House of Commons

Public Accounts Committee

# Building the Capacity of the Third Sector

## Thirty–seventh Report of Session 2008–09

*Report, together with formal minutes, oral and written evidence*

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## The Public Accounts Committee

The Committee of Public Accounts is appointed by the House of Commons to examine "the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit" (Standing Order No 148).

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### Committee staff

The current staff of the Committee is Mark Etherton (Clerk), Lorna Horton (Senior Committee Assistant), Pam Morris (Committee Assistant), Jane Lauder (Committee Assistant) and Alex Paterson (Media Officer).

### Contacts

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# Summary

The third sector includes voluntary and community organisations, charities and social enterprises, ranging from small, local community groups to large, established, national and international organisations. The Government's objective in working with these organisations is to strengthen communities, improve public services, encourage social enterprise and support the conditions for the third sector to thrive.

In 2002, a Treasury review found that third sector organisations did not have the appropriate skills and resources ('capacity') to contribute to the delivery of public services to the extent that the Government wanted. To address this problem, in 2004 the Home Office introduced two programmes to build the capacity of the third sector. Both programmes—ChangeUp and Futurebuilders—are now the responsibility of the Office of the Third Sector, part of the Cabinet Office. Together the programmes will cost almost £450 million to 2011.

ChangeUp gives funding to regional and local support providers to form partnerships or 'consortia' to work to provide services to make frontline organisations more effective. It is managed by an executive non-departmental public body, Capacitybuilders. The total cost of the programme will be £231 million by 2011.

Futurebuilders is a £215 million investment fund that invests directly in frontline third sector organisations that would otherwise not have access to commercial sources of finance. It enables them to build their capacity and bid for public service delivery contracts. Income from these contracts is then used to repay the investment. It is managed under contract by Futurebuilders England Fund Management.

Both programmes have made some impact. ChangeUp has led to better partnerships between local support providers, which in turn has had an impact on the capacity of frontline organisations. However, it has no baseline or outcome targets against which achievement can be measured, and the way the programme has been managed has created problems for the third sector. If the improvements brought about by ChangeUp are to be sustained, there are challenges to be met such as finding new sources of income to fund services. Futurebuilders has also had a positive impact, although it did not focus clearly enough on its objectives during its first three years. While targets are now more closely aligned with those objectives, there are barriers to achieving all of its aims. As a result of investments made, the Cabinet Office will have a substantial asset on its balance sheet well beyond the current management contract.

On the basis of the Report by the Comptroller and Auditor General,[1] the Committee took evidence from the Office of the Third Sector, Capacitybuilders and Futurebuilders England on the performance of ChangeUp and Futurebuilders programmes in building capacity in the third sector.

1 C&AG's Report, *Building the Capacity of the Third Sector*, HC (2008–09) 132

# Conclusions and recommendations

1. **The design of the ChangeUp programme was complex and took longer than planned, leading to less time than intended for consortia and national hubs to spend the initial funding of £80 million.** Effective consultation and good programme design are important foundations for successful programme delivery. But spending too much time on these elements and then squeezing delivery is counter-productive, leading to waste, poor value for money and adverse impacts on funded organisations. In the event of delays in implementing future programmes, the Cabinet Office should assess the risk to successful programme delivery before deciding whether to enforce or revise original timescales.

2. **The period for which funding is given to organisations can affect the ability of those organisations to use it fruitfully.** A review of the national hubs led to a prolonged period of uncertainty around their future and funding. Such uncertainty creates problems for funded organisations, diverting time and attention from their primary objectives into, for example, raising further funds in order to continue their work. While some progress has been made in providing longer-term funding for third sector organisations, the Cabinet Office and its associated bodies should further reduce uncertainty through greater clarity around terms and conditions of funding and investment where possible, and by more prompt and timely decision-making.

3. **The lack of a planned evaluation of ChangeUp is a major failing, and is particularly alarming given the inherent risks in the programme, its untested approach, complex delivery mechanism, and devolved decision-making arrangements.** The Cabinet Office should ensure in the future that proper evaluation is built into the design of all its programmes. Such evaluations should include clarity around the baseline, objectives and outcomes of the programme, as well as how they will be achieved and measured, and a system of review which enables adjustments to be made and lessons disseminated. The costs of effective evaluation should be built into the programme budget from the outset.

4. **It is unacceptable that these significant and costly programmes were established without setting any proper targets against which the performance could be measured.** Both programmes were set up without performance targets that were sufficiently aligned to the programme objectives and outcomes. In respect of Futurebuilders, in particular, the lack of appropriate targets is likely to have contributed to the sluggish rate of drawdown of investments in the early years. Before approving all future programmes, the Cabinet Office should require managers to develop meaningful indicators and targets to drive performance and measure progress towards the intended outcomes.

5. **Judging value for money is hampered by limited and uncertain financial information from the early days of the ChangeUp programme.** Even with adequate evaluation, any judgement on the value for money of ChangeUp is undermined by the uncertainty surrounding the financial data about the programme. The Cabinet Office and Treasury should strengthen their guidance to departments on collecting adequate data on costs and benefits to enable effective

evaluation, and on ensuring that accurate records are preserved in the event of machinery of government changes or the introduction of new financial systems.

6. **Management of the ChangeUp programme has been undermined by problems since it started.** Third sector bodies have complained of short timescales for applications, delays in receiving grant payments and pressure to spend money quickly. The processes that Capacitybuilders has in place still do not appear to be working adequately and satisfaction among funding recipients is low. Capacitybuilders should address these concerns as a matter of urgency by setting clear targets for the time allowed for applications, the timeliness of payments to fundees and the speed at which money has to be spent.

7. **The application process for a Futurebuilders investment was lengthy and costly for both the fund and applicants.** On average the process took 127 days, whilst costs were estimated at 40% of Futurebuilders total fund management costs and up to £9 million for applicants in the three years to February 2007. The Committee has commented before on the importance of funders identifying the cost to themselves and to applicants of making grants. Such concerns are equally relevant to investment decision processes. Although Futurebuilders considers it has secured better performance under the second management contract, it should track the burden of the application processes on applicants on an ongoing basis.

8. **Public money is invested and repaid by Futurebuilders, so the taxpayer will have a substantial and long-term financial interest in the Futurebuilders loan book.** This interest will continue long after the active investment period ends in 2011 and, under certain broad assumptions, annual capital and interest payments in 2030 could be £8 million. The Government should set out a clear plan for the management of the asset. This plan should provide the Committee with assurance that action will be taken to protect its value and, as a minimum, should set out how the loan book will be managed beyond the current contract, its expected value, the key financial risks and how they will be managed.

9. **A key part of the ChangeUp vision is that the needs of frontline organisations will be met by services that are 'sustainably funded', but insuffcient thought has been given to the long-term sustainability of improvements.** Capacitybuilders currently intends to fund projects which consider sustainability, but should do more to identify examples of sustainable services, how these were achieved and support the spread of best practice. Best practice should include material on managing the impact of the recession.

10. **Both programmes were set up to provide additional capacity building support to the third sector, not replace existing provision.** ChangeUp provides funding to help support providers improve the way that their services are planned, developed and co-ordinated. It was not intended to provide core funding for services. Futurebuilders is intended to invest only in third sector organisations that do not have access to commercial sources of finance, and it is important that these funding streams do not displace what is available from other sources. The evaluations for both programmes should provide an independent and objective assessment of

whether these programmes have in fact filled gaps that would not have been addressed by other funders.

# 1 Programme management

1. The third sector includes voluntary and community organisations, charities and social enterprises ranging from small, local community groups to large, established, national and international organisations. The Government's objective in working with these organisations—which make a real difference to the quality of life in our country—is to strengthen communities, improve public services, encourage social enterprise and support the conditions for the third sector to thrive.

