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Regeneration and Local Governance in 2007:
The Valued Role of the Third Sector

CLES BULLETIN





Introduction

This bulletin seeks to provide an analysis of two new policy documents published by the recently formed Office of the Third Sector. The documents provide an assessment of some of the key ways in which the Third Sector can influence public sector procurement processes and deliver social and economic regeneration. The Bulletin will conclude by assessing some of the issues that local authority and other statutory bodies need to consider when working with the third sector to deliver regeneration activity and service delivery.

The Third Sector has an increasingly important role to play in service delivery, tackling social exclusion and neighbourhood level social and economic regeneration. Traditionally viewed as small neighbourhood community organisations or large national charities such as Age Concern, the third sector now encompasses a wider range of bodies including the social enterprise sector. Predominantly, the sector focus on delivering self and grant funded projects in small geographical areas, focusing on particular themes and target groups. However, there is an increasing recognition amongst local authorities, particularly those with strong enabling ideologies and procurement processes of the valued role the sector plays and could potentially play in delivering service delivery contracts.

In a culture where we are moving away from grant-based funding towards a more contract based approach related to service delivery and with the added pressures of the Comprehensive Spending Review, where we are likely to see a reduction in neighbourhood level regeneration there is a greater need for central and local support of the third sector. Additionally there are increasing pressures through the ongoing Lyons and Gershon Reviews. Centrally, through the recently formed Office of the Third Sector and the roll out and improvement of the Change Up Programme we are beginning to see an increasing onus on the value of the third sector. This can be viewed in two ways. On the one side, it could be viewed as an attempt to ensure ambitious targets related to National level Public Service Agreements running to 2008 are met, particularly the one on increasing the percentage of public

service contracts delivered by the voluntary and community sector. More positively, it can be viewed as a real commitment by central government, as part of ongoing restructuring, particularly in the Department for Communities and Local Government to the third sector, to equality and diversity, to local government improvement, and ultimately to improved service delivery and reduced deprivation.

The second of these two views has been confirmed in the publication of two reports as part of the December 2006 Pre-Budget report. The first¹ is a consultation report detailing the future role of the third sector in social and economic regeneration. This is an important publication because, whilst recent Pre-Budget Report supporting materials have focused on national competitiveness, national productivity and the value of Regional delivery, this report accompanied with the 2005 Budget focus on enterprise is an important return towards localism and delivery by organisations other than statutory organisations and the private sector. The second report² looks more at third sector involvement in public services and sets out an action plan for stronger partnership activity between the public and voluntary sectors.

Why is the Third Sector Important?

In order to contextualise this bulletin, it is necessary to assess the reasoning behind the increased central and local focus on the third sector. The prime benefit of the third sector generally is that many of these organisations are often based in, and play a role in, the life and identity of communities. Local people often trust and identify with voluntary and community sector organisations to a far greater degree than they do with local authority and regional bodies. Third sector organisations often deliver their services for particular neighbourhoods and particular sectors of the population, which is

¹ HM Treasury (2006) *The future role of the third sector in social and economic regeneration: interim report*. http://www.hm-treasury.gov.uk/media/53E/94/pbr06_3rd_sector_428.pdf

² Cabinet Office (2006) *Partnership in Public Services: An action plan for third sector involvement*. http://www.cabinetoffice.gov.uk/third_sector/documents/public_service_delivery/psd_action_plan.pdf



again beneficial. Focusing on service delivery there are a number of reasons why the third sector are seen as important:

- ❑ They are seen as central to many DCLG and other Government Department initiatives such as the Home Office focus on active citizenship;
- ❑ They have knowledge about local needs and wants;
- ❑ They have a voice that can represent both the needs of the community and highlight underrepresented groups and sectors of delivery;
- ❑ They are often rooted in partnership, with similar organisations often working together;
- ❑ They have intrinsic links to the issues affecting communities, which potentially impact upon the social economy, and have far broader implications with regard to joined up service delivery.

