;
- ways in which the fund could be targeted within service delivery areas;
- types of finance which the fund could provide; and
- invites responses to these proposals.

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 sector². Box 1.1 sets out the conclusions of this cross-cutting review.

¹ HM Treasury (July 2002) *2002 Spending Review – Opportunity and security for all: Investing in an enterprising, fairer Britain*, Chapter 1, Cm5570. Available on HM Treasury website at www.hm-treasury.gov.uk.

² HM Treasury (September 2002) *The Role of the Voluntary and Community Sector in Service Delivery. A Cross Cutting Review*. Available on HM Treasury website at www.hm-treasury.gov.uk.

Box 1.1: Cross-cutting review of the role of the voluntary and community sector in public services

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) and infrastructure 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 local service delivery, and the potential for going further, in order to inform the next Spending Review.

1.5 However, the cross-cutting review identified that there are 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 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 announced in the 2002 Spending Review to help tackle these obstacles and meet these challenges.⁴ As set out at the start of this document, its aim is to assist the voluntary and community sector in its public service work.

- Objectives** **I.8** To fulfil this, 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.9** 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:

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

- I.10** 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.

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

- I.II *futurebuilders* will be complemented by changes to the existing government funding and procurement practices being taken forward by the Active Community Unit (ACU) in the Home Office.
- I.I2 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 for innovation and, most importantly, to improve public services for those who use them. The fund should create a foundation on which to build further.

ISSUES FOR CONSULTATION

- I.I3 This document consults on how *futurebuilders* should be used. It has been prepared in accordance with the principles set out in the Compact on relations between government and the voluntary and community sector, launched in November 1998. As outlined in the *futurebuilders* Memorandum⁶, the process for designing the fund and its implementation is intended to be a good example of the Compact in action, demonstrating a commitment to its principles and adhering to the associated codes of practice.
 - I.I4 The proposals have been informed by the detailed work of five voluntary and community sector task groups and a reference group, supported by government, established to design the fund.⁷ Annex A lists those who participated in taking the work forward and Annex C lists task group papers including those contributed by members of the task groups during the course of their work.
- Who** I.I5 The views of a wider voluntary and community sector audience and other stakeholders, including local purchasers, are now sought before final decisions are taken. The Government and Compact Working Group want to hear the views of any interested parties, but in particular:
- voluntary and community organisations, including:
 - small and locally-based voluntary and community organisations;
 - black and minority ethnic voluntary and community organisations; and
 - voluntary and community organisations operating in rural areas.
 - local purchasers of services, including local government and the local arms of central government. This includes, for example, Primary Care Trusts, local Learning and Skills Councils, Youth Offending Teams, Drug Action Teams, the Probation Service, Connexions partnerships and Sure Start partnerships;

⁶ *futurebuilders* Memorandum Paper, November 2002. Available on the Treasury website at www.hm-treasury.gov.uk

⁷ Annex A sets out the membership of the five task groups, the reference group and the Compact Working Group.

- those with a strategic interest in service delivery, for example, Local Strategic Partnerships, Strategic Health Authorities and Regional Development Agencies; and
- other funders of voluntary and community organisations and social enterprises.

I.16 Umbrella or infrastructure organisations that support or represent voluntary and community organisations; are encouraged to organise consultation with their own networks, and particularly with the organisations on which the consultation is targeted.

What I.17 Chapter 2 sets out the proposed principles to underpin the use of the fund, Chapter 3 the proposed priority public services areas for the fund, and Chapter 4 the proposed arrangements for assets and finance. Questions are posed throughout these chapters on which responses are invited. Views, ideas, comments or opinions in relation to other aspects of this fund are also welcome. A pull-out section in the centre pages of this document lists the questions and can be used to send in comments.

I.18 Chapter 5 sets out a summary of how *futurebuilders* might be managed and administered. *futurebuilders* can learn from the experience of the management and administration of other funds. Ministers will make decisions about the management and administration of the fund once final decisions have been taken about its use. Chapter 6 sets out how *futurebuilders* contributes to other government activity.