2. In 2002, a Treasury review found that third sector organisations did not have the appropriate skills and resources ('capacity') to contribute to the delivery of public services to the extent that Government wanted. To address this problem, in 2004 the Home Office introduced two programmes to build the capacity of the third sector. Both programmes are now the responsibility of the Office of the Third Sector, a part of the Cabinet Office. Together the programmes will cost almost £450 million to 2011.

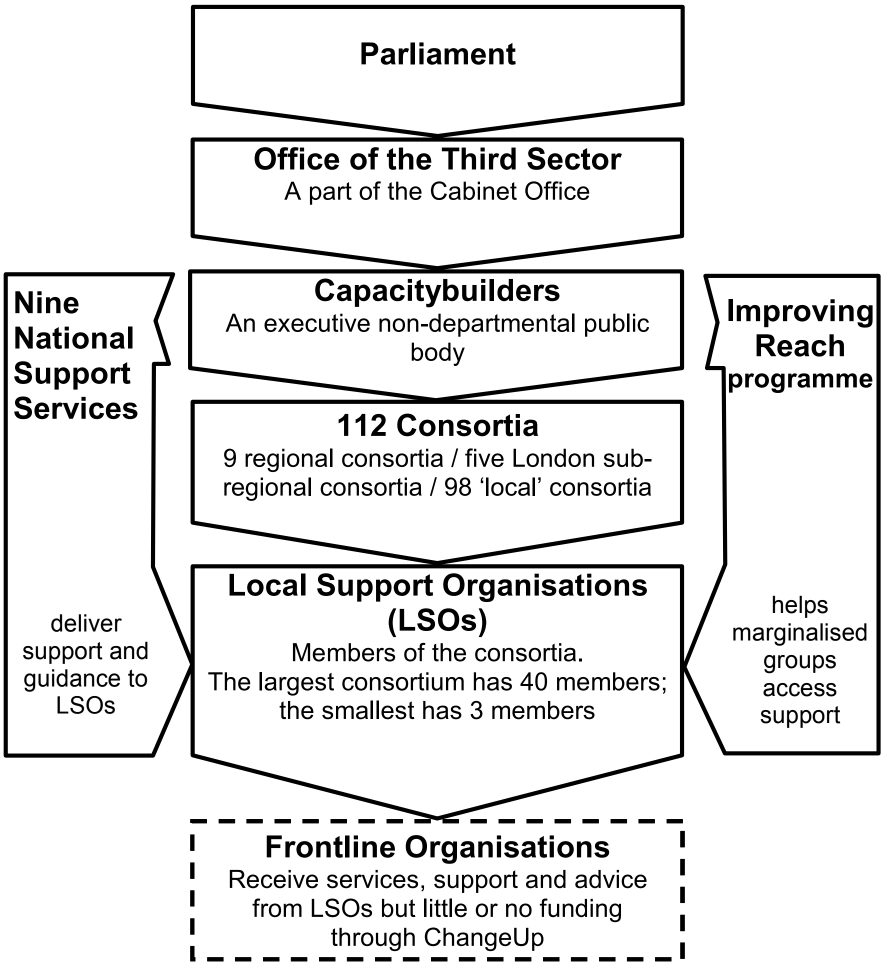
3. The first programme, ChangeUp, gives funding to regional and local support providers to come together in partnerships or 'consortia' to work to provide new, better and more sustainable services to make frontline organisations more effective. It is managed by an executive non-departmental public body, Capacitybuilders. The total cost of the programme will be £231 million by 2011. The second programme, Futurebuilders, is a £215 million investment fund that invests directly in frontline third sector organisations that would otherwise not have access to commercial sources of finance, and enables them to build their capacity and bid for public service delivery contracts. The income from these contracts is then used to repay the investment. It is managed under contract by Futurebuilders England Fund Management.

4. ChangeUp and Futurebuilders are experimental programmes which operate within relatively unknown territory for central government. While they have had some impact, those responsible for the programmes have failed to follow even basic good practice in programme and project management, a failure that is not excused by the experimental nature of these initiatives. While some of the difficulties arising from this shortcoming have been addressed after a number of years, taxpayers' money should not be used to help new organisations learn how to manage their programmes while ignoring fundamental good practice.

5. The design of the ChangeUp programme was complex and involved a lengthy funding trail (**Figure 1**). The administration of the programme was problematic from the start. Despite taking nine months longer to design than originally planned, the programme has encountered numerous difficulties that have had an impact on the organisations it has provided with funding. For example, consortia have experienced slow payments, untimely requests for information and delays in getting decisions. The six national hubs (which eventually became the nine national support services) were reviewed less than a year after being set up, and the delays in deciding their future created uncertainty about their funding and the services they could provide.[2]

2 Qq 2–5, 12–14, 115; C&AG's Report, paras 2.14–2.15, 2.28, 2.31

**Figure 1: An outline of the funding trail for the ChangeUp programme**




*Source: C&AG's Report, para 2.8, Figures 1, 3*

6. The delay in commencing the ChangeUp programme meant that considerable sums of money had to be spent quickly. Some £80 million was to be spent over three years but in the event hubs and consortia had just 21 months. In 2005–06 alone, 80% of the funding—£64 million—was spent. Hubs and consortia were clearly unable to spend so much so quickly, leading to an underspend of £8 million, 10% of budgeted expenditure. Neither were they always able to spend wisely, and the pressure to spend quickly led to waste and poor value for money. It also diverted some support providers away from undertaking more strategic work and from working with frontline organisations.[3]

7. In 2005, less than a year after it had launched ChangeUp, the Home Office identified several significant problems. These included the complex flow and management of funding, the lack of a mechanism to co-ordinate the work of the consortia and the hubs, and a lack of evidence on what worked. Fundamental changes were made as a result. In April 2006, a new non-departmental public body, Capacitybuilders, was set up to take the programme forward, with the aim of addressing these problems and reducing the complexity of the funding arrangements.

3 Qq 3–5, 51, 67; C&AG's Report, paras 2.28–2.30, Figure 2

8. In May 2006, responsibility for Capacitybuilders and oversight of ChangeUp passed from the Home Office to the Office of the Third Sector, a part of the Cabinet Office which employs about 60 staff and has administration costs of around £3.4 million a year. In September 2006, a review of the six national hubs led Capacitybuilders to replace them with nine national support services. However, the transition was poorly managed, with uncertainty around the outcome of the review and around funding. The new services were not in place until April 2008. Despite the changes, third sector organisations have reported continuing problems with the way in which ChangeUp is managed, including demands to meet application deadlines during difficult periods such as over Christmas, the requirement to spend money to tight timescales and the need to underwrite projects themselves because payments from Capacitybuilders were late.[4]

9. The period for which funding is given to organisations can affect their ability to use it fruitfully. Too short a funding period can lead to organisations seeking further funds elsewhere in order to continue their work. The Office of the Third Sector sees three years as the minimum time required to get many projects up and running, and delivering benefits over a reasonable length of time. Three years also accords with the cycle of the Government's comprehensive spending reviews. On occasion, organisations may only need a small grant for six months or a year, but in other cases a longer grant provides better value for money. The Office of the Third Sector encourages departments and funders to have longer funding periods where appropriate.[5]

10. The target set for the Futurebuilders fund under the first management contract—to make 250 investments by March 2006—was not linked closely enough to the objective of the programme, which is to provide principally loan finance directly to frontline organisations. These organisations then draw down funding for use in capacity building activities which enable them to win contracts to deliver public services. Almost half of these 250 investments were development grants which are not repayable and are aimed at getting organisations ready to apply for a loan. The fund also experienced a sluggish drawdown of investments, with only 45% of the £104 million committed to full, repayable, investments being drawn down as of September 2008.[6]