Looking at rural areas and rural regeneration in particular, the third sector and other local governance arrangements such as Parish Councils, as a result of isolation and distance from local and central government are an integral part of community life and community service delivery. There are significant numbers of rurally based third sector organisations, with a higher number of organisations per 1000 people than in urban areas. These community organisations are often owned and led by community interests meaning that there are four key benefits socially, economically and culturally for local communities:

- ❑ ***Building Social Capital*** – the third sector's ethos of bringing people together to achieve change in an area is core to building social capital in communities, bringing together networks with shared norms, values and understandings;
- ❑ ***Providing Community Services*** – the third sector reflect and respond to the needs of the community, rather than being driven by formal public service contracting;
- ❑ ***Promoting Participation and Empowerment*** – the third sector enable citizens to contribute to identifying effective solutions to their own problems and providing the arena for that change to occur.

- ❑ ***Contributing to Local Regeneration*** – the third sector through service delivery and neighbourhood regeneration funded projects contribute to local regeneration activity. Large third sector organisations deliver a host of projects across a range of themes and smaller organisations provide opportunities for citizens' personal development, including support to reconnect people with the labour market for example.

New Central Government Support for the Third Sector

In recent years, central government has recognised the value of the third sector. They have a series of associated targets, institutions, programmes, and in 2006 has released two new policy publications.

Existing Targets and Funds

The Home Office has a Public Service Agreement target to increase the volume of public services delivered by the voluntary and community sector by 5% over this Spending Review period. In terms of funds, there are dedicated funding streams intended primarily to help achieve this target. For example, the Futurebuilders fund aims to improve public service delivery through long term investment in the voluntary and community sector in England. The fund provides a combination of loan and grant finance together with support to help organisations build their capacity and increase their effectiveness.

Institutions and Programmes

The Active Communities Unit, prior to the development of the Office of the Third Sector in the Cabinet Office was the department responsible for delivering the Public Service Agreement target. A key strand of the Active Communities Units work surrounded Compact agreements and the Change Up programme. The Compact on relations between government and the voluntary and community sector in England were first introduced in 1998 and aims to improve the relationship between the Government and the sector. The majority of local authorities have now signed Local Compacts, which are between all local public bodies and the third sector.



The Change Up framework sets out how government supports capacity building and infrastructure for the third sector over the next ten years, in order to increase the role the sector plays in the delivery of public services and take into account the many gaps in infrastructure provision that are currently hindering this development. The bulk of Change Up investment to date has been made through the regions to support sub regional and local initiatives. Sub Regional Development Plans have been produced by steering groups, which determine the shape and structure of infrastructure provision best suited to meet the needs of voluntary and community sector organisations across specific areas. Each project identified within the Development Plan then sends a detailed project plan to the regional body managing the grant, which assess the plan and make recommendations to a sub regional consortium, who then agrees the grants. Change Up funding is available for projects that provide capacity building and development services for third sector organisations and is therefore, by and large, available for schemes run by third sector organisations whose main purpose is the provision of infrastructure services to other voluntary and community sector groups, such as CVS, or organisations who provide some, or all of these services, but to their own organisations.

The Office of the Third Sector has been set up to drive forward the Government's role in supporting a thriving third sector, and brings together sector-related work from across Government. Working closely with the DCLG and particularly new focuses on community cohesion and equality, the Office of the Third Sector seek to embed the role of third sector organisations in communities and decision making at a local and regional level.

New Policy

The *Taking the Third Sector Forward – A Future Role in Social and Economic Regeneration* report and review forms part of wider considerations taking place for the 2007 Comprehensive Spending Review. The review will set departmental spending plans and priorities for the years 2008-09, 2009-10 and 2010-11 and is an opportunity for departments to identify the further steps needed to meet future challenges. The report is the culmination of

consultation with a host of third sector bodies with responses reflecting the whole spectrum of third sector activity from small self-help groups, to campaigning organisations to large social enterprises delivering multi-million pound contracts. The responses to the consultation are set out in six chapters with this section of the Bulletin assessing some of the key points of each of the chapters:

Facet 1 – Stronger and Connected Communities –

The consultation highlighted how the range of organisations in the third sector contribute to promoting stronger and connected communities. In particular it suggested that there would be benefit to maintaining grant funding for smaller community organisations, alongside increasing opportunities for third sector organisations to contract with local government to deliver public services. As recent CLES work in Sunderland has suggested this mix is necessary as many smaller third sector organisations are not in a position to compete for public service contracts and they do not see this as part of their core functions. It also indicated that more needed to be done to ensure that organisations representing marginalized groups such as black and minority ethnic groups and disability groups had access to mainstream grant funding.

