

THE BARING FOUNDATION
CORE COSTS CLUB SEMINAR

8TH MARCH 2006

THE COMPACT

Introduction

Professor Nicholas Deakin, a Trustee of the Foundation and Chair of the meeting welcomed everyone and thanked ING bank for the use of their facilities.

The proposal for the Compact can be found in the Commission which Nicholas chaired in 1995-6 but its origins can be traced to a number of sources. Some people present would remember the state of relations between the Government and the voluntary sector in the 1980s, at their worst characterised by the Manpower Services Commission. There was a determination among senior members of the Labour opposition to do better. The approach had in fact already been road-tested in Northern Ireland by a charismatic civil servant, Jimmy Kearney.

It would be too ambitious today to draw up a balance sheet for progress on the Compact so far, but it did offer an opportunity for reflection, including on the wider question of the relationship between Government and the voluntary sector. It was especially important to consider the local level which is the crux of the matter for so much voluntary action.

The 'two Davids' have both been making statements recently on the voluntary sector. David Cameron, leader of the Conservative Party, has called for a sweeping away of what he calls the tangle of Government bureaucracy which he says holding the voluntary sector back. David Miliband, Minister for Communities, in his 'double devolution speech to the National Council for Voluntary Organisations, said that all levels of Government and the voluntary sector benefit in both directions from contact with each other.

These and other recent contributions to the current debate on relations with Government underline the importance of the issue of the independence of voluntary and community organisations. The Foundation intends to make a direct contribution to this debate in a new grants programme: this will be introduced by Matthew Smerdon at the end of proceedings.

Sir Christopher Kelly – Chair of the Compact Working Group

Now the Chairman of NSPCC, Chris Kelly was Permanent Secretary of the Department of Health until 2000 and confessed that he had not been as aware of the Compact as he should have been and had seen it as another factor to manage when he was in Government.

The Compact had been a good idea at the right time and it had been heavily backed by Gordon Brown as Chancellor and Paul Boateng when he was Chief Secretary at the Treasury. There is now much greater interest in the voluntary sector from Government than even five years ago as shown by a raft of initiatives, not least the guidance on funding the voluntary sector reaching culmination in the Treasury.

There are now Compact Champions in all Government departments. They are usually at a senior level. On the one hand that means they can get things done, on the other they have many areas of concern and some are more focused on this agenda than others. The annual meeting between the Government and the voluntary sector arranged by the Compact Working Group has improved with much better representation from Government. The Department of Health has had a poor record, but a Taskforce has been set up jointly chaired by a Minister, Liam Byrne and the Chief Executive of Mencap, Jo Williams which is looking at barriers to Compact compliance and how these can be eliminated. So far the Compact Advocacy Unit at NCVO has done a review of one department, the Department for Culture, Media and Sports. Paul Goggins, Minister at the Home Office, has volunteered that department as the first one for the Compact Commissioner, on appointment, to examine.

Three quarters of local authority areas now have Compacts. There is clearly frustration at this level for the smaller community groups. Local authorities when commissioning services tend to focus on the 'big battalions' of the large voluntary sector service providers.

Last year a report by the National Audit Office identified once again the same problems in the relationship between Government and the voluntary sector: short term contracts, insufficient full cost recovery and disproportionate monitoring.

This and other factors had come together to encourage the Home Office to look again at the Compact (though ironically this had been done without consultation with the voluntary sector). The resultant Compact Plus could be summarised thus:

- A slimmed down set of Compact principles instead of the current five unwieldy Codes;
- An accreditation scheme for organisations to be deemed 'Compact compliant' – although this needs much more work;
- An independent Compact Commissioner able to arbitrate in cases of conflict who might potentially report to Parliament.

This is a major opportunity to reinvigorate the Compact and one which the voluntary sector must seize. Funding should be a negotiation between partners, not a 'take or leave it' situation. Therefore the sector needs to have a clear idea of its costs. When taking up public service contracts, charities should be doing this because it clearly accords with their mission and core values.

Points raised in discussion:

- It is important to get the Compact into the warp and weft of Government at local and national level. For instance there is no equivalent of the annual meeting at local level. Could Compact compliance become part of Audit Commission inspections and the Comprehensive Performance Assessment?;
- Departmental Champions should be listed on websites as points of contact;

- The membership and the remit of the Compact Working Group needs review. It doesn't have the larger voluntary organisations and it needs better intelligence from the field;
- The Compact Advocacy Unit based at NCVO is being under-used by the sector in tackling breaches of the Compact;
- The Community Alliance and the Scarman Trust are experimenting with 'Community Service Agreements'. These are two-way contracts between voluntary organisations and local authorities, designed to provide a fresh approach to the inherent imbalance of power;
- A lot of the drive for the Government in its relationship with the voluntary sector recently has been the role of charities in the 'choice agenda' in providing public services. The smaller voluntary groups tend to provide the 'glue of society'. This is also part of the Government's understanding but has received less priority.