When I.19 Responses are requested by **Monday 21st July 2003**.

How I.20 Written comments should be sent to:

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Voluntary and Community Sector Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Fax: 020 7270 6233

Comments can also be sent by e-mail to: voluntarysector@hm-treasury.gov.uk

You can also leave comments on the dedicated telephone messaging service by calling 020 7270 5885. Please note, calls to this number will not be returned but the feedback received by this service will be recorded and will form part of the analysis of consultation responses.

I.21 Further details about the consultation process, including regional consultation events can be found in Annex B.

I.22 Following the consultation period, responses will be studied and the proposals developed. The Compact Working Group will ensure that the final proposals adhere to the good practice set out in the Compact. Final proposals will be presented to the Chief Secretary to the Treasury by the Compact Working Group. A summary of responses to the consultation and an announcement of the fund are expected by Autumn 2003, so that the fund can come on stream during the second half of this financial year (2003-04).

I.23 A glossary of terms used in this document is included at Annex E.

2 PRINCIPLES FOR INVESTMENT

INTRODUCTION

- 2.1** Chapter 1 set out the vision, aim and objectives for *futurebuilders*. The challenge now is to develop a set of guiding principles for the use of the fund that ensures those three objectives are met. These guiding principles will inform the development of a set of criteria for the fund to be used by the fund administrator when assessing applications for funding.
- 2.2** The task groups considered a range of guiding principles that would meet this challenge. This chapter summarises the main findings and requests views on the principles proposed. The specific criteria for the fund will be designed and developed based on the final set of agreed principles and are therefore not discussed in this document.

GUIDING PRINCIPLES FOR THE FUND

- Aim high** **2.3** The preparatory work on designing the fund has revealed a strong belief that *futurebuilders* should aim high and support schemes that can showcase what the sector can achieve when functioning at its best. It is designed to stretch and challenge organisations to do more or better, or to deliver services differently, or all three.
- Strategic investment** **2.4** *futurebuilders* should 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. It also means supporting 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.
- 2.5** *futurebuilders* should help and encourage those that have not traditionally accessed funding for service provision to do so. This will be important for some of those organisations providing services for black and minority ethnic communities, and for socially excluded groups.
- Sustainable services** **2.6** *futurebuilders* should invest in sustainable schemes that have a life beyond the period in which the fund will operate. It would be a waste of valuable resources to invest in schemes that are not sustainable in the longer term. Schemes would need to demonstrate that the ongoing costs to support the planned development in the longer term can be met. Ensuring that the price for public sector contracts reflects the full cost of the service will be important in achieving this.
- ‘Stretching’ the money** **2.7** The task groups believe strongly that *futurebuilders* should be designed 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 even further than was previously planned.

2.8 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.

2.9 It could also be achieved 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 could 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 could 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 this issue in more detail.

**Improving
outcomes
for users**

2.10 Improving public services for users is the ultimate goal and should be central to how the fund works. 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 should seek to build on this. *futurebuilders* should be a means to this end.

2.11 Involvement of service users might occur in both the planning and development of services financed by *futurebuilders*, in evaluating their success, and sometimes in the delivery of services. Schemes would need to show how they intend to deliver improved services for users, and be able to show that this has been achieved.

**Reinforcing a
diverse and
distinctive
sector**

2.12 *futurebuilders* should not resource one part of the broad voluntary and community sector over and above another. The fund should 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 would 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, or a large national voluntary organisation, or indeed groups of these working together.

**Depth of
investment**

2.13 A key consideration is whether to invest in a breadth of schemes covering a wide variety of services, or fewer schemes at a greater ‘depth’. The task groups are of the opinion that *futurebuilders* should invest in fewer exemplar schemes that can, or have the potential to, deliver lasting value and impact. Such schemes would illustrate how success can be achieved, how it could be replicated, and act as beacons for others to follow.

**Spreading
learning and
good practice**

2.14 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.