Facet 2 – Enabling Voice and Campaigning –

The consultation highlighted with third sector organisations having stronger roles in service delivery, increasingly they were being more effective in enabling community voices to be heard and in campaigning for better services. The consultation particularly recommends that whilst the third sector is often a crucial partner in enabling and equipping citizens to participate in campaigning, democratic processes and civic activity, there is a need for appropriate learning opportunities for individuals and organisations to engage effectively in civic participation.



Facet 3 – Volunteering and Mentoring – Volunteering has a direct impact at an individual level providing benefits to volunteers themselves and on building communities and a healthy civil society. With volunteers forming a major part of the third sector workforce, the consultation provided a number of recommendations for the future including a need to continue to promote volunteering and ensure its accessibility. A lack of accessible information about how and where to access volunteering and mentoring particularly for groups facing additional barriers such as disability is a clear barrier to involvement. This needs to be addressed formally between third sector organisations, local authorities and central government and indeed communities themselves.

Facet 4 – Promoting Enterprising Solutions – Social Enterprises have become a key part of the third sector and service delivery. With a turnover of around £27billion, social enterprises clearly make a strong contribution to national and local economies. The consultation indicated that whilst social enterprises do have not only this economic value but also social and cultural benefits, it is not sufficiently understood by the public or private sectors. The consultation thus recommends that the value and benefit of social enterprise solutions needs to be marketed widely, and be based on a solid base of evidence on the social impacts the sector can have. Learning and best practice also needs to be shared within the sector. The Government and Office of the Third Sector are already acting on the issue of social enterprise with the publication of the Social Enterprise Action Plan, which has a number of innovative proposals including developing a programme to appoint 20 social enterprise ambassadors to raise awareness of social enterprise activities.

Facet 5 – Transforming Public Services – As has been discussed earlier the third sector are playing an increasing role in public service delivery. The consultation report states that the Government wants to ensure that the third sector is at the heart of reforms to improve public services as contractors delivering public services, as campaigners for change, as advisors influencing the design of services and as innovators from which the public sector can learn. However, despite this ambition, the consultation survey of third sector organisations revealed that there was a gap between government thoughts and the actual experience and delivery of third sector organisations at the local level. The consultation therefore suggests that there is a desire to see some barriers removed especially in the commissioning and procurement process and in building the capacity of smaller organisations to deliver public service contracts.

Facet 6 – Creating an Environment for a Healthy Third Sector – Whilst key investments, such as Change Up and Futurebuilders have gone some way to building an environment where third sector organisations can thrive there is still work to be done particularly in sustaining relations with the public sector. The consultation has highlighted views that funding and finance remain to be the single biggest concern facing third sector organisations particularly the trend towards one year contract arrangements. Responding to this consultation and in coordination with the proposals of the Local Government White Paper, the Government are encouraging and expecting local authorities to contract third sector organisations for three years.



Partnership in Public Services
An action plan for third sector involvement



The *Ensuring Effective Partnership in Public Service Delivery* report recognises the valued role of the third sector in regeneration and wider service delivery. In conjunction with the issues identified from the consultation of third sector organisations described above, the Government and the Office of the Third Sector have published an Action Plan detailing priorities and initiatives for third sector involvement and partnership in the delivery of public services. The Plan has been jointly developed with five major central government spending departments and also identifies areas where public services are being opened up to a range of providers and aims to support the third sector to gain access to them. The purpose of the action plan is primarily to reduce some of the bureaucracy surrounding public sector procurement and ensure that third sector organisations of all scales have access to potential service delivery contracts. The plan sets out 18 core actions related to the four different elements of the Government's engagement with the third sector, with this section of the Bulletin detailing each of the four elements and examples of actions:

Facet 1 – Commissioning – This part of the Action Plan seeks to build on the progress central government have made in improving the quality of commissioning, particularly in the establishment of engagement boards with the third sector. The Action Plan commits to the following four cross-departmental actions:

- ❑ Embedding good practice through commissioning frameworks;
- ❑ Improving skills and systems for commissioning from the third sector;
- ❑ Ensuring that the widest range of organisations

including those from the third sector, can be involved in service delivery;

- ❑ Supporting commissioning that recognises the wider impact of the third sector.

