

DEVELOPING THE COMPACT

COMPACT : BACKGROUND

1. The Compact on relations between government and the VCS in England was published in 1998. The purpose of the Compact was to set out an agreed framework of principles to govern how government and the VCS should work together. It was recognised that a clear framework for engagement had the potential to bring mutual benefits.

2. The publication of the Compact was followed by the publication of a number of Codes each of which is, in effect, a more detailed cashing out of different aspects of the Compact. The Codes cover:

- Black and Minority Ethnic Voluntary and Community Organisations;
- Consultation and Policy Appraisal;
- Funding;
- Volunteering;
- Community (currently out for consultation).

3. The benefits to the VCS are:

- greater transparency in dealings with government;
- a clear set of expectations;
- a consultation process which allows the VCS to influence the policy process and ensures that government listens to concerns at an early stage;
- protection of the sector's independence;
- a consistent approach from government.

4. And there are distinct advantages for government:

- a consistent approach across government means that officials have clear guidance on how to engage with the sector – this is especially helpful in controversial or difficult areas;

- the semi-formal mechanism of the standard 12 week consultation process enables Ministers to hear and respond to the views of a large and diverse sector;
- utilisation of the Funding Code on grant funding can provide reassurance to officials that they are acting in accordance with the principles of good regulation;
- consultation should help produce better quality policy.

5. The Compact is not legally binding. It is, rather, a voluntary commitment by government and the VCS to good practice working. This voluntary nature of the Compact carries both risks and opportunities. Without a statutory framework it has no legal underpinning. Nonetheless, breaking a voluntary agreement freely entered into by both sides and endorsed by government Ministers would run counter to the spirit of co-operation which gave rise to the Compact.

6. Although there may be no explicit intention to ignore the Compact there is undoubtedly scope for differing interpretations on what the Compact (or one of the Codes) implies in any particular situation. With goodwill on both sides this should not constitute a problem but it is useful to have some agreed way of resolving such disputes. The Compact includes a section on 'Resolution of Disagreements' and notes that, where both parties agree, mediation may be a useful way to resolve disputes. A mediation scheme is currently being developed.

7. Policy responsibility for the Compact lies with the Active Community Unit (ACU) in the Home Office (although the Compact and Codes of Good Practice have all been consulted upon across government and have received individual Departmental Ministerial clearance before publication). However, it is incumbent on all Departments to apply the Compact principles to their activities and account for departmental progress as part of the bi-annual Compact Review meeting.

WHAT'S WRONG WITH THE COMPACT?

8. The review revealed a remarkable consensus of opinion that the Compact is "a good thing". The concept of the Compact as a transparent voluntary agreement on how government and the VCS should work together is universally supported (barring a few outlying voices) and well understood. There has been little support for radical changes to the Compact, its abolition or the view that its provisions should have a new statutory basis.

9. The consensus on the value of the Compact is matched by a similar consensus on what's wrong with the status quo. There are three points commonly made, the first two being of fundamental importance, the third more of an aspiration.

10. First, **awareness** of the Compact and the Codes remains a problem. Despite the best efforts of the ACU to raise awareness across Whitehall, a step change in understanding is required.

11. Second, **observance remains patchy**. Even where government officials are aware of the Compact they do not always adhere to it. Officials in some government departments – and in the Government Offices - treat the Compact as “guidance” only. This is a source of frustration in the VCS. The mediation group (paragraph 7 above) will try to educate government about the positive nature of mediation, which can avoid costly and lengthy complaints procedures. While a mediation scheme is desirable, it is far more desirable that both government and the VCS get it right first time around.

12. Third, there is an aspiration to see the scope of the Compact extended. There is no obligation for LAs to have a Local Compact outside the 88 most deprived LA areas. A separate point is that the scope of the existing Compact needs to be made more explicit – there is a great deal of confusion about which government bodies are now included and which excluded. The proliferation of quasi-public bodies makes the judgment difficult. Mutuality would be easier to achieve if both sides were fully aware of the advantages of working with the Compact.