11. The time taken to make investment awards has been high. The average period of time has been 127 days, between the start of the substantive assessment and the decision to invest or not. This has been costly for both Futurebuilders—absorbing 40% of its fund management costs—and for applicants—costing them up to an estimated £9 million between the start of the programme and February 2007. Futurebuilders England told us that, under the second management contract, the time to reach a decision on applications had been reduced to 56 days, with 75% of those applicants that are rejected being informed within five days. Futurebuilders has a small monetary incentive under the second fund management contract to achieve its performance targets. These relate to the number of public service contracts won by investees, the percentage of investments drawn down within two years of award and customer satisfaction. This incentive amounts to around

4 Qq 1–2, 4–5, 17, 46, 55–56, 112; C&AG's Report, para 2.14, Appendix 4

5 Qq 22–28, 32–33

6 Qq 46–47

£70,000 a year, and £200,000 in total if the annual targets are reached in all three years of the contract. This represents 1.65% of the £12.1 million base value of the contract.[7]

12. Some investees have been confused about whether Futurebuilders loans were repayable, despite the fact that testing the viability of loan finance for the third sector is at the heart of what the fund was set up to do. Futurebuilders stated that, as a result of the Comptroller and Auditor General's report, it has written to all its investees to ensure that they are clear that it will enforce obligations to repay loans. By September 2008, Futurebuilders had made 169 full investments (i.e. those that included a loan element). By March 2009, 53 investments were due to make repayments and, of these, 52 had done so.[8]

7 Qq 66, 89; C&AG's Report, Figure 9

8 Qq 34–35, 46–48; C&AG's Report, Figure 6, para 3.15

# 2 Establishing value for money

13. To involve the third sector closely in the design and delivery of the ChangeUp programme, the Government decided to devolve considerable decision-making responsibility to support providers at a local level, making the delivery mechanism complex. This underlines the need for good evaluation and programme management, covered in Part 1. Yet ChangeUp was established without setting any outcome targets. Without clarity about what should be achieved, there can be no proper consideration of the risks to delivering outcomes and to achieving good value for money.[9]

14. Any judgement about the value for money from the programme has also been made more difficult by the uncertainty surrounding the financial information now available. Financial data was held across three systems in the Home Office and Capacitybuilders and, although the Office of the Third Sector has been able to compile data from them, it does not have a breakdown of where costs were incurred prior to 2006. The lack of a central record of financial expenditure, as a consequence of machinery of government changes and the use of different financial systems, undermines the accountability process.[10]

15. At the outset of the Futurebuilders programme, up to £1 million was set aside for an independent evaluation, and an interim report was made available in May 2007. In contrast, no evaluation was planned for ChangeUp. While the programme has been subject to at least 49 reviews at various levels,[11] there was no overall examination of its impact in terms of improvements in the availability of advice, training and support to third sector organisations to help them build their capacity. Capacitybuilders commissioned an initial scoping exercise in 2007, and a programme-wide evaluation was launched in November 2008. However, an interim report will only be available in late 2009, over six years into the programme. Evaluation of the programme is made more difficult by the lack of a baseline against which to measure progress. A substantial part of the evaluation is to look back to 2004, to determine the position when ChangeUp began and where it is now. The evaluation should eventually show the extent to which the Government's vision for support to the third sector has been achieved. Presently, Capacitybuilders is unable to say whether or not it is on track to achieve its overall vision.[12]

16. Both ChangeUp and Futurebuilders are designed to increase capacity but it is unclear whether, and to what extent, their funding has merely displaced other funding that third sector organisations were receiving or would have found from other sources. The Office of the Third Sector recognises the big challenge in ensuring that ChangeUp funding is supplementary to other funding and that Futurebuilders focuses only on investing in organisations that do not have access to other commercial sources of finance. Clearly, the extent to which the programmes have been able to generate extra capacity within the third sector has implications for the value for money they have achieved.[13]

9 Qq 7, 12–14, 18, 49–50; C&AG's Report, 2.11

10 Q 1

11 Ev 13–15

12 Qq 5, 7, 58–60; C&AG's Report, para 2.19

13 Qq 8, 71–72; C&AG's Report, paras 2.27, 3.2

17. Both programmes have had some worthwhile impact, for support providers and, in turn, for frontline organisations. But neither has yet demonstrated value for money. Moreover, the deficiencies that affect both the identification and allocation of costs, as well as the identification and measurement of benefits, make judgement of their value for money even more difficult. It is disappointing that the task is fraught with so many problems, some of which stem from basic failures in good programme management. This is particularly so given the role that the Cabinet Office plays at the heart of government to make government work better.[14]

14 Qq 5, 7; C&AG's Report, paras 17–18

# 3 Managing risks going forward

18. The Futurebuilders fund was designed to be experimental. Its management has been covered by two fund management contracts, the first running from July 2004 to March 2008 and the second from April 2008 to March 2011. By May 2007, the average loan period was 14 years and some have repayment periods as long as 25 years. The loan portfolio could still be generating annual repayments of capital and interest worth £8 million and have outstanding investments of £24 million in 2030, over twenty years from now. It seems self-evident that the investments made under the programme would need to be managed and protected long after the active investment stage was complete. However, to date a long-term assessment about how best to manage the fund and the money that comes back in to it has not been made.[15]

19. Some projects initiated through the ChangeUp programme have ceased to operate once their 'seed funding' came to an end. Those that falter after ChangeUp funding has ended provide relatively poor value for money compared with those that thrive over the long-term. ChangeUp funding is designed to co-ordinate and develop the structures to provide the support and services that the frontline needs. This support helps frontline organisations to improve their existing capabilities. But unless services are sustainable and sustained, the vision of nationwide excellent support services to meet the needs of frontline organisations will not be achieved.[16]

20. In the current economic climate, third sector organisations are likely to face more demand for their services while finding the prospect of securing funding more challenging. Those that have borrowed from Futurebuilders will need continuity of work in order to repay the funds. Futurebuilders has processes in place to manage situations where organisations get into difficulties and, in some circumstances will write off loans, for example, where an organisation's funding stream ends because policy on the commissioning of a service changes. In other circumstances, the risk of defaulting on loans will be affected by factors more within the control of an investee, and in those situations Futurebuilders will take more proactive steps to manage the repayment or recovery of the loan. It is not clear to what extent Futurebuilders is able to avoid unduly harming an organisation in this position, while taking more forceful action to recover taxpayers' money.[17]

21. The Government has recognised the implications of the recession for the Third Sector and the value of the sector for those most affected by the economic downturn. The Office of the Third Sector has produced an Action Plan to help address the problems arising, with support worth up to £42.5m. **Figure 2** shows the sources of funding and how it is intended to help the third sector. The Government provided the Committee with assurances that the money to fund the Action Plan had not been diverted from either the ChangeUp or Futurebuilders programmes.[18]

15 Qq 9–10; C&AG's Report, para 3.25, Figures 11–12, Appendix 2

16 Qq 61–62

17 Qq 78, 104, 105, 108

18 Qq 91–97

**Figure 2: The Government's Action Plan for the Third Sector**

| | |
|---|---|
| **WHERE GOVERNMENT FUNDING IS COMING FROM:** | |
| | **£ million** |
| Department for Work and Pensions | Up to 10.0 |
| Department of Health | 11.5 |
| Funding from end-of-year flexibility in negotiation with HM Treasury | 13.5 |
| Re-prioritisation of funding from the Office of the Third Sector | 7.5 |
| **TOTAL** | Up to 42.5 |
| **HOW GOVERNMENT FUNDING WILL BE USED:** | |
| | **£ million** |
| **Meeting demand for services and tackling unemployment** | |
| **Volunteer brokerage scheme** to create over 40,000 opportunities for unemployed people to learn new skills and give back to communities through volunteering | Up to 10.0 |
| **Targeted Support Fund** to provide grant funding to small and medium providers in the local areas most at risk of deprivation | 15.5 |
| **Strengthening the sector now and in the future** | |
| **Modernisation Fund** to support viable third sector organisations to access specialist services in order to restructure and become more resilient and efficient in the recession | 16.5 |
| **School for Social Entrepreneurs** investment in the school to expand its 'action learning' programme to support social entrepreneurs, particularly those working in deprived communities | 0.5 |
| **TOTAL** | Up to 42.5 |

*Source: Qq 93–97: HM Government: Real Help for Communities: Volunteers, Charities and Social Enterprises, February 2009 and updated March 2009*

# Formal Minutes

## Wednesday 17 June 2009

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Ian Davidson
Rt Hon Keith Hill

Draft Report (*Building the Capacity of the Third Sector*), proposed by the Chairman, brought up and read.