Clare Thomas - Chief Grants Officer, the Bridge House Trust

Independent grant making trusts provide around £2 billion per year to the voluntary sector. Although this is dwarfed by Government, independent foundations can play an important role through promoting innovation, social change and unpopular causes. They should offer a light touch approach to their dealings with the voluntary sector (and certainly not be a 'soft touch').

It shouldn't be concluded that virtue all lies on the side of independent grant makers. There is a 'dark side' to philanthropy: relative lack of accountability; the danger of aloofness; opaque decision-making; insufficient learning and a lack of consultation with the sector. Too many funders fail to allow for overheads and favour glossy projects. The differential power relationship between the funded and the funder can lead to the funder only hearing praise and claiming too much credit for achievements.

The Compact is important to independent funders because they have an interest in an efficient, well funded, stable sector and one where they do not have to top up under-priced work. However, on the ground, these conditions do not pertain and Clare gave an example in post-adoption services where foundations need to top up what the state refuses to pay for, despite obvious need. The recent survey by the Association of Chief Executives of Voluntary Organisations showed that the absence of full cost recovery and short-termism is wreaking great damage. 36% of the survey responded that services had had to be close due to these reasons. Others complained of payment in arrears and disproportionate monitoring.

The Compact does not apply to independent foundations but it should provoke a lot of questions on their part. Not least on what constitutes good practice in funding. This could lead to the development of an ethical framework for foundations rather than a 'compact'. The Association of Charitable Foundations has a set of quality standards for grant makers, but this needs review. There could be greater engagement between foundations and the voluntary and community sector, including on understanding outcomes and clarifying the differences between funders. Foundations fail to fully use their influence and independence. There is a particular need to capacity-build the voluntary sector to take up the role allowed to it by the Compact.

Kevan Liles- Chief Executive, Voluntary Action Leicester

Some of the problems lie on the side of the voluntary sector which is focused properly on users but tends to pay less attention to costs and therefore does not understand full cost recovery. The sector needs to fully 'own' the Compact and its responsibilities within the Compact.

There are problems too on the side of local authorities. Kevan is about to part-fund a post at Leicester City Council and, now the boot is on the other foot, will delight in asking for monthly monitoring in return for his £5,000! In local authorities commissioning staff need to understand the Compact as well as Service Heads so that issues such as proportionate monitoring and Full Cost Recovery are understood and implemented.

In Leicester, the voluntary sector has been well funded with £12 million per annum coming from the local authority. When, last year, the administration changed hands after 24 years, new priorities were announced along with cuts of £2 million to the voluntary sector with a very short timescale. A group of voluntary organisations got together to take a successful judicial review. The local authority argued that the need to set a budget by the end of the financial year outweighed their responsibilities to the voluntary sector, but the judge found that they should have been able to organise themselves to both set a budget and allow the sector proper notice.

Leicester is now developing a Compact. One had not been in place last year and might have prevented the need to go to court – or might not, as it would not have been legally enforceable. This is a fundamental limitation to the Compact as it stands and the sector needs to be aware of public law principles as were successfully used in Leicester. The Compact has to be viewed as one of a range of elements in the relationship with the public sector. Other elements include: the individual group's service contracts, Government guidance (e.g. Treasury Guidance on full cost recovery) and public law principles.

Anthony Lawton - Chief Executive of Centrepoint

The title of the talk was 'Compact, what Compact?'

Several visual aids were used.

Anthony brought out a compact (small 'c', the type with a mirror in) with a flourish and asked if the Government has just gazed in the mirror and patted a little voluntary sector stardust on its face.

A massive tome hit the floor several times with a mighty thump. This was the contract between a local authority (with an 'excellent' status) and Centrepoint to provide a contract of £150,000 to small number of homeless young people. Centrepoint provides services in 16 local authorities in London and each ask it for the same evidence of its bona fides, wasting everyone's time and effort. One funder should act as a lead for the others in this regard. A better example of a contract which works is the multi-million pound investment by Tesco's in selling mushrooms which is a couple of pages long with eight pages of pictures of mushroom!

Do we need Compact Plus or do we need Compact 'Lite' – something slim and fit for purpose, based on an analysis of what are the problems with the current model? (Chris Kelly replied that is indeed a good description of what Compact Plus is attempting to do).

More examples of bad practice were cited. Centrepoint was given little notice that it was about to lose a contract with a local authority due to a mistake on that authority's part but were able to turn this around through tough negotiating and even help the authority gain some of the extra funding it needed from the Office of the Deputy Prime Minister. 75% of the Home Office's contracts with the sector are for under a year. While the Government's policy and funding stream, Supporting People, is a good idea, there is a lack of understanding about what constitutes value for money and in particular a lack of learning from what has gone before including learning from mistakes.

