

# FOS

## working with the third sector

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‘The Third Sector can play a vital role in developing high-quality services the public rightly expects. Charities, voluntary groups and social enterprises have particular strengths, such as reaching the most disaffected people, finding innovative solutions and offering a personal touch’.

*Phil Hope, Minister for the Third Sector,  
The Guardian, Wednesday March 19 2008*

## what is third sector involvement?

The Local Government and Public Involvement in Health Act 2007 places great emphasis on the role of the third sector and explicitly states that local authorities have a duty to inform, consult and involve local citizens, local voluntary and community groups and businesses. It sets out clear expectations that the third sector should be involved in designing and shaping key decisions across the country, and that the sector should be a key partner to local government in creating strong and sustainable communities.

It is important to recognise that the term ‘third sector’ incorporates a diverse range of organisations. The third sector includes community groups, voluntary organisations, faith and equalities groups, charities, social enterprises, co-operatives, community interest companies, mutuals and housing associations. As the Third Sector Strategy for Communities and Local Government explains, third sector organisations are value driven and principally re-invest surpluses or raise funds to further social, environmental or cultural objectives.

Third sector organisations have a set of distinctive characteristics, which include:

- being self-governing
- independence of both formal structures of government and the profit sector
- an important reliance on volunteers to carry out its work.

The work of the third sector includes:

- representation and advocacy on behalf of community causes
- lobbying and influencing
- engaging hard-to-reach groups
- calling public service delivery to account
- shaping and designing services
- delivering responsive public services.
- facilitating community and economic development
- contributing to the social capital of an area.

The Third Sector Strategy for Communities and Local Government acknowledges the ‘increasingly important role of the third sector in the design and delivery of services’, and this paper will focus on the third sector’s role in influencing, shaping and designing public services.

## national context

The various initiatives and guidance around the current and future role of the third sector highlights the ambition the government has for the sector. The following are a few of the important initiatives that will impact on the sector's role and responsibilities working with local government:

- **Local Strategic Partnership (LSP) and Local Area Agreement (LAA).**  
As the CLG's *Framework for Effective Third Sector Participation in Local Strategic Partnerships* states: 'Central to the new performance framework is a reinvigorated LSP, which will be the main vehicle for developing the local vision ... It offers an opportunity for the third sector to make its unique contribution alongside local authorities, business and other service providers operating at the local level'. Two third sector specific national indicators (NI6 and NI7) have been developed.

- **Office of the Third Sector (OTS) in the Cabinet Office:**

1. '*Partnership In Public Services: An Action Plan For Third Sector Involvement (2006)*' has been signed up to by six government departments. This action plan is delivering a number of programmes and initiatives designed to increase the potential for third sector public service delivery. The IDeA has been commissioned to deliver a major part of this plan – the National Programme for Third Sector Commissioning. Further information can be found at: <http://www.idea.gov.uk/idk/core/page.do?pagelid=6583598#contents-2>

2. '*The Future Role Of The Third Sector In Social And Economic Regeneration*' (2007) – This report sets out the government's ten year vision and identifies four major areas of common interest between the sector and government (national and local). The vision is backed up by a number of funding streams aimed at achieving these objectives. The four areas of common interest are:

- enabling greater voice and campaigning
  - strengthening communities,
  - transforming public services and
  - encouraging social enterprises.
- **Communities and Local Government, Department of Health, Ministry of Justice, Defra** – These government departments now have strategies for working with the third sector, particularly aimed at improving commissioning practices and increasing the role of the sector in policy design.
  - **The Quirk Review.** This focuses on giving local people a bigger stake in the future of their area, to help to empower the community. It 'is focused on how to optimise the community benefit of publicly owned assets by considering options for greater transfer of asset ownership and management to community groups'. This is being taken forward through a number of pilot projects, working with over 20 local authorities.
  - **Comprehensive Area Assessment (CAA).** The new performance framework will judge the effectiveness of local partnerships, including the involvement of the third sector.

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- **Futurebuilders** – the government-backed fund offering support and investment to third sector organisations to build their capacity to take on additional public sector contracts
- **Capacitybuilders** – the government fund aimed at building the capacity of infrastructure organisations to enable them to provide better quality support for frontline organisations.

A number of other initiatives and funding streams exist, including a new 'Community Anchor' fund. A full range of these can be found on the website of the Office of the Third Sector – [http://www.cabinetoffice.gov.uk/third\\_sector/](http://www.cabinetoffice.gov.uk/third_sector/)

## Local Government and Third Sector Relationships

*'The Compact on Relations between Government and the Voluntary and Community Sector in England' (Compact)* is an agreement between government and the sector to improve their relationship for mutual advantage and community gain and was signed by national government and national voluntary sector organisations in 1998.

The Compact also contains codes of practice on funding and procurement, volunteering, consultation and representation, working with community groups, and working with the BME sector.