2.15 Organisations funded through *futurebuilders* would be expected to show how the learning from their scheme could influence practice and contribute to the wider sector. *futurebuilders* could initiate a concerted attempt to illustrate the success of the sector, potentially through funding an appropriate method for sharing experiences.

Working together **2.16** Working together effectively to achieve common ends is consistent with the values of the voluntary and community sector and should be promoted. The task groups discussed many ways in which organisations could work together to provide services more effectively, for instance through joint ventures or sharing backroom services, and a current example is given in Box 2.1. *futurebuilders* should offer a fresh opportunity to collaborate, through joint applications to the fund.

BOX 2.1

Example: 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.

2.17 In particular *futurebuilders* should encourage local public sector purchasers 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 or, most importantly, more appropriate methods of procuring services. *futurebuilders* could resource schemes that seek to create a better environment for both purchasers and providers, adopting the best practice on commissioning and contracting services recommended in the cross-cutting review.

WHAT THE FUND WILL NOT DO

2.18 There are some clear areas that *futurebuilders* should not finance. For example, it should not be used to provide additional resources for organisations in financial difficulty, nor will it provide a stop-gap injection of money, nor simply to maintain operations at current levels. In addition, *futurebuilders* should not be used to resource schemes for which there is already a funding stream in place.

QUESTIONS

1. Are the nine principles for guiding the use of the *futurebuilders* fund the right ones?
2. Do these guiding principles sufficiently meet the three objectives set out in Chapter 1?
3. Are there other principles that should be included?
4. Which are the three most important principles?

3

PRIORITY SERVICE AREAS

INTRODUCTION

3.1 It has been agreed that *futurebuilders* will contribute to four key government public service priorities:

1. health and social care;
2. crime and social cohesion;
3. education and learning; and
4. 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 welcomed.

3.2 The Treasury asked relevant government departments to identify where – within these four categories – voluntary and community organisations:

- have a clear role to play in delivering public services;
- could potentially play a greater role but do not do so at present; and
- have no part to play in service delivery (and this will continue to be the case).

3.3 Government departments were also asked to identify specific public service delivery targets which the voluntary and community sector could help deliver.

3.4 In addition, one of the task groups reviewed the four priority service delivery categories set out above and identified some specific areas where the sector could add further value.

3.5 This chapter sets out the results of these discussions to highlight the specific areas where *futurebuilders*, together with the voluntary and community sector, could add further value. The chapter also highlights the importance of service development and design, of working across traditional public service ‘boundaries’, and working together with local purchasers. Your views are sought on the broad questions set out later in the chapter.

3.6 It is important to note that, whilst the focus of *futurebuilders* on the four public service categories is 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 four broader categories. The questions asked are, therefore, of a more general nature and are intended to gather the views of respondents to this consultation, and to allow others to add to the debate.

PUBLIC SERVICE PRIORITY AREAS

- Public Service Agreements (PSAs)** 3.7 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 which are published on the Treasury website (www.hm-treasury.gov.uk). Details of how government departments intend to meet these targets are set out in Service Delivery Agreements, which can be found on departmental websites.
- Health and Social Care** 3.8 The Department of Health identified 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
 - an increased participation of **drugs users** in drug treatment programmes and an increased proportion of users successfully sustaining or completing drug treatment programmes.
- 3.9 The task group suggested a range of specific services where the voluntary and community sector could play a greater role in health and social care. They included, but were 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.

- 3.10** The areas identified by both the Department of Health and the task group demonstrate clear opportunities for the sector to expand its role in public service delivery in the arena of health and social care. It also demonstrates the scope for *futurebuilders* 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 service delivery role further.
- Crime and Social Cohesion** **3.11** The Home Office identified 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**; and
 - bringing about measurable improvements in **race equality** and **community cohesion**.
- 3.12** Further discussions with the Home Office highlighted a number of specific services where the voluntary and community sector could play a greater role. These include:
- 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;
 - 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** **3.13** The Department for Education and Skills identified that the sector could contribute to the achievement of all six of its 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**.