*Ordered,* That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 21 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

*Resolved,* That the Report be the Thirty-seventh Report of the Committee to the House.

*Ordered,* That the Chairman make the Report to the House.

[Adjourned till Wednesday 24 June at 3.30 pm

# Witnesses



# List of written evidence

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| Third Report | Skills for Life: Progress in Improving Adult Literacy and Numeracy | HC 154 |
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# Oral evidence

## Taken before the Committee of Public Accounts

## on Monday 27 April 2009

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Paul Burstow
Mr Ian Davidson
Nigel Griffiths
Keith Hill
Dr John Pugh
Geraldine Smith
Mr Don Touhig
Mr Alan Williams

**Mr Tim Burr CB,** Comptroller and Auditor General, **Ms Gabrielle Cohen,** Assistant Auditor General and **Mr Robert Prideaux,** Director, National Audit Office, gave evidence.

**Mr Marius Gallaher,** Alternate Treasury Officer of Accounts, HM Treasury, was in attendance.

**REPORT BY THE COMPTROLLER AND AUDITOR GENERAL (HC 132)**

**BUILDING THE CAPACITY OF THE THIRD SECTOR**

*Witnesses:* **Mr Campbell Robb,** Director General, Office of the Third Sector, **Mr Jonathan Lewis,** Chief Executive, Futurebuilders and **Mr Matt Leach,** Chief Executive, Capacitybuilders, gave evidence.

**Q1 Chairman:** Good afternoon. Welcome to the Committee of Public Accounts where today we are considering the Comptroller and Auditor General's Report on *Building the Capacity of the Third Sector.* We welcome to our Committee Mr Campbell Robb who is the Director General of the Office of the Third Sector, Mr Matt Leach who is the Chief Executive of Capacitybuilders and Mr Jonathan Lewis who is Chief Executive of Futurebuilders England. I will start by asking you a few questions, Mr Robb. Obviously the work you are trying to do here is very worthy but I was quite worried when I was reading this Report. I read in our Members' brief, looking at the management of the ChangeUp programme: "No central record of ChangeUp funding exists: financial data before April 2006 is held on two Home Office systems, and later data is held by Capacitybuilders on its grant management system. Although the Office of the Third Sector has compiled data on ChangeUp spending from across these systems, it does not have a breakdown of where costs were incurred before April 2006." When I read something like that I get extremely worried about how much proper accountability and accounting there is in this. When I read in our Members' brief in the Management of Futurebuilders Programme section: "The application process was lengthy, taking an average of 127 days, and was estimated at February 2007 to absorb 40% of total fund management costs," again I get rather worried about exactly how well run these schemes are. Do you want to make any comment?

***Mr Robb:*** I certainly do and thank you for the opportunity. I think the first thing I would like to say is that in the Office of the Third Sector we have introduced a series of different measures to ensure the accountability of the funds through both of these funds. I will ask Jonathan particularly to talk about the Futurebuilders one. In relation to Home Office funding before 2006, I think the Home Office admitted in its report in 2005 some of the difficulties it had in accounting for that money. We are confident that we gave the NAO the fullest figures that were available and I am very confident that we have the figures up to date since the Office of the Third Sector was created.

**Q2 Chairman:** You say these are obviously teething problems, but I read paragraph 2.31 on page 22 of the Comptroller's Report: "At the moment [my organisation], as the accountable body, is having to underwrite the Capacitybuilders' project because the money isn't coming through. I don't understand the reason for these delays. It may be because [Capacitybuilders are] not well enough resourced to be able to deliver and . . . that has been a real problem . . . Decisions are slow in coming, payments are late and we're having to repeat information we've given them and it is quite challenging." That is from the chief executive of a consortium member organisation. This was as a result of fieldwork done by the NAO as late as autumn 2008. What is going on?

***Mr Robb:*** I will maybe ask Matt to talk about the grant procedures through Capacitybuilders. As you say, these are new programmes; Capacitybuilders is a relatively new NDPB. We are confident they are continually working to put in place the measures that allow money to get out effectively but with that balance of good public diligence as well. Matt can talk about some of the new procedures they have in place as well if that would be helpful.

**Q3 Chairman:** Do you want to comment, Mr Leach?

***Mr Leach:*** As Campbell said, Capacitybuilders was established about three years ago and I think it is fair to say that in its early days there was quite a lot of learning about how best to administer its systems. It had inherited a very complex and challenging programme and one of the reasons it was set up was to bring order to that programme. Over the first couple of years of its existence the focus was on getting systems right. I absolutely accept that in the early days there were some delays in making decisions and in some circumstances I think there were mistakes in terms of understanding quite how much demand there would be for some programmes. What we have done since 2008 is put in place three-year funding for virtually all of our programmes, so 90% of our funding for 2008 to 2011 was announced at the start of 2008. There is certainty of funding for those who are benefiting from our investment. That enables them to plan effectively for their spend and this year we are introducing further revisions to both monitoring and payments to make it more effective and to enable organisations—

**Q4 Chairman:** I wonder why your clients have such a bleak picture of what you are trying to do. We read at paragraph 2.29: "There were lots of problems with the programme because we got too much money too quickly, it was very difficult to spend it"—we are talking about taxpayers' money here—"and we made that point over and over again at the time and we've continued to make it." It goes on, "[ChangeUp was] very complex in terms of workstreams and reporting" and so on and so forth. Are you telling us now that you are getting a grip on this?
***Mr Leach:*** I think that the comments in the Report refer to two faces of ChangeUp. Undoubtedly at the start of the programme it was a new programme with a lot of money brought into organisations that themselves needed to learn how to spend it effectively. Capacitybuilders was set up to help bring order to that process. Over the time of Capacitybuilders' existence there has been a very, very stable spend profile which has enabled the sector to know what to expect and over the last year and looking forward there is absolute certainty about what people will receive and about funding and monitoring timetables. A lot of improvements have been made. There is still a long way to go but I am confident that we are on an upward trajectory. The Report does identify areas where Capacitybuilders has added value by taking control of the programme in the way you suggest.

**Q5 Chairman:** If we read paragraph 2.13 we see there that it took nine months longer than expected to design it in the first place but then there were so many problems. If we read paragraph 2.11 it appears there was no proper evaluation. Surely, Mr Robb, we expect better things from the Cabinet Office, do we not?
***Mr Robb:*** Certainly I agree that at the beginning of the programme we would have hoped that a proper national evaluation would have been set out. The programme itself was set out to be run locally by the Government Offices for the Regions and others and they did a whole series of local evaluation processes. We are now working with Capacitybuilders to set up a national evaluation programme to make sure that we can have that line as the NAO recommends, that we understand the baseline.