Since 1998, local Compacts have been developed in the majority of local authority areas. A growing number of these are now compacts between the local third sector and the LSP partners. The Compact can help improve partnership working and ultimately create better outcomes for local areas and communities.

However, there are many areas where the Compact and its Codes of Good Practice have been adopted but are not being followed. Accordingly, a '*Commission for the Compact*' was launched in April 2007 to increase awareness and understanding of the Compact in both public and third sector bodies, and to promote greater use of the Compact.

The Local Strategic Partnership (LSP) and Local Area Agreements (LAAs), are the main vehicles for developing the locality's vision, and where strong partnership working with the third sector is crucial. The third sector is a key stakeholder bringing local knowledge and expertise as well as valuable insight into the community. Therefore the third sector is an essential partner in developing a community strategy and agreeing local priorities for the local community, which reflect the needs of that community. Some of the benefits that can be gained by strengthening local government's relationship with the third sector are explored below.

## benefits

### insight into the locality

The third sector has invaluable insight into the overall needs of the community as they are often located within the community and have built up strong links with the area over time. This deep insight into the preferences and needs of service users and the community allows the third sector to deliver more personalised and responsive services. (For further information on Customer Insight, see the IDeA's paper '*Customer Insight*' published as part of this series.)

For example, the London Borough of Croydon approached the voluntary organisation DisabilityCroydon to provide information, advice and support to disabled people and their families living in Croydon. Croydon recognised that DisabilityCroydon was 'closer to understanding the needs and aspirations of people with disabilities. The Council accepted that its day service was not as effective as it should be and commissioned DisabilityCroydon to have a hands-on role in restructuring and developing a more person-centred service.' Through this process, the council has learnt more about the service user experience within the day service. Additionally DisabilityCroydon has increased its capacity and learned a lot by working so closely with the council.

Through delivering public services the VCS acquires a huge amount of data about service users and the community. Local authorities can make use of the intelligence held by the third sector to build a comprehensive view of their community. Additionally Councils often have access to data that VCS organisations could benefit from if this was shared more effectively. Therefore by working together to agree

protocol and data sharing process they would be in a better position to ensure the smooth transfer of information in both directions, reducing duplication, and more importantly being more responsive to the needs of their shared customers.

### better engagement with community and hard to reach groups

The third sector provides an invaluable link between local government and the community. Third sector groups are often trusted by the community and understand their needs but also have access to the local government structures and networks. They work extensively with people and communities and ensure that the voices of the most excluded people within the community are heard. They often act as an advocate and campaigner for individuals and groups.

Launched in 2005, Rushcliffe Borough Council's First Contact Signposting scheme is a multi-agency service enabling access to a range of preventative services through a single contact. It provides a streamlined assessment where older people can access services they may not be aware of already. This service enables and encourages take up of services through trusted and known professionals and volunteers advising on appropriate services within the older person's own home. A simple 10 question checklist enables front line staff and volunteers to navigate and access services on their behalf.

Nottinghamshire County Council Customer Service Centre ensures referrals are automatically recorded and distributed to the appropriate organisation. This promotes holistic and pro-active working and ensures an integrated service across voluntary and statutory services. First

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Contact has now been rolled out across the seven districts in the area.

Rushcliffe Community and Voluntary Service (RCVS) has been critical to its success. While the scheme is administered by Nottinghamshire County Council and funded by Department of Work and Pension, RCVS managed and helped to develop the Rushcliffe scheme and is now also responsible for the scheme in Gedling and Broxtowe.

(For further information on the role of the Third Sector in supporting better engagement with citizens see the IDeA's paper '*Engaging Citizens*', also published as part of this series).

## greater specialist expertise

Services requiring specific experience and expertise, such as domestic violence and homelessness, can often be better provided through third sector organisations who are closer to the service users and who are not seen as 'the state'.

## responsiveness

A key feature of the third sector is its ability to respond to new and emerging needs, to take risks and to provide flexible and innovative solutions. This makes the third sector an ideal partner in developing new ways for service delivery which may later be mainstreamed.

## local ownership of initiatives

The White Paper clearly encourages people to be 'empowered and supported to control their lives, trusted to be consulted and, where they want to be, involved in running services used by the whole community'. This area of community empowerment is being

taken forward through the Community Empowerment Action Plan ('An Action Plan for Community Empowerment: Building on Success') jointly published by CLG and the LGA in October 2007 and available from <http://www.communities.gov.uk/communities/communityempowerment/actionplan/> Furthermore, a Community Empowerment White Paper is due to be published by CLG in summer 2008.

## challenges

The third sector is expected to play an increasing role in the locality, but this is not without challenges. '*Think smart ... think voluntary sector*', published by the Home Office, highlights some of the barriers involved in engaging the voluntary sector. It is clear that local government needs to work with the sector to tackle these challenges so that in partnership the two sectors can deliver better outcomes for local citizens. The following paragraphs detail some of the most significant barriers.