3.14 DfES has, however, identified 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

3.15 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 (CYPU)** has been given a clear role as 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.

3.16 The CYPU 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.

3.17 The CYPU sees the sector as contributing significantly to the achievement of these aims, through involvement in the following strands of CYPU 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 to improve 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.

3.18 The CYP Unit would welcome further efforts to help improve these themes to provide better outcomes for children and young people.

3.19 **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.

3.20 This will be 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.

3.21 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
- to help deliver more and better childcare.

**Working
across public
service
boundaries**

3.22 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 four main public service categories, set out at the start of this chapter.

BOX 3.1

EXAMPLE: REVOLVING DOORS AGENCY

The Revolving Doors Agency helps people with mental health problems in the criminal justice system who 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 first, second and third years of the project needed full funding, 50% funding and 10% funding. 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.

SERVICE DESIGN AND DEVELOPMENT

3.23 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 together with local stakeholders; and
- respecting the independence of the sector.

**Better
outcomes for
service users**

3.24 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**

3.25 Ultimately, the success of *futurebuilders* depends on good relationships between local public sector purchasers and providers. For example, public sector purchasers may 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, through a longer term funding relationship based on full cost recovery.

- 3.26** 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 also need to take full account of the national priorities and targets towards which local purchasers are working.
- 3.27** The Treasury will continue discussions with public sector purchasers during the course of this consultation. In particular, purchasers will be encouraged to attend consultation events and submit their responses to this consultation. Voluntary and community organisations and social enterprises are encouraged to discuss *futurebuilders* with their own local purchasers both in the context of this consultation, and future potential services which could be supported by *futurebuilders*.

BOX 3.2

EXAMPLE: 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 to a range of settings not least to help smaller service providing organisations to develop the critical mass necessary to compete for services.

The independence of the voluntary and community sector

- 3.28** 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. *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'.

QUESTIONS

5. Should *futurebuilders* be further targeted on specific areas within the four broader categories?
6. Do you agree with the specific areas that both departments and the task group have identified? Are there any more?
7. How should these priorities feed into the development of specific criteria for the fund?
8. How can the independence of the sector be maintained?

4 ASSETS AND FINANCE

INTRODUCTION

4.1 Chapter 2 set out the guiding principles for the use of the *futurebuilders* fund. Chapter 3 expanded on this to highlight the priority service areas on which the fund should be targeted. To build on this, this chapter explains the practicalities of:

- what the fund can ‘buy’; and
- the types of finance the fund could provide.

A proposal for a business support function to assist organisations in arranging finance is also raised for consultation.

WHAT ASSETS CAN FUTUREBUILDERS BUY?

4.2 The 2002 Spending Review allocated £125 million over three years for the *futurebuilders* fund, of which 80 per cent (£100 million) is set aside for capital investment, and 20 per cent (£25 million) is resource – or revenue – funding. For the purposes of the Government’s fiscal rules this 80:20 ratio is fixed and is not open for consultation. 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. buildings);
- intangible assets (e.g. intellectual property); and
- development funding (e.g. one-off revenue 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 D.

4.4 In practice, this means that *futurebuilders* could ‘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, and where the organisation can demonstrate that the associated ongoing revenue costs can be met.

BOX 4.1**EXAMPLE: 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.

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* could '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 'added value' that the voluntary and community sector brings 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.

BOX 4.2**EXAMPLE: WHO CARES TRUST - CAREZONE MODEL**

The CareZone Community Site is a one-stop site for professionals and carers working in child-centred services. It is a content management system, with sections for knowledge, illustrative practice, transactions, collaborative working and 'extranet' which can be used in partnership with other organisations in local and central government and the voluntary sector.