**Q6 Chairman:** You should not need to wait for the NAO.
***Mr Robb:*** Certainly not.

**Q7 Chairman:** You are at the heart of government in the Cabinet Office. Reading paragraph 2.11: "The Government and the sector needed to define measures against which achievement of the ChangeUp vision could be assessed, set a baseline against which progress could be measured, and design and commission a robust programme of evaluation." It is all very basic stuff. It says here, in a Report that you have agreed to: "None of these requirements were set out at the beginning of the programme". Why not?
***Mr Robb:*** Indeed they were not set up at the beginning of the programme. When the programme came into the Cabinet Office and with the creation of the Office of the Third Sector we worked with Capacitybuilders since its inception which was set up to provide that type of basis with that type of evidence. I agree and I think that the Home Office would agree that a fuller evaluation built into the programme at the beginning would have helped. The Office of the Third Sector builds this type of evaluation into all of its new programmes now to make sure that we can provide that value for money and that baseline.

**Q8 Chairman:** How do you know that you are simply not displacing activity which had been funded by other people?
***Mr Robb:*** One of the big challenges of capacity building funding is to ensure that this is supplementary to what comes from local authorities. I think the expansion of interest and support from local authorities is happening across the country now; we have nearly 70 local authorities signed up to one of the national indicators to create a thriving third sector. Our assessment is that the type of funding that comes with Capacitybuilders is for building the type of consortia and partnership working which is different from the type of funding that most CVSs (Councils for Voluntary Service) and local providers get from their local authority. I am confident that there has not been displacement of activity; this is not something that has been raised with us by local funders.

**Q9 Chairman:** If we look at the Futurebuilders' loan book which we find on page 32 we see that there are still going to be considerable funds left there in 2030.
***Mr Robb:*** Yes.

**Q10 Chairman:** Given the troubles you have had so far, can we have confidence that you can manage this properly?
***Mr Robb:*** Yes, absolutely. We absolutely agree with the NAO's recommendation that we need a long-term assessment about of how best to manage the

money and manage the money that comes back into the fund. We are working with Futurebuilders and others to make sure that we have that in place.

**Q11 Chairman:** Mr Leach, once ChangeUp stops funding, will this activity simply disappear?
***Mr Leach:*** I think what will not disappear is what has been achieved so far by ChangeUp. ChangeUp was a programme which was set up with the intention of providing access to a high quality, small business advice type service for community and voluntary sector organisations across the country. Back in 2004–05 what concerned government was the extent to which there was variability of performance across the country and some areas where charities simply could not access the support they needed. A lot of initial funding has gone into co-ordinating, into trying to find gaps, into getting rid of duplication and ensuring consistency of provision across an area in order to ensure that support services work effectively with local government to meet local charity needs. I think a lot of that will continue even if ChangeUp funding came to an end.

**Q12 Mr Touhig:** Why is there such a complex funding trail? I am looking now at page 14, figure 1. Stage one: Parliament votes a sum of money. Stage two: this goes to the Office of the Third Sector, a division of the Cabinet Office. Stage three: the Office of the Third Sector then passes money to Capacitybuilders, that is a company limited by guarantee, a non-departmental public body. Stage four: Capacitybuilders then funds the local support groups. Stage five: they pass the money onto the LSOs.
***Mr Robb:*** The LSOs are the local support groups, or support organisations; they are part of that.

**Q13 Mr Touhig:** Then when we get down to front-line services there is no money, there is just advice. There is a lot of money getting us nowhere.
***Mr Robb:*** The intention of this programme has always been to create a small business service for third sector organisations. What the government recognised in the 2002 and 2004 spending reviews was that if they wanted the Third Sector to play a bigger part in society and in delivering public services one of the biggest gaps it had was the capacity to do that. There are thousands of small organisations, as you well know, which need some support and advice on their governance, on their funding structures, and what we are trying to create here is cross-section of support and advice consistent across the country which helps thousands of small organisations to be better at what they do. This money was always meant to be for support and advice for front-line organisations. Futurebuilders' money was directed directly into front-line organisations; this was always meant to create that advice and support for small businesses.

**Q14 Mr Touhig:** This is a massive trail and you end up giving advice. This structure could have come from an episode of *Yes, Minister*. At the end of the day millions of pounds are being spent and the front-line organisations—we are told they are voluntary committees, faith organisations, et cetera—get advice. I will give them advice; they can come to my surgery and I will not charge them anything.
***Mr Robb:*** Indeed, and the vast majority of them will not be charged for the advice through this. We are always in a balance, as you well know, between providing good advice and support for front-line organisations and providing an oversight of that money. The relationship between the Office of the Third Sector and Capacitybuilders is a very normal relationship that happens across government and we are confident that Capacitybuilders have in place a streamlined and a slimlined set of advice and support, and are getting money as far down to the front-line as it possibly can.

**Q15 Mr Touhig:** What is the global figure then? Parliament votes how many millions a year for this?
***Mr Robb:*** The total spend for Capacitybuilders over the three years of this spending review is in the region of £88 million.

**Q16 Mr Touhig:** That is £88 million to provide some advice to those who actually need the money. Why not simply give them the money and let them buy the services in that they want?
***Mr Robb:*** We are also providing, through the Office of the Third Sector, a whole series of other funds where we are doing exactly that. We have a small grants programme—Grassroots Grants—which is doing exactly that, giving out thousands of pounds to very small organisations. We have a whole range of other funds. Capacitybuilders is meant to complement that series of funds, similar to when government gives money to the business sector; it also offers business advice to those organisations. This is a complement to these funds. The vast majority of the money that we get does not go into advice, it goes straight to the organisations.

**Q17 Mr Touhig:** How much does it cost to run the Office of the Third Sector?
***Mr Robb:*** We have about 60 staff based in the Cabinet Office doing a number of things. Our total administration cost is around £3.5 million a year[1].

**Q18 Mr Touhig:** I just cannot understand why you have this complex structure. At the end of the day the organisations that actually make a difference to the quality of life in our country get advice. With the best will in the world, no matter how good the government is or local government, without the voluntary sector the quality of life for most people in this country would not be what it is. You are spending all this money and all you are giving at the end of the day is some advice.
***Mr Robb:*** The Capacitybuilders programme and the ChangeUp programme was started with support and advice from the third sector itself. The third sector itself and many organisations and the representative bodies that work with it have said for

[1] OTS audited administration costs are published annually in the Cabinet Office Annual Report and Accounts

a considerable amount of time that it needed more advice and support to carry out the roles they wanted to do, and the Government, when it set up the Capacitybuilders programme, intended to do that. This is not the sole level of funding; this is to make sure that the money that we do give in a whole range of other ways is spent well and the organisations have the capacity to do that.

**Q19 Mr Touhig:** Do you give them advice on where they can obtain funding?
***Mr Robb:*** We do. We have just launched a new funding portal where organisations can go to one place. We hope on the web to get the type of advice and information they need as well.

**Q20 Mr Touhig:** So you give them advice on where to get funding. You could just give them the money.
***Mr Robb:*** There are nearly 200,000 registered charities in England and Wales and there are over 500,000 voluntary and community organisations in England and Wales. The amount of money they would get through just this programme if we just gave out its funding to them would be small but, as I said before, we have a range of other cross-government grant programmes which give money directly to organisations.

**Q21 Mr Touhig:** Is this not just another series of quangos wasting public money when the front-line services actually need it?
***Mr Robb:*** We always have a balance and ministers are always taking a judgment on the balance between how much public money goes into the third sector and how much oversight we provide to ensure that that money is spent well. What I am confident is that the institutions that we have here do have the mix of those two things.