## effective working relations

To achieve better outcomes, local authorities and third sector organisations need to work together to build effective working relations. As noted earlier, local compacts can provide an excellent vehicle to develop this point working. The IDeA is currently running a Partnership Improvement Programme, which aims to support local government and the third sector find local solutions to local challenges. A report on the pilots of this programme can be found at <http://www.idea.gov.uk/idk/aio/5145569>

Local government should have early and effective consultation with the VSC on policy, programmes and strategies to ensure that their voice is heard and incorporated. The *'Third Sector Strategy for Communities and Local Government'* provides further guidance on how local government can work better with the third sector.

The third sector must also organise themselves to ensure effective representation at the local level, as stipulated in the White Paper. Successful third sector representation requires a well networked and co-ordinated sector that has the skills and capacity to participate. To achieve this, the third sector will often require the necessary support and investment. Where local authorities have invested in the capacity of the third sector, in its infrastructure and networks to support representation and wider participation, the benefits are clear. However, it is not easy to represent what are often divergent interests and reaching agreement across the third sector can be extremely difficult.

Establishing a Compact can help create successful relationships between local authorities and the Third Sector. For example the Local Strategic Partnership (LSP) in the Derbyshire Dales and High Peak signed up to the Derbyshire Compact. The Compact covers funding, consultation, policy development, and other areas of good practice. It includes commitments for both the public sector partners and the voluntary and community partners. As Derbyshire Dales District Council explains 'as people leave and new people join, we need to make sure this successful engagement continues. Having some principles written down and agreed is helpful for new people coming along.'

In the London Borough of Croydon a community network was set up in 2002 to co-ordinate the participation of communities and the voluntary sector in the borough's top level decision making board; the Croydon Strategic Partnership. The Network has around 350 members along with 15 linked networks that enable the interests of some of Croydon's under-represented communities to influence local action. The Network is the collective voice for communities in Croydon and represents their diverse interests.

Further guidance on how third sector bodies might organise themselves and information for local authorities and their LSP partners on how to better engage with the third sector is set out in *'Principles of Representation: A Framework for Effective Third Sector Participation in Local Strategic Partnerships'*. The principles in this draft document offer a framework for effective third sector representation on local partnership arrangements. The final report is expected to be published in autumn 2008.

Close ties and working relations between the third sector and local government can enhance service delivery. However, VCS organisations are keen to maintain their independence to ensure the continued trust of the community and service users which they have built up over time.

### **building capability and capacity**

The capacity of local government and the third sector needs to be enhanced to ensure that both sectors have the most optimal approach to working effectively together.

Local government must be sensitive to the bureaucratic burden that they place on the VCS. To encourage VCS organisations to

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respond, wherever possible the tendering procedures should be made simple to understand. Furthermore, the timescales to respond should be set to accommodate VCS organisations. The Minister for the Third Sector, Phil Hope, recently announced plans to revise the public service commissioning environment to better facilitate Third Sector participation.

There are a number of organisations working to build the capability and capacity of the sector.

The Improvement and Development Agency (IDeA) is managing the 'National Programme for Third Sector Commissioning'. The programme is a critical strand of the aforementioned *Partnership In Public Services: An Action Plan For Third-Sector Involvement*. The programme will operate in conjunction with existing training and support for commissioners.

The five outcomes of the programme are:

- coordinated specialist guidance and support on commissioning services from the third sector
- increased understanding of the third sector among commissioning and procurement officers
- provision of awareness training for councillors and public sector officers on the benefits of third-sector involvement in the shaping and delivery of public services
- provision of awareness and skills training for the most significant 2,000 commissioners concerned with correctional services, employment services, children's services, education and training, health and social care services, and other local services
- improved third-sector bidding capacity, particularly among smaller organisations.

Futurebuilders is a government-backed fund offering support and investment to third sector organisations to deliver public services. Futurebuilders offers a combination of loans, grants and professional support to build the capacity of third sector organisations who want to deliver better public services. Over half of organisations that borrow from Futurebuilders have never borrowed before, so Futurebuilders provide support to ensure these organisations have the financial, managerial and governance structures necessary to take on a loan and successfully compete for contracts in the public sector.