**Development
funding**

- 4.7** This applies when an organisation requires one-off revenue (or resource) funding to help with development for the long term. *futurebuilders* includes £25 million resource funding to fund non-capital costs. 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. However, this £25 million will not be available to fund day-to-day revenue costs, or to provide stop-gap funding.
- 4.8** In practice this means that *futurebuilders* could ‘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, recruiting and training the right staff, and obtaining professional advice.
- 4.9** In addition, paragraph 4.16 below sets out the proposal for ‘stretching’ the available resources to effectively increase the amount of revenue resource available for development purposes.

QUESTIONS

9. Will these assets meet the financial needs of service providing organisations?
10. Are there others?
11. Should the balance between the different types of assets be fixed?

ARRANGING FINANCE

- 4.10** There are different ways in which *futurebuilders* could arrange finance to ‘buy’ the assets set out above. The preference is to develop a range of funding to meet the varying financial needs of different organisations at different stages of their development. This is to reflect the fact that a small organisation, 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 should have the flexibility to support each in the most appropriate way. Diagram 4.1 (over the page) illustrates a range of potential finance arrangements that could be pursued.

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:
Development funding for new venture, equipment or building, intangible assets, including research

Grant funding 4.11 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 to an organisation embarking on service delivery and acquiring an asset for the first time to provide a particular service.

4.12 The drawback of grant funding is that it can sometimes unintentionally foster a culture of short-termism or grant-dependency. The cross-cutting review on 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 4.13 A loan is simply a way of borrowing money on a temporary basis to fund a particular initiative, on the understanding that it will later be repaid. There are, however, different ways in which loans can be set-up to make this a realistic option. *futurebuilders* could offer:

- a 'loan guarantee', effectively underwriting a financial risk being taken by an organisation in order to develop its services. Once that liability ceased, the guarantee would end and the funds would become available again, for use by another organisation;
- 'patient' loans are made over a long period of time and the terms do not need to be set until the loan is partially spent and the likely timetable for repayment is clearer; and

- ‘supported loans’ can be set at below market rates, to take account of the particular circumstances of voluntary and community organisations. It can, under certain circumstances, mean repaying only the capital sum without interest.

Better resourced organisations already access commercial loans and will continue to do so. *futurebuilders* could also offer loans at near commercial rates to those organisations that can bear them. Paragraphs 4.18 to 4.22 explain how a business support function could potentially provide advice and guidance on the most suitable form of finance for a particular service or organisation.

- 4.14** As awareness spreads, both the demand for, and the success of this form of financing are increasing. Charity Bank is an example of a response to the need for loan finance.