**Q22 Mr Touhig:** Do you have a view on what is a reasonable period for funding the public sector? One year, two years, three years?
***Mr Robb:*** Three years. The Office of the Third Sector works across government to try to encourage government departments and local authorities to fund third sector organisations for a minimum of three years.

**Q23 Mr Touhig:** Why three years? As MPs we give ourselves five years' employment in theory between elections; why can they not have at least five years?
***Mr Robb:*** I think three years has always been seen as the minimum that most of these organisations would require to get projects up and running, to give you time to hire staff for a reasonable length of time. We encourage others to take longer contracts wherever possible but also, as you are aware, the spending review periods are generally three-year periods now.

**Q24 Mr Touhig:** I spent a day with an organisation called Drug Aid and I went round with one of their workers. I was introduced as, "This is Don, he's my trainee". I learned a fantastic amount about what they were doing in terms of helping people with drug and alcohol problems. A three-year funding stream means that 18 months in, that person, who is doing valuable work, then has to become a part-time fundraiser.
***Mr Robb:*** One of the things that we are constantly trying to do is encourage departments and funders to have longer funding periods.

**Q25 Mr Touhig:** Why do you not set an example and say that the organisations that you support would get at least five years?
***Mr Robb:*** We would be happy to work with the Treasury and other funders to find ways of extending the funding period beyond three years and we would like to be able to do that, but three years is the minimum which we have oversight of in the spending review period.

**Q26 Mr Touhig:** Do you get consulted about reviewing this period of time? You are dealing day-to-day with front-line organisations.
***Mr Robb:*** We do. For most organisations, from the baseline they were starting at a few years ago, three-year funding was a dream.

**Q27 Mr Touhig:** It used to be one year.
***Mr Robb:*** Yes, we are on a slow and gradual process. I would hope that we can keep moving that forward and keep making that longer term—

**Q28 Mr Touhig:** Would you advocate a longer period?
***Mr Robb:*** Not in all circumstances. It is a horses for courses situation. Sometimes a small grant only needs to be for six months or a year, but sometimes if you are delivering a public service for a longer period of time a longer grant can be of great value. What we want funders to be able to do is to have the freedom to choose and make those decisions based on good value for money as well.

**Q29 Mr Touhig:** Does the Office of the Third Sector operate across the UK or is England only?
***Mr Robb:*** It is just in England.

**Q30 Mr Touhig:** Do you have contact with similar organisations in the devolved administrations?
***Mr Robb:*** Yes we do. We regularly talk with our counterparts. There are similar institutions in Scotland, Wales and Northern Ireland. We regularly meet with colleagues there as well. The Office has a relationship with the Charity Commission which oversees charity law in England and Wales and again the devolved administrations have a relationship with it as well.

**Q31 Mr Touhig:** Do you seek to learn lessons from each other?
***Mr Robb:*** We do. We have been talking quite a lot recently about social enterprise and how best to encourage and support that across the devolved administration. We do some partnership funding with the institutions as well, for example we have a "giving" research centre which creates a new

understanding of levels of giving in this country which the Scottish administration as well as ourselves fund.

**Q32 Mr Touhig:** My time is up but I come back finally to the funding period. You would not be opposed if it were five years in some circumstances?
***Mr Robb:*** Absolutely not, in the right circumstances.

**Q33 Mr Touhig:** So if I tabled an early day motion in the Commons I could quote you, could I?
***Mr Robb:*** You are more than welcome to, yes.

**Q34 Chairman:** Even in terms of advice there seems to be some shortcomings. Mr Lewis, we read in paragraph 3.12: "In four of the eight organisations we looked at, interviewees expressed some confusion over the status of the investment or the repayment responsibility that this entails. They had the impression that, although contractually required to repay their loans, such obligations would not in practice be enforced by Futurebuilders." That is a strange way to manage public money.
***Mr Lewis:*** Let me tell you about the people the NAO interviewed. They interviewed eight organisations: three of them received grants; a fourth withdrew its request. That left four organisations. Three of them are currently repaying their loans; the fourth is due to begin paying in October. If you look at the portfolios as a whole, 53 organisations should have repaid in March and 52 did, the 53rd being on our cause-for-concern list. As a result of the NAO investigation we have written to all of our investees—
**Chairman:** You should not have to wait for the NAO. This is a very casual way of dealing with public money.

**Q35 Mr Bacon:** We now understand that all the organisations clearly believe, even if they did not to start with, that obligations to repay loans will, in practice, be enforced by Futurebuilders. Is that now correct?
***Mr Lewis:*** Yes, it is.

**Q36 Mr Bacon:** Although it was not at the time. The Report says it was not.
***Mr Lewis:*** The evidence we have today is that virtually everyone is repaying their loans. As I said, if you look at the sample of eight all of those who should be repaying are repaying. If you look at the portfolio as a whole—

**Q37 Mr Bacon:** Yes, you have said that. Thank you. Could I just ask you about the overall position in relation to Futurebuilders. The Report says that some of the organisations that were allocated or had funds committed to them were slow to make use of them. Presumably what you did in those circumstances, where it was necessary to hold onto the funds or not draw them down from the Treasury because the organisations were not ready to draw them down, you just rolled it over from one financial year to the next where necessary. Is that right?
***Mr Lewis:*** I have been running Futurebuilders since the first of April 2008 when the second phase took over and we have taken two measures to ensure that—

**Q38 Mr Bacon:** Sorry, were rollovers taking place? My next question is going to be: have they now stopped? Is it correct that the rollover of committed funds that had not been paid out which was taking place—namely the rollover was taking place—is no longer taking place?
***Mr Lewis:*** There is still a rollover so there are some old investments that still have not fully drawn down.

**Q39 Mr Bacon:** If an organisation has had funds committed to it and they have not started to draw them down, are funds that would have been rolled over now not being rolled over?
***Mr Lewis:*** Funds are still being rolled over but we have a target to try to address this. Our second key performance indicator (KPI) is that the investments that we make are drawn down by the investees within two years.

**Q40 Mr Bacon:** Let me ask you another question: is there any situation where rollover was taking place at all where it is now not taking place?
***Mr Lewis:*** The commitments that were made hold unless they are revoked. Commitments can be revoked after two years if the money is not drawn down.

**Q41 Mr Bacon:** Mr Robb, you seem anxious to come in. Let me offer you a question on which to focus your answer. It has been put to me that the recession action plan has been funded partly by taking monies that had been committed but not drawn down which Futurebuilders have made available and no longer rolling them over so that they are no longer available whereas previously they were available. So they are no longer available and those monies are now being used to fund the recession action plan that was announced in February. Is that correct?
***Mr Robb:*** As our ministers have stated, we drew down some end-of-year flexibility. As you know, the Treasury holds that in account and is in constant negotiation with departments like our own about that. You draw it down in terms of need and we drew down some end-of-year flexibility, some £13.5 million.

**Q42 Mr Bacon:** Out of the Futurebuilders pot?
***Mr Robb:*** No, out of OTS's overall pot of end-of-year flexibility which has accumulated over a number of programmes over a number of years. That is what we drew down.

**Q43 Mr Bacon:** To use it for the recession action plan.
***Mr Robb:*** The end-of-year flexibility has been used for that, yes.

**Q44 Mr Bacon:** The Futurebuilders' fund, which is a £215 million fund, is the shape and size of that secure? Is it still a £215 million fund and will it continue to be a £215 million fund?
***Mr Robb:*** What we constantly do in partnership with Futurebuilders is to assess the market, how much the market will bear, how much organisations are willing to take on, how much capacity Futurebuilders has to get money out and their loan portfolio. What we announced in a parliamentary question is that we have now committed well over £100 million to Futurebuilders and we have set out what funds they have available so that there is certainty of funding both in this financial year and in the next financial year.