Futurebuilders invests in a range of organisations including charities, social enterprises, community interest companies, voluntary groups and community organisations. The fund invests in small, medium and large organisations as well as a mix of rural and urban-based projects. As of April 2008, the fund is open to third sector organisations working across all public services. Details of the programme in England can be found at [www.futurebuilders-england.org.uk/](http://www.futurebuilders-england.org.uk/)

Capacitybuilders, non-departmental public body (NDPB), was set up in 2006 to build the capacity of the Third Sector. Capacitybuilders took-over the management of the ChangeUp programme, itself originally launched by the Home Office in 2003/04 with the aim of strengthening the third sector by 2014. Capacitybuilders hope to create a more effective third sector by improving support for third sector organisations. For example, Capacitybuilders will support small and medium size organisations to compete for funding. 'We want every third sector organisation to be able to access high quality support that meets their needs, when they need it. By improving support,



we will strengthen the sector, increasing its ability to create a better quality of life for individuals and communities.’ For further information see <http://capacitybuilders.org.uk>

### performance framework

As local government continues to work with the third sector and commission services from them through more formalised funding structures, there will be a need to embed performance management frameworks, service standards and quality assurance within third sector organisations. Local government is required to account for its performance and spend and needs a robust system in place to be able to do this. However the skills and capacity within the third sector must be developed to match this demand.

Local government must also recognise that third sector organisations often have agendas and ambitions that extend beyond the local authority priorities and targets.

### funding arrangements

For a comprehensive guide to local authority funding relationships with the Third Sector, see the IDeA’s online resources. These includes information on conducting a review, agreeing aims and objectives from funding activities and organisations, and revising funding arrangements as well as supporting case studies and a jargon buster.

### commitment from key players

Commitment and support to build the capacity of the VCS needs to stem from senior managers, Members and LSP partners. The London Borough of Croydon noted how ‘the demonstration of commitment of senior managers has had a significant influence on the participation of commissioners. There has been a very good level of engagement by commissioners ‘ around their commissioning framework. They went on to say how ‘the commitment of Members of the Council to a consistent approach to commissioning has also been a powerful driver ‘. Birmingham City Council has a Cabinet Member who has a ‘Third Sector Champion’ role.

### summary of key points

- momentum around third sector and its involvement in delivering local services is growing. The rhetoric of the past ten years is now being turned into reality
- the Third sector has invaluable insight into the overall needs of the community which can greatly enhance the design of public services
- better sharing of data across the VCS and local authorities is needed to ensure a comprehensive picture of the community
- the VCS have built up trust with the community and therefore provide an invaluable link between them and local authorities
- there is a need to enhance working relations between the third sector and local government. However there are challenges to this and the capacity

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of both sectors needs to be jointly developed to ensure these are properly addressed

- many third sector organisations face funding and sustainability difficulties. Funding arrangements can be reviewed to align funding to local priorities contained in the sustainable community strategy
- commitment and support from Members, senior managers and LSP partners is essential to build the capacity of the VCS
- the independence and diversity of the VCS needs to be recognised and valued by local government.

## further information

Think Smart ... think voluntary sector by Home Office - <http://commercial.homeoffice.gov.uk/documents/thinksmart.pdf>

Improving Financial Relationships with the third sector: guidance to funders and purchasers by Treasury - [http://www.hm-treasury.gov.uk/spending\\_review/spend\\_ccr/spend\\_ccr\\_guidance.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_guidance.cfm)

Principles of Representation: A framework for Effective Third Sector Participation in Local Strategic Partnerships <http://www.communities.gov.uk/publications/communities/principlesofrepresentation>

Third Sector Strategy for Communities and Local Government by Communities and Local Government - <http://www.communities.gov.uk/publications/communities/thirdsectorstrategy>

Making Assets Work: The Quirk Review of Community Management and Ownership of Public Assets - <http://www.communities.gov.uk/publications/communities/makingassetswork>

Fruitful funding: a guide to levels of engagement - <http://www.ncvo-vol.org.uk/publications/showall.asp?id=1480>

The Future Role Of The Third Sector In Social And Economic Regeneration – Cabinet Office [http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov.uk/third\\_sector/the\\_future\\_role\\_of\\_the\\_third\\_sector\\_in\\_economic\\_and\\_social\\_regeneration.pdf](http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov.uk/third_sector/the_future_role_of_the_third_sector_in_economic_and_social_regeneration.pdf)

Partnership In Public Services: An Action Plan For Third Sector Involvement - [http://www.cabinetoffice.gov.uk/third\\_sector/public\\_services/public\\_service\\_delivery.aspx](http://www.cabinetoffice.gov.uk/third_sector/public_services/public_service_delivery.aspx)

An Action Plan for Community Empowerment: Building on Success <http://www.communities.gov.uk/communities/communityempowerment/actionplan/>

Making It Work: Voluntary And Community Sector Involvement In Local Area Agreements

Available to download from <http://www.idea.gov.uk/idk/aio/1359044>

Reviewing Your Funding Relationship With The Third Sector, an online resource available on the IDeA website at <http://www.idea.gov.uk/idk/core/page.do?pagelid=7640567>



The Local Government Association is the national voice for more than 500 local authorities in England and Wales. The LGA group comprises the LGA and four partner organisations which work together to support, promote and improve local government.



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