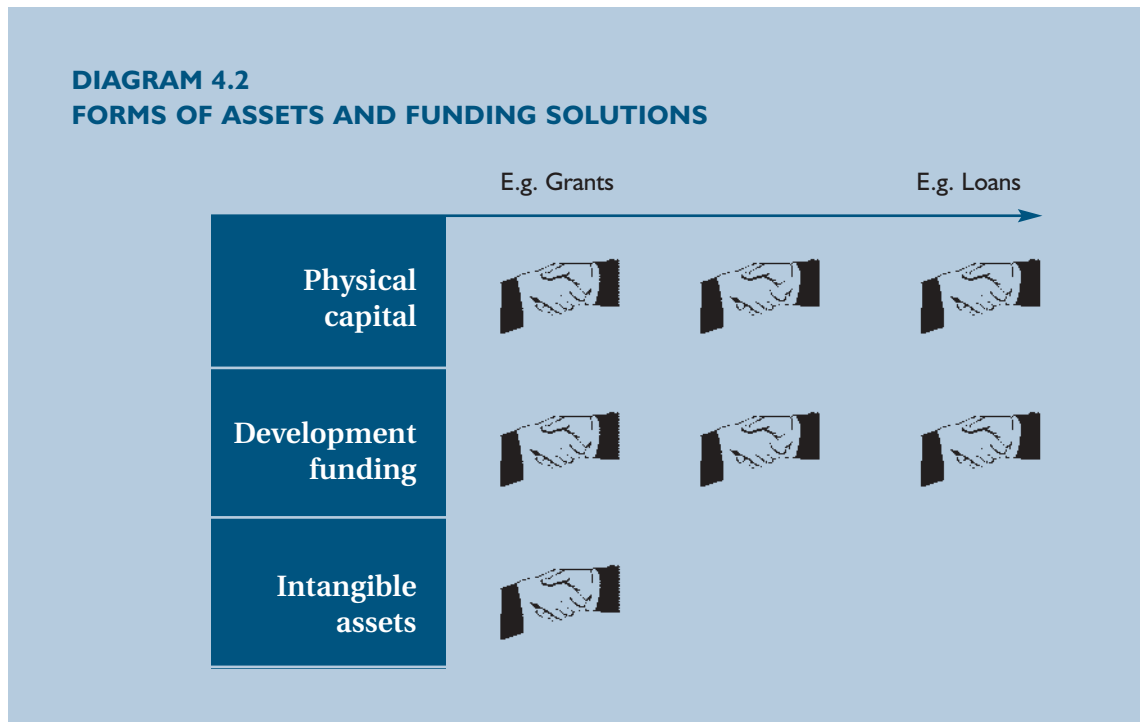
Box 4.3

EXAMPLE: Charity Bank

Charity Bank is a not for profit banking facility which enables charities, community organisations, voluntary organisations, community businesses, social enterprises, and social landlords to access affordable loans. Charity Bank normally only lends if banks or building societies will not make a loan, or will do so only on unaffordable terms. Loan periods can be anything from 3 months to 10 years and the rate of interest is between 5 per cent and 7 per cent depending on the type of loan. Loans are never converted to grants and are usually secured by material asset

- 4.15** 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 (or revenue) funding available for one-off development costs. Central government is able to use capital investment to ‘buy’ a financial asset (e.g. 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 increases the amount of development funding that would be available.

DIAGRAM 4.2
FORMS OF ASSETS AND FUNDING SOLUTIONS



- Risk 4.16** The administration process for the fund would include advice to organisations on the most suitable form of finance for their scheme (see Chapter 5 for further details on the administration of the fund). There is no intention that *futurebuilders* investments should lead to organisations overstressing themselves. This would be counterproductive and undermine capacity rather than strengthen it.
- 4.17** Service delivery is a business activity, and, as such, the costs of providing the service 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.*'¹ In other words, contracts should be based on full cost recovery, which could include the cost of servicing a loan. 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.

¹ Recommendation 13. *Cross-cutting review of the Voluntary and Community Sector's Role in Service Delivery*, HM Treasury September 2002

Box 4.4**EXAMPLE: CASA**

CASA is a small charity in Camden and Islington with the aim of tackling substance misuse. It employs 12 people and delivers services to people with alcohol, drug and mental health problems. CASA received a loan of £90,000 from Charity Bank to develop new services after it moved into newly built premises. The loan was based on a clear business plan and is secured against the building. CASA's loan has encouraged the charity to think more purposefully about its business plan and be more financially aware.

QUESTIONS

12. Does the spectrum of finance proposed, including grants and various forms of loans, contain the right range of financial solutions?
13. Will this range of finance build the capacity of voluntary and community organisations and social enterprises to deliver services?
14. Do any of these forms of finance present obstacles or difficulties?
15. Are there other forms of finance that might be appropriate?

BUSINESS SUPPORT

4.18 *futurebuilders* recognises that organisations are not always sure about what form of finance is best suited to what they want to achieve. It is therefore proposed that the fund takes a pro-active stance – going beyond a simple, open bidding process – by supporting organisations through the provision of technical assistance.

4.19 *futurebuilders* could achieve this by establishing a business support function to:

- give a clear direction about eligibility to the fund;
- advise on appropriate forms of funding;
- make an assessment of the proposals; and
- make a recommendation to the fund.

This function could be of particular benefit to smaller organisations, and those wanting to take part in service delivery for the first time.

4.20 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 over the lifetime of the fund. The assessment of the proposal could include signposting the organisation to appropriate specialist advice and assistance to undertake any necessary preparatory work. *futurebuilders* could provide the resources to undertake such work.