**Q45 Mr Bacon:** What is the answer to my question?
***Mr Robb:*** Ministers still aspire to make their fund a £215 million fund. As Jonathan I am sure will tell you, the difficulty with funds like Futurebuilders is that it is quite hard to assess how much they will spend, how quickly money will be drawn down, how relevant that is over the two-year period. We are hopeful and still hope to make the fund a £215 million fund, but I cannot commit exactly to how much they will spend, until the end of the period.

**Q46 Mr Bacon:** Could I ask you about the target for Futurebuilders? It says in paragraph 12 that although the fund managers' contractual target of 250 investments was met it was achieved by closing non-repayable development grants within the definition of the term investment. These contributed almost half the target by number, yet only amounted to 2% of the finance awarded. Moreover, less than 50% of all funds awarded were actually drawn down and used by the recipient. So it is a rather odd target. It goes on to say in paragraph 3.15 on page 30 that: "there was no link to the overall objectives of the Futurebuilders programme" by the target. My question is: who set this target for Futurebuilders? Was it you?
***Mr Robb:*** No. The targets for the first Futurebuilders contract were set by the Home Office. The Futurebuilders fund and the Capacitybuilders fund started life in the communities directorate which, as you know, resided in the Home Office. Responsibility transferred to the Office of the Third Sector on its creation in May 2006.

**Q47 Mr Bacon:** Could you explain whether there is a relationship between the rather odd target and the very sluggish performance in terms of drawing down funds?
***Mr Robb:*** One of the things that we have undertaken since the Office of the Third Sector was created was a re-tendering process which led to ACF taking control of the fund. What we negotiated with them was a series of new KPIs which I think the NAO Report recognises much more put the fund on track—

**Q48 Mr Bacon:** For the benefit of anyone reading the transcript later, could you try and speak in English.
***Mr Robb:*** I am sorry. We re-negotiated a contract with the new provider of this fund to set new key performance indicators which should address the issues which you outlined in your question.

**Q49 Mr Bacon:** This goes back to what you were saying in answer to the Chairman earlier, the thing that really surprises me most about this Report. In answer to the Chairman when he said that you should not need to wait for an NAO Report (this was particularly in relation to the ChangeUp programme) you said, "Certainly not". You went on to say that it was a new programme and that organisations needed to learn how to spend the money. Surely taxpayers' money is not just to be deployed as a play thing for organisations to have a learning experience about how to do programme management and project management and achieving value for money effectively as part of some learning experience, is it?
***Mr Robb:*** No, I agree absolutely.

**Q50 Mr Bacon:** Then why were those really basic project managements protocols not put in place at the beginning?
***Mr Robb:*** With regard to the Capacitybuilders fund I think the intention that the Government had at the time was to devolve as much responsibility for the programme itself to the third sector so that it was involved closely in it. There was a consultation process which led many in government to believe that the third sector should be at the heart of running this process and in that process I think that some of that oversight of the total control was not as strong as it should have been.

**Q51 Mr Bacon:** I have a question for the National Audit Office. It says in your Report (this is a quote that the Chairman mentioned): "we got too much money too quickly, it was very difficult to spend it and we made that point over and over again at the time and we've continued to make it." It goes on on page 22: "within timescales that were just mad". It says earlier that the reporting and the administrations were quite right but the timescales were just mad and "I think so much money was wasted as a result of that. If we'd been given more time, we would have been able to work better in partnership upset less people" (I think he means "fewer"), "have greater impact and more sustainable impact—as it was there as money being spent on activities just because it had to be spent in a given timeframe". Who was setting that timeframe?
***Mr Prideaux:*** That time frame would have been set by—

**Q52 Mr Bacon:** — The Office of the Third Sector. It would not have been set by the voluntary organisations that Mr Robb is seeking to blame, would it?
***Mr Prideaux:*** It was certainly set by government; my hesitation is the timing, whether it was the Home Office or the Office of the Third Sector.

**Cabinet Office**

**Q53 Mr Bacon:** Mr Robb, who set the timetable which caused these people to say they were racing madly to spend money at a ludicrously fast timetable? Who set that timetable?
***Mr Robb:*** The Home Office set that timetable.

**Q54 Mr Bacon:** So this was a Home Office problem. Why do we not have anyone here from the Home Office? Because it is has been transferred to you?
***Mr Robb:*** Yes.

**Q55 Mr Bacon:** When did you take on responsibility for this?
***Mr Robb:*** May 2006.

**Q56 Mr Bacon:** Mr Prideaux, this Report was published in February this year, Mr Robb has been in office for three years, the pressure for spending money to this tight timetable is relatively recent, is it not?
***Mr Prideaux:*** I think it has been consistent all the way through.

**Q57 Mr Bacon:** So it might have been the Home Office who set up these mad criteria for the timetable for spending, but since the responsibility for spending the money and for making sure it was well spent transferred from the Home Office to your office—that is several years ago—why were you not taking your foot off the timetable pedal and say, “Don’t just spend it for the sake of spending it” (which is what this quote clearly says, in a given timeframe), “make sure you spend it wisely”? Why were you not putting on a different kind of pressure now that the leaving in place the Home Office originated pressure—so you say—to spend the money quickly?
***Mr Robb:*** I believe that we have been. I believe that we have been working very closely with Capacitybuilders to set up a clear set of funding guidelines over the next three years of the spending review that gives those organisations that we were talking about earlier on a clear sense of how much money they have to spend over a period of time. We believe that we put in place that clarity and that the vast majority of organisations that Capacitybuilders funds are getting a good understanding. We are making sure that the money is spent wisely and there is good oversight of it.

**Q58 Mr Burstow:** I am looking at paragraphs 2.1 and 2.2 which set out the vision that the government articulated at the outset of this programme. I just wondered how Capacitybuilders would envisage that your organisation will be able to demonstrate that the vision the Government set out has been delivered upon and how will the taxpayer know?
***Mr Leach:*** I think this touches on a point which has been raised earlier which is the issue of evidence and evaluation. When Capacitybuilders took over the programme in 2006 we were very aware that the programme had been subject to quite a lot of review but only in the sense of individual interventions or programmes. There was not an overall review of its impact in terms of the availability of advice, training and support to third sector organisations across the board. In 2007 we commissioned an initial scoping exercise which led to the contracting last year of a major evaluation exercise, the intent of which is two-fold, first of all, to carry out a major baselining of our information. It is looking back to 2004 and asks where we were then and where have we got to. That is a mixture of both desk and primary research and is an extensive piece of work.

**Q59 Mr Burstow:** Will this exercise actually enable you to go right back to 2003–04 and allow at some point in the future the NAO and then in the future this Committee, on behalf of the taxpayer, to see clearly that you have delivered against the vision that the Government set out?
***Mr Leach:*** And indeed ourselves. It is important information when you are targeting a programme. It is an independently chaired evaluation so we have external, independent scrutiny of the evaluation. It will do two things, one is to establish what the baseline was and then the second is to measure progress since then. The intention is that there should be an interim report published in the early autumn which will establish that.

**Q60 Mr Burstow:** At this stage you would not be able to tell us whether you are or are not on track.
***Mr Leach:*** I am greatly encouraged by the information that the National Audit Office has delivered both in the main Report and in its supplementary Report about the fact that in all the areas where they looked they saw a positive impact. They list a whole range of positive impacts around better access to services, better training and skills. What we cannot do is to say exactly how far we have travelled because there was not a snapshot at the start and we are trying to put that right.