In conclusion, what the voluntary sector needed was a wider range of 'technologies' in the way that it approached its relationship with the Government. In Centrepoint's case that has included a willingness to campaign and use the media. Centrepoint has set up a 'front foot' group of managers to try to get ahead of the game. Among other things this helps it in the way that it prepares to engage with funders, especially local authorities.

And that's not even to mention the story about the camel...

Meg Fassam –Wright - Head of Corporate Planning and Information, Barnardo's

Barnardo's supports around 90,000 vulnerable young people throughout the UK in a wide range of ways and in a variety of settings. This means that it needs to cope with great complexity regarding contracts and commissioning by Government. There can be ten Barnardo's services in one local authority area and equally there can be 40 local authorities in receipt of one of Barnardo's service.

Barnardo's has looked into the Compact arrangements for each of the local authority areas it works in and also at the arrangements among Government departments. However in the case of the latter, in practice annual budget rounds are taking precedence over the Compact, examples of this include Opportunities for Volunteers and Section 64 funding from the Department of Health.

Points raised in general discussion with the panel of all five speakers included:

- Accountability – who is held responsible if a Compact is breached? What are the sanctions?
- On his or her appointment the Compact Commissioner needs to begin a 'big conversation' with the voluntary sector;
- In the first term of this Government there seemed to be a real interest in solving social problems, witness the Social Exclusion Unit. It now feels as if it has degenerated into a debate on how to commission public services rather than targeting social need;
- A charity can take the Government's shilling without losing its soul, but that requires it being clear about its core values and confident enough to say 'no';

- There needs to be ‘co-learning’ between the voluntary sector and Government (shades of ‘co-production’);
- The process of establishing a Compact in itself is critically important to understanding each other;
- There’s a lot of capacity building to be done at the local level to make this work, not just with small voluntary groups but with local authorities themselves:
- What about unpopular causes? Where do they fall in the agenda on public services? In reality, steady work can be swept aside by a scurrilous tabloid story;
- Voluntary organisations are sophisticated. They know that the quality of personal relationships with funders is important, so there is a reluctance to upset that balance;
- Local Compacts could be part of Local Area Agreement targets and could be measured through satisfaction surveys of the voluntary sector;
- A performance measure for the sector ought to be embarrassing the funder at least twice a year.

Matthew Smerdon - Assistant Director, the Baring Foundation

The Foundation was keen to take this opportunity to tell core costs club members about the new Strengthening the Voluntary Sector programme.

The aim of the programme is:

- to support organisations to maintain or increase their independence from Government **by**
- carrying out organisational development activities that strengthen core strategies, structures, systems and skills **leading to**
- a significant and lasting improvement in effectiveness

The Foundation defines an independent organisation as having freedom to:

- agree values and priorities based on their own experience and vision, not external pressures;
- carry out work that delivers the stated purpose of the organisation;
- negotiate robustly with funders and partners;
- challenge others and engage in public debate.

The most effective organisations are those that enjoy these freedoms. The increasingly significant relationship between voluntary organisations and Government brings opportunities and threats. Making the most of the opportunities depends on being able to establish the kinds of relationships that enable these freedoms. Being able to demonstrate legitimacy and being confident are the principal strengths organisations need in order to pursue these freedoms.

The programme will support work in these two areas. Firstly, increasing legitimacy e.g: involving users or beneficiaries for the first time or in a significantly better ways; developing or improving ways of collecting evidence of needs; introducing ways of assessing the quality and impact of the organisation's work; developing ways of listening to complaints and responding; introducing a new organisational or management structure; strengthening the governance of the organisation and reviewing the values of the organisation. Secondly, building confidence, e.g.: developing skills, capacity and confidence in negotiation; campaigning and working with the media diversifying sources of restricted funding; developing systems and expertise in calculating full costs recovery and pricing services; making use of the Compact and developing strategies, systems and skills for communicating with members, supporters, customers, the media or the wider public.

Borrowing Anthony Lawton's phrase, the programme could equally be called Strengthening the Voluntary Sector's front foot.

As well as receiving grants of between 20k and 100k, funded organisations will be brought together as a group to share challenges and solutions. The Foundation will also carry out a programme of work alongside the grantmaking to capture lessons for other organisations and those that support the sector. The application deadline is 30th May 2006. There are income criteria and details on these and how to apply are available on our web-site. www.baringfoundation.org.uk

The announcement of the programme was greeted with enthusiasm by the audience.

The meeting closed at 4.30pm.

David Cutler
March 2006