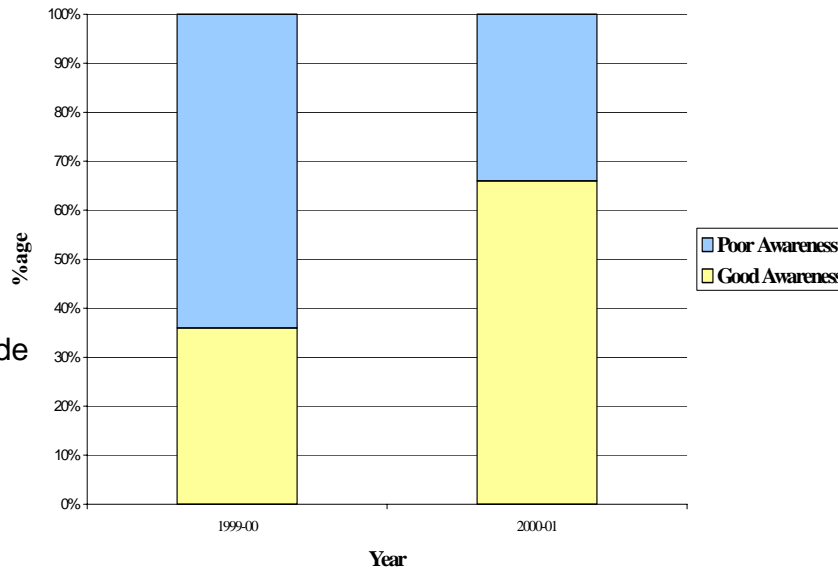
13. Taken together, the lack of awareness and ineffective implementation of the Compact present a considerable challenge even before consideration is given to the possible extension of scope.

14. Although the Funding Code is widely admired, the VCS have expressed concerns that it applies only to grants, given the significant proportion of funding that now derives from service agreements and contracts. The review recognises that a need for guidance on contracting and partnership working exists, but needs to apply to service providers from all sectors. Supplements to the Funding Codes on contracting and partnership are being developed to fill this gap.

AWARENESS

15. According to a survey carried out by the Compact Working Group, there has been a significant improvement in awareness of the Compact over the past year. But the latest figures still show a third of VCS respondents believing that the government department with which they deal has little or no awareness of the Compact. Three quarters of the returns relate to the “big four” government departments that account for most relations with the sector: the Department of Health, ODPM, DfES and the Home Office. Awareness in other Whitehall Departments or further out from central government – in agencies or NDPBs – is likely to be even lower.

Awareness of the Compact



The chart aside sets out the current position.¹

16. To tackle the problem of awareness measures are needed that will make a difference within a short-ish timescale. To achieve that, the implementation of the Compact needs to be “locked in” to a department’s normal business functions. The Compact needs to be seen not as something separate for those who happened to be interested in such things – but central to the way in which government engages with the sector.

17. Voluntary Sector Liaison Officers (VSLOs) have been the main tool used to raise awareness in Departments and provide advice to officials. Each central government department and each of the devolved administrations has, or should have,² a VSLO who is responsible for working across government on issues and initiatives relating to the VCS. The VSLO acts as the liaison point between the Department and the ACU – transmitting to the department news of initiatives and policies towards the sector. Under the 2001-02 Compact Action Plan VSLOs have been encouraged to meet both as a peer group and with the Compact Working Group to share good practice around the implementation of the Compact and Codes.

18. There is currently no consistency in approach across departments in terms of either grading of the role or the amount of time that the role might reasonably demand. There have been recent efforts to strengthen the VSLO role but with no clear link between the role itself and what we are trying to achieve. The Compact Action Plan included a commitment to, “increase the level of resources within government directed at implementing the Compact and Codes of Good Practice, including the VSLO role”. The aim is to ensure that there is the appropriate level of time and seniority to carry out the role effectively.

¹ Taken from ACU research for the Compact Annual Review Meeting, November 2001.

² We understand that vacancies exist in both the LCD and Customs and Excise.

19. At present VSLOs are not always sufficiently senior to drive forward change and often have multiple duties. A recent Home Office questionnaire has shown that an average VSLO spends 15% of his/ her time on VSLO duties. Thus there are clear shortcomings with the current system that need to be addressed.

IMPLEMENTATION

20. VCS representatives involved in the review have also expressed concern that even where the Compact was fully understood, it was sometimes ignored because of its lack of statutory underpinning.

21. Some difficulties may be caused by staff at some distance from Whitehall and not therefore fully aware of the importance of developing a fully effective relationship with the VCS. This requires a cultural shift in self-perception throughout their organisation. But there are other difficulties.

22. Some officials believe that accounting and audit provisions conflict with the provisions of the Compact. And some auditors believe the same thing. Yet the Funding Code, which is at the heart of some of these disputes, has been agreed by the Treasury, which determines the accounting and audit regime for public bodies. As part of the review Treasury officials have checked the Code again and confirmed that nothing in the Funding Code conflicts with the principles of Government Accounting and adhering to the Code should present no difficulty for officials at central or local level.