Looking at improving skills in more detail, the action plan proposes investing in the skills of the 2000 most significant commissioners for the third sector, including the development of a National Programme for Third Sector Commissioning. This programme will provide targeted support across commissioning agencies to build the skills and knowledge necessary to involve the third sector.

Facet 2 – Procurement – This part of the Action Plan recognises that procurement practices in the past have not really enabled third sector organisations to access stable and sustainable funding and have created barriers which prevent third sector organisations carrying out their everyday activities. There are a number of problems that third sector organisations face in contracting services. Many are short-term with annual funding cycles, many place excessive risk on providers, many set unrealistic prices, and many involve an excessive burden of monitoring and evaluation. The Action Plan therefore commits to improving procurement through three commitments. They seek to:

- ❑ Streamline assurance processes;
- ❑ Standardise contracts in key service delivery areas;
- ❑ Create incentives to improve.

Looking at standardising contracts in more detail, changes to the procurement process of all public sector bodies will include a reduction in the administrative burdens of contracts with the third sector and processes to ensure flexibility and certainty offered by multi-year funding to third sector organisations.



Facet 3 – Learning from the Third Sector – In addition to ensuring that there are secure foundations for the third sector’s role in service delivery, the action plan seeks to ensure that the lessons of best and innovative third sector practice in procuring services is recognised. One of the core actions is the proposed establishment of an Innovation Exchange, which will serve as a communication channel through which third sector innovators can connect with one another and with providers of investment, contracts and research resources.

Facet 4 – Building the third sector’s role in holding services to account – in addition to delivering services and grants funded projects, the third sector also have strong linkages with community engagement and community development activities. They are well placed to broker the needs and ideas of local communities with local and central government. The Action Plan, thus seeks to ensure that the third sector play a stronger role in holding public services to account, particularly for those groups whose views can be marginalized. Particular plans include establishing user-led organisations in every local authority area by 2010 so that socially excluded groups are better able to hold services to account and improve them.

Conclusion and what public sector bodies need to do in the future to foster third sector involvement in regeneration and service delivery

This bulletin has highlighted the valued contribution the third sector makes to public sector service delivery, neighbourhood level regeneration activity, and community engagement and improvement. The Government is clearly committed to fostering the future development of the sector in public services and this is indicated in funding and infrastructure support programmes. Two documents released at the end of 2006 further concrete this commitment, with proposals to ensure that the third sector are at the heart of stronger and more connected service delivery and to reduce some of the barriers facing third sector organisations in the public sector procurement process. The question remains, however as to how these broad proposals for change will be translated to the local level and particularly the procurement

practices of local authorities and other public sector service providers. Public sector providers need to be aware of a number of considerations:

- ❑ **Service Gaps** – in many local authority areas there are gaps in service provision for particular target groups. Public service providers need to assess the potential role of third sector organisations delivering these services and raise awareness of opportunities.
- ❑ **Grants to Contracts Shift** – public sector organisations need to be aware that whilst many third sector organisations wish to deliver service delivery contracts, there needs to be a greater consideration of those that continue to rely on small local authority and other grants and don’t necessarily have the skills, wants or capacity to deliver contracts.
- ❑ **Recognising the role of the sector in strategy** – public sector bodies need to ensure that the role of the third sector in service delivery is promoted in all local strategy publications such as Local Area Agreements ensuring that there is greater correlation between procurement and wider local strategy.
- ❑ **Publically Promoting Procurement** – public authorities need to learn the lessons of local authorities which have developed best practice procurement and e-procurement services to ensure adverts for contracts and knowledge about who is delivering contracts reaches the widest possible audience amongst the third sector.
- ❑ **Infrastructure Organisations and Procurement** – linked to the last point public authorities need to work effectively with third sector infrastructure bodies to promote and advise upon service delivery opportunities.
- ❑ **The Geography of Delivery** – third sector organisations often deliver projects in neighbourhoods or smaller geographical areas. Public authorities need to consider this and tailor service delivery contracts accordingly.

As we move towards the Comprehensive Spending Review, the value of efficient and effective service delivery is likely to take on added significance. Third sector organisations have a key role to play in regeneration, service delivery and citizenship activities in 2007 and need to be primed to take



advantage of any potential service delivery opportunities that may arise; and public authority procurement practices need to be reviewed to take effect of the visions of the Office of the Third Sector.

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