4.21 A business support function could be:

- an integral part of the fund;
- established as a separate service organisation, operating as a gateway to the fund; and/or
- run by one or more, existing providers.

4.22 It must be understood that the cost of this business support function would be met by *futurebuilders*' resources. It is therefore extremely important that it does not lead to a complex and costly additional bureaucracy.

QUESTIONS

16. Is a business support function to give clear direction about eligibility to access the fund, to advise on appropriate forms of finance, to make an assessment of proposals, and to make recommendations to the fund, a good idea?
17. Are the types of assistance it could provide the right ones, and are there others?
18. Are there some things it should not do?
19. Should business support be separate from the fund administration?
20. How could a business support function be provided most cost effectively?

5

ADMINISTERING THE FUND

- 5.1** The Government has commissioned separate work into the management and operation of the fund. This work is now underway, informed by the thinking of the task groups and the draft proposals in this consultation document on the uses of the fund. Different models will be examined, from which Ministers will make a decision later in the summer. What follows is, therefore, for information and not consultation. The questions at the end of the section seek examples of other funding programmes and models which have worked well and which could inform the development of *futurebuilders*.
- 5.2** Several principles for the management and operation of the fund are already becoming clear and Ministers are minded to base the next stages of the detailed work on these.
- 5.3** A strong preference is emerging to site *futurebuilders* outside government, and closer to the voluntary and community sector. The Government believes that there are a number of different locations for the fund. The fund will need to be managed by the organisation or organisations which can demonstrate best that they can support a strong, independent and healthy voluntary and community sector. This is likely to give the fund a better chance of making an impact beyond the three years of the Spending Review 2002, by making the money go further.
- 5.4** It is clear that there is no appetite, nor indeed need, to set up new institutions or an elaborate, costly bureaucracy to run the fund. Rather, *futurebuilders* should make use of existing structures which either have the capability to manage the fund, or could develop that capacity quickly. The costs of operating and administering the fund will be met from the resource element of the fund.
- 5.5** Whatever is set up, transparency, good decision-making and clear accountability will be vital; for example the publication of an annual investment plan and an annual report on the operation and performance of the fund.
- 5.6** Since the use of the fund is tied largely to service priorities set by the Government, the fund manager would not have unfettered freedom over how to invest the money. Rather, a way would need to be found within the governance and decision making process for all of the principal stakeholders (financial institutions involved in its delivery, public sector purchasers of services at national, regional and local level, and voluntary and community sector organisations and social enterprises), 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, would also have a role.
- 5.7** This fund is breaking new ground, which creates considerable potential for future ways of working. As such, it should 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.

QUESTIONS

21. Are there any particular funding models which have worked well and could inform the setting up of *futurebuilders*?
22. What can be learnt from them?
23. What features of management and administration are most important when trying to access funding?

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 that took place as part of the 2002 Spending Review set out 42 recommendations to improve the operating environment within which government and the sector work together to deliver services. The ACU has been allocated £93 million to lead cross-government work to implement the recommendations.
- 6.6** Key recommendations include:
- to improve the way the funding relationship and mechanisms work;
 - to build capacity (e.g. governance, skills, standards, ICT) and infrastructure 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 different from other funding because it is targeted at front line organisations, delivering services directly to users in four key public service areas. It will complement the work being undertaken by the ACU to implement the cross cutting review.

6.8 *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, to feed into the work of the ACU. 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.

6.9 The *futurebuilders* task groups also identified the need to build capacity and develop infrastructure in the voluntary and community sector in a more general way to help organisations get the most out of the fund. Whilst this is not the remit of *futurebuilders* itself, such developments would support voluntary and community sector activity and, specifically, activities undertaken with *futurebuilders* funding. This reinforces the findings of the cross-cutting review and serves to highlight how the two funding streams can complement each other.