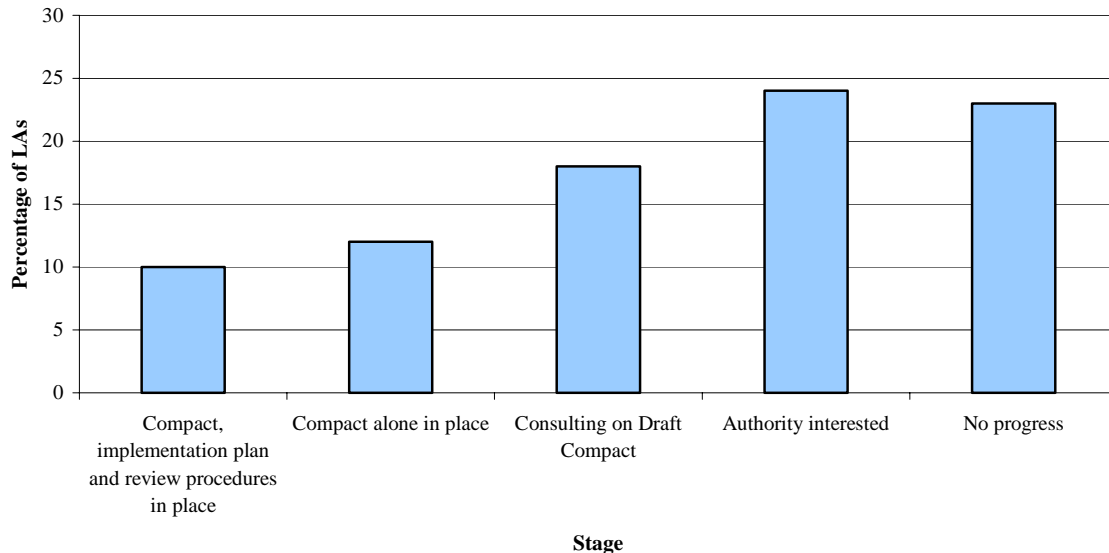
23. It is, of course, wholly right that officials in government departments and NDPBs continue to take a prudent approach to the accounting and audit requirements in line with HMT guidance and to protect the Accounting Officer. But particular instances which were brought to the attention of the review team suggest that there have been cases where some officials have been overcautious.

24. It is concluded that there is considerable scope for training and education in this area – and not just of officials in central government but all those involved in an audit or accountancy capacity at regional and local level. And there is a continuing role for HMT in explaining how discretion in particular cases might be reasonably exercised.

DEVELOPING LOCAL COMPACTS

25. The current Compact and its Codes apply at national and regional level only – at local level the Government strongly encourages the development of a Compact, but progress at local level is mixed. The chart below sets out the current position.

Local Compacts - Progress Report



Source: LGA Research. Information for 2001. Included here are the 388 English LAs and the 22 Welsh LAs.

26. The key message from the chart is that only 22% of public bodies have a Compact agreed; a further 55% are at some stage in developing a Compact and 23% have done nothing. These figures, for 2001, represent some progress since 1999 when the respective figures were 9%, 55% and 36%. But the position is far from satisfactory. At the present pace of change it will take many years for all LAs to develop Compacts. And it is perfectly possible that some never will.

27. Drawing up local Compacts is resource intensive for the VCS too, taking months to complete. Most local Compacts are designed without specific additional resources being made available to either the public sector bodies (LAs, Health Authorities, Police, Learning and Skills Councils, etc) or the VCOs concerned, which naturally increases the pressure simply to mirror the national Compact. The diverse nature of the VCS can be hard to encapsulate in the design of local Compacts, with smaller community groups and local voluntary groups feeling the resource strain too heavy to have an equal input.

28. A recent study tracking local Compacts found that:

“Many of those charged with compact negotiations already have a full workload. Local intermediary bodies in many areas are already struggling to survive. Local Compacts are expected to encompass all the issues that affect the relationship between the local public sector and the voluntary and community sector – and it is not surprising if the process of development becomes complicated and difficult.”

29. The study's findings suggest that if Compacts are to have an impact beyond a few key players then time is required to allow those at the margins to become involved, and dedicated resources (human and financial) are needed to ensure that key negotiators on both sides can take account of views across their sector, give an account to all who need to be informed and be held to account by all potential participants."³

30. The report does not suggest that public bodies should automatically fund local Compacts – indeed for the Compact to be successful there needs to be ownership by the VCS – but simply recognises that there are resource implications for both sides. What is certain is that the local infrastructure requires adequate investment if it is to carry forward the development of local Compacts (and other partnership work between local public bodies and VCOs). Just as the national Compact requires clout behind it to be mainstreamed, for local Compacts to succeed, negotiators must be sufficiently high-ranking to drive it through. There is a delicate balance to be struck here between creating the right conditions to nurture a healthy Compact created under the right partnership conditions, and imposing an arbitrary and ineffective document from above.

31. The difficult question is, therefore, whether to leave it for LAs to set their own agenda and timetables. To do nothing is, implicitly, to accept that the majority of LAs might get there in the end but it is likely that there will always be some recalcitrants and for many LAs it will be years before they reach the position that the best are in now. However, all 88 NRU areas are required to develop a Local Compact. In addition, the Best Value text on Community Strategies includes reference to the development of Local Compacts. It does not seem unreasonable to have the objective of an increased number of local Compacts.

REGIONAL COMPACTS

32. It was clear when the Compact was published that it would apply to the Government Offices for the Regions (GOs). As central government's aim to deliver services closer to people has resulted in more activity being located at regional level, it has become increasingly important to ensure that the Compact makes a difference there too. An outcome of the first Compact action plan (May 2000) was the commitment to engage Regional Development Agencies (RDAs) within the Compact framework. Home Office and ODPM ministers jointly wrote to RDAs in June 2000 encouraging them to adopt the Compact and adapt it to suit regional relations. However, progress at regional level has been minimal. GOs and the VCS have made some headway in developing regional Compact strategies whereas RDAs and Regional Health Authorities have had limited progress. It will be important therefore to clarify the scope of the Compact at regional level.

³ Taken from Joseph Rowntree Foundation *Findings* (Interim report by research team from universities of Hull and Brighton evaluating the significance of local compacts. The final report, *Contract or Trust? The role of Compacts in Local Governance*, was published in January 2002)

MANAGING AND PROMOTING CHANGE

33. If things are to change and quickly then change needs to be managed both across government and the VCS. In order to effect a cultural shift in perceptions of the VCS and adherence to the Compact, each Department should nominate an official – at senior management level (i.e., at or around Director or Grade 3 level) – to take personal responsibility for ensuring that the department and its officials facilitate enhanced partnership working particularly through adherence to the Compact. And the nominated official will need to have full adherence to the Compact throughout the Department clearly set out in his/her personal objectives.

34. The new role will be one of what might be called “Departmental Champion”. It will be quite different from that of the VSLO – who will continue to be the first port of call for advice on day-to-day implementation issues, but with much stronger senior management support.

35. In practical terms we envisage the Champion:

- establishing a clear baseline for the department. This will involve a degree of research activity to gauge the current level of awareness of the Compact and how far it is implemented centrally and in the department’s agencies. The research for the baseline is likely to have to involve key players from the VCS. It is crucial that the department looks to the views of those with whom it deals on a regular basis – and not just the views of officials themselves.
- developing a strategic vision for the organisation. It is definitely not envisaged that this should be a long or discursive document. It should instead be a succinct statement of where the department needs to be, what it needs to do to get there and the timescale in which it will do that. This should inform and be consistent with the Strategic Compact Action plan agreed at the Annual Review meeting.

36. The amount of work involved in researching the baseline and drafting the strategic visions will vary greatly from department to department. It will depend on two factors:

- the degree of involvement the department has with the sector; and,
- how far staff in the department and its agencies are already aware of and implementing the Compact.

37. To lock in the Compact and Codes successfully, they need to be more widely owned and accepted by the VCS itself. There was evidence from some of the consultation events held in the course of the review that parts of the VCS had

never heard of the Compact. While it is imperative that government and the sector learn from each other, it is just as important that the VCS sets in motion a major initiative to promote awareness and understanding of how the Compact can be of mutual advantage to government and the sector.

38. Effecting a step change is likely to be more manageable in the long run if government can demonstrate success quickly. Focused targets are more likely to yield “quick wins” and for that reason roll out across Whitehall of the recommendations below should home in on the “big four” Government Departments that have a relationship with the sector, viz. Health, DWP, Home Office, ODPM.