6.10 The task groups also identified a number of specific recommendations of the cross cutting review which would determine in some measure the success of *futurebuilders*. These included:

- implementation of full cost recovery;
- greater involvement of the sector in the planning and development of service programmes;
- implementation of the cross cutting review at the local level; and
- tackling skills gaps.

THE SOCIAL ENTERPRISE UNIT

6.11 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.

¹DTI (July2002) *Social Enterprise: a strategy for success* www.dti.gov.uk/socialenterprise

- 6.12** 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.
- 6.13** 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

- 6.14** 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

- 6.15** 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 government in service delivery. This in turn will support implementation of the wider cross-cutting review at local level.
- 6.16** 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 work with local government 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.

QUESTION

24. Are there other opportunities to maximise the value of *futurebuilders* by effective joining up a) within government or b) elsewhere?

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A PARTICIPATION

REFERENCE GROUP

Chair:

Sir Kenneth Stowe

Members:

Lord Adebowale	Turning Point
Erica De'Ath	National Council of Voluntary Child Care Organisations
Helen Edwards	Active Community Unit, Home Office
Stuart Etherington	National Council for Voluntary Organisations
Tina Jenkins	Active Community Unit, Home Office
Geraldine Peacock	Guide Dogs for the Blind Association
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 Unit, 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	Home Office (Active Community Unit)
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	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	Charity Commissioner and 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
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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	Guide Dogs for the Blind Association
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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 Ingram
Daniel Micklethwaite
Pat Samuel

B RESPONDING TO CONSULTATION

Extra copies of this document can be printed from the Treasury website or obtained from the Treasury Public Enquiry Unit by calling 020 7270 4558. Responses can also be returned electronically.

Responses are sought to this consultation by **Monday 21st July 2003**. Responses will be taken into account when finalising details of the fund.

Your response should include an explanation of who you are, who you represent and, where relevant, who else you have consulted in reaching your conclusions.

Written comments should be sent to:

Helen Horton
Voluntary and Community Sector Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ
Fax: 020 7270 6233

Comments can also be sent by e-mail to: voluntarysector@hm-treasury.gov.uk

You can also leave comments on the dedicated telephone messaging service by calling 020 7270 5885. Please note, calls to this number will not be returned but the feedback received by this service will be recorded and will form part of the analysis of consultation responses.

Under the code of practice on open government any responses may be published or made available to third parties on request. However, if respondents wish all or any part of their response to remain confidential, please clearly indicate this.

Feedback on how the consultation has been conducted is also welcome, so that the process can be improved in the future. Please send comments, clearly marked 'consultation process', to

Merran Buchanan
Voluntary and Community Sector Team
HM Treasury,
Horse Guards Road,
London, SW1A 2HQ

Comments can also be sent by e-mail to: voluntarysector@hm-treasury.gov.uk

If you have suggestions of other bodies which should receive a copy of this consultation document please email: voluntarysector@hm-treasury.gov.uk with the details.

OTHER CONSULTATION OPPORTUNITIES

The Treasury is holding a series of *futurebuilders* consultation events throughout England, in conjunction with Government Offices for the Regions and Regional Voluntary Sector Networks. If you would like to attend one of these events please email the relevant contact below for further details or to book a place. Details will also be available on the Treasury website in due course.

North East

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C TASK GROUP PAPERS

TASK GROUP REPORTS

- Modernisation Task Group
- To Increase the Scale and Scope of Service Delivery
- Making the Money Go Further
- Organisations Working Effectively Together
- Principles of Good Practice in Public Service Delivery

CONTRIBUTIONS FROM TASK GROUP MEMBERS

- 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
Philippa 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 Parochial Foundation
David Carrington (not for citation)

D 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 PROJECTS

D.2 This section looks at some common types of project 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, revenue-type 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 revenue-type 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.

E GLOSSARY

ACU	Active Community Unit
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
DEL	Departmental Expenditure Limit
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
ONS	Office for National Statistics
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
VCS	Voluntary and Community Sector
YOT	Youth Offending Team