MAINSTREAMING AND “LOCKING-IN” THE COMPACT

39. The thrust of the recommendations of this chapter is that the Compact should cease to be seen as something additional but be incorporated in all a department’s dealings with the sector – it should be mainstreamed. That suggests developing a strategy for effective awareness and implementation of the Compact that forms part of a department’s strategic approach to policy development and implementation.

40. To do this, the strategy for developing the Compact in each department needs to be an integral part of the public expenditure process, as are other key strategies of spending departments. The SR2002 settlement process should therefore make clear to departments that they need to establish a baseline for observance of the Compact, appoint a lead official and agree targets for awareness of and adherence to the Compact in return for resources allocated.

41. Day-to-day monitoring might best be carried out by the ACU as part of the Annual Review process who might have more active intelligence on how departments were faring. It would be for the ACU to ensure Treasury were informed if any department was falling behind in implementation, as the Treasury retains an overview of how effectively agreed Spending Review policies are being implemented.

42. Training and education should be provided for all staff involved in monitoring, evaluating, accounting for, or auditing contracts/grants between public authorities and the VCS. The Compact Action Plan identifies the need for training activities. This should be developed to take account of issues raised above.

TARGETS AND INCENTIVES

43. Para 26 above noted the slow progress to date in developing Compacts at local level. But according to a survey carried out by NCVO in summer 2001 nearly a half of LAs either have a Compact or are engaged in the process of

developing one.⁴ Taken together, the difficulties many LAs find in setting up working and effective Compacts should not be underestimated. But there is little doubt that where they exist and are being effectively implemented both the VCS and the LA gain a great deal by them. And we need to understand also that there were similar difficulties in drafting the Compact and its Codes at Central Government. To do nothing is a counsel of despair. If most of the LAs in the 88 most deprived areas are capable of developing a Compact then all are⁵

44. It would appear that what needs to be done now to spur progress is for the Government to set clear targets for all voluntary and statutory sector bodies to have local Compacts. However, the value of local Compacts lies in the process of developing a Compact in partnership with the sector rather than the finished document itself. What should be avoided at all costs is putting in place incentives that encourage LAs to take a Local Compact “off the shelf”. LAs experiencing problems drawing up their Local Compact should take example from LAs with successful working Compacts to help bring all Local Compacts to the standard of the best.

REVIEWING EFFECTIVENESS AND PROGRESS

45. Ongoing review is crucial to the success of the Compact and Codes, where success is gauged by the effectiveness of government/ VCS relationships. The Compact includes “a commitment to an annual review meeting between the Government and representatives of the VCS to review the operation of the Compact and its development”. Two such meetings have so far taken place and a third is scheduled for April 2002.

46. Reviews to date have concentrated on progress in developing the five Codes and the level of awareness about the Compact and published Codes both within the sector and government. However, at the last meeting, the agreed action plan stated the aim to “develop systematic monitoring and review of Compact activities”. The Research, Development and Statistics directorate of the Home Office have been asked to action this point.

47. It is envisaged that a methodology which provides data relating to key areas of departmental / VCS activities at regular intervals is what is now required. Data should be linked to the baseline work carried out by proposed departmental VCS ‘Champions’. Once the scope of the Compact has been clarified, the review should require departments to report on executive agencies as well as regional and local level statutory activity for which they have responsibility.

48. The review process can benefit regional and local Compacts. “A successful Compact would be a reference point against which to assess the development of [local and regional] relationships and would be a dynamic rather

⁴ 77% of NRU areas are ‘Compact active’ i.e. 25% had published one, 52% had a process underway to develop one. 13% intended to make a start within the year 2001.

⁵ 77% of the 88 Neighbourhood Renewal Areas are Compact-active. 25% have published one and 52% have a process underway to develop one. A further 13% intend to make a start within a year. (Source: NCVO)

than static document. It remains to be seen whether the idea of a Compact can evolve in this way.”⁶

49. At present, LAs must ensure that service improvements are delivered for customers by thoroughly analysing all services against the ‘four Cs’:

- challenging why and how services are provided;
- comparing performance with others;
- embracing fair competition; and,
- consulting with local taxpayers, customers and the wider business community.

50. The Compact should constitute the ‘fifth C’. A local Compact will be relevant wherever the service being subject to a Best Value review involves or might possibly involve the VCS. The Best Value Inspectorate should take full account of the effectiveness or not of the local Compact while conducting the inspection.

⁶ From “Contract or Trust? The role of compacts in Local Governance” by Gary Craig, Marilyn Taylor, Mick Wilkinson and Kate Bloor with Surya Monro and Alia Syed. Published January 2002.