**Q61 Mr Burstow:** That brings me onto a second set of questions which have been partly touched on already and that is really whether or not what you are delivering is sustained and sustainable. We are told in the Report that there are examples of projects which have been set up which have not been sustained. I am just wondering why services have not continued beyond the initial funding and what impact this is having on delivering this vision and the objectives.
***Mr Leach:*** It is important to look at the current intent of the fund and our focus for the current spending round has been to fund projects which are about increasing sustainability and improving services; rather than funding individual projects which, by the nature of publicly funded projects, may or may not continue when the source of funding goes. What we have looked to do is to fund increased coordination, better networks and de-duplication of services so that people operating in an area can offer better value for money. In your constituency, for example, might be the money that we are putting in through Consortia Modernisation Project grants and relatively small-scale funding to fund the feasibility study ahead of a possible joint headquarters for the various support organisations

working within your constituency, thereby giving them the opportunity to save on back office costs, save on accommodation costs and also provide a better service to local third sector groups. There you can see how investment builds in sustainability because if they are then able to access funds to have that centre they will have a better value for money offer in the future.

**Q62 Mr Burstow:** As long as the buildings actually get built and the service that you are talking about in the end does get provided, and of course that may not happen. One of the things that we have had from some of those organisations that have experienced your services is a question about the commissioning of reports and particularly reports in the area of accountancy and community accountancies where there are shortages of skills and shortages of courses. One of the things I would be interested to know is whether you have a clear record of just how many reports across the piece, not just in accountancy, you have actually commissioned from the hubs.
***Mr Leach:*** There are two issues there. In respect of the Report from the NAO and the two case studies they provide, they refer to two community accounting services, one set up in Merseyside and one set up in Southampton, both with relatively small amounts of money contributed by Capacitybuilders, about £22,000 in Southampton and a bit more in Merseyside. There the bottom line was that the Merseyside product was better designed; it included an element of charging; by mixing charging and local subsidy—

**Q63 Mr Burstow:** That was the starting point, but my question was actually just about how many different reports have been commissioned by the hubs so far, not just on community accounting but other things as well.
***Mr Leach:*** There are range of different outputs from our projects and investments at a local level and at a national level. The hubs existed in 2005–06 through to 2007–08 and they provided national resources across a range of disciplines from workforce development through ICT, through leadership and a number of other areas. I could not give you an exact number for the number of reports that have been produced, but what I can say is that at the very start of next month we are launching a website which will bring them all together so that people will be able to access the resources that are there. In 2008–09 we moved to replace them with more directly commissioned National Support Services which provide a similar service but in a more organised way.

**Q64 Mr Burstow:** As you pull all those together it would be useful if you could let us have a list[2] and the cost of producing all those reports.
***Mr Leach:*** I would be happy to provide a note. In terms of the hubs which predate the establishment of Capacitybuilders, and indeed the programme being inherited by the Office of the Third Sector, there may be limits to the financial information available during the period the programme was under the supervision of the Home Office. Certainly for the period that Capacitybuilders have responsibility for direct decisions on funding we will be able to provide that information. All the available resources that have been produced and provide a positive output at a national level will be available on our website very, very shortly.

**Q65 Mr Burstow:** What happens to them once they are produced? Are they actually analysed? Is there a process of systematically reviewing them to see whether there are any themes that emerge from one set of reports across to another?
***Mr Leach:*** We are talking about a range of outputs so they may be training resources, they may be toolkits; they are not reports on what is happening. The hubs and the national support services focus very much on providing tangible goods that can be used by support providers at a local level to deliver their services better. There have been a significant number of reviews of different aspects of the ChangeUp programme since its inception. I think the NAO Report notes that we carried out a review of reviews and identified some 49 of them. All of those are being fed into the independent national evaluation exercise that we will be reporting in September. So their outputs will be fed into the establishment of the baseline that you referred to at the start of your questioning.

**Q66 Mr Burstow:** As my time is short I need to move on to one or two other points. Can I just draw your attention to paragraph 3.17 which describes, in respect of the first management contract, the length of time it took organisations to get answers in respect of their applications for funds, 127 calendar days between the start of the substantive assessment and the point at which the decision was made. Do you not agree that that is an excessively long period of time? I am sure you are going to tell me that in the second round it was much, much shorter, but why on earth was it so long in the first place?
***Mr Lewis:*** That is a Futurebuilders question obviously. It now takes 56 days as opposed to 127 days so you are correct, it is much faster. Of those who are rejected we tell 75% of them within five days so we have dramatically speeded up the processes.

**Q67 Mr Burstow:** I think this question is more for Capacitybuilders again. There are similar concerns about the extent to which money seemed to be being shovelled at people and, as a result, not being used as productively as it might. For example, why did a consortium member say, "We got too much money too quickly, it was very different to spend it and we made that point over and over again". This point has been made but it does not seem to me as though it has been answered as clearly as it should be.
***Mr Leach:*** It is fair to say that at the start of the programme, before Capacitybuilders took responsibility for it, the programme went from relatively small sums of money (£4 million or £5 million a year) to £64 million a year in 2005–06 and

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that was quite a large jump. I think Campbell Robb has referred to some of the issues that may have arisen from that. Since Capacitybuilders took responsibility for the programme the profile of spend has been much more even over the years of our administration. What we sought to do over the three years of the current spending review is to ensure that as much money as possible, up to 90% of our programme, is pre-committed so that people know what they are getting over the three years, they know what the monitoring arrangements are associated with that. They know when they are going to get their money and they can plan on that basis.

**Q68 Dr Pugh:** Mr Robb, you are in charge of the third sector for the Government, is that right?
***Mr Robb:*** Yes.

**Q69 Dr Pugh:** The third sector, according to the NAO, consists of voluntary community organisations, charities, social enterprises, co-operatives and mutuals, so presumably not exempt are John Lewis, building societies and other organisations. That was just an aside. There is a certain vagueness to the definition of the third sector; I am not at all clear about where it starts and where it finishes. Can you give me definition of a social enterprise because I am particularly interested in how you see a social enterprise?
***Mr Robb:*** A social enterprise would be an organisation that trades to make money but reinvests the vast majority of that surplus, at least over 50%, back into the organisation or the community.[3]

**Q70 Dr Pugh:** So they can make profit and pay high wages but it has to plough money back in?
***Mr Robb:*** Yes.

**Q71 Dr Pugh:** Mr Leach, on the ChangeUp programme there is £231 million being spent and some of that is being spent on supporting third sector organisations delivering public services but obviously you can support the third sector in other ways, to actually do what the third sector is doing any way, irrespective of whether it is part and parcel of our definition of public service. Have you any idea how much of that £231 million is being spent on enabling the third sector to do public service delivery and how much is being spent on enabling the third sector to do what it does anyway, which is largely, in terms of public services, extra curricular activity, things that public services do not do.
***Mr Leach:*** What the ChangeUp programme is attempting to do is increase the availability of support to third sector organisations to do what they wish to do. There may be a range of different outputs that those bodies focus on. As Campbell said there are 200,000 registered charities and an infinite number of other types of voluntary and community sector organisations. The groups of providers that we fund at a local level we are funding to improve the quality and responsiveness of their services in order to meet local need and that local need will be defined by the local third sector. As part of our process of judging whether they are fit for purpose—

**Q72 Dr Pugh:** I was trying to find out how much of the £231 million goes directly to enable the third sector to bid for public sector work which is already presumably being done by public services and how much goes to help them be better charities, better voluntary bodies and so on?
***Mr Leach:*** The focus of our work is to help them be better at what they wish to do. We do not provide direct support to front-line bodies to bid for public sector contracts.

**Q73 Dr Pugh:** But they do that, do they not?
***Mr Leach:*** They do that but Capacitybuilders would only indirectly support them by ensuring that third sector infrastructure is there and the support services are there to provide them with training, skills and back office support.

**Q74 Dr Pugh:** There are things like social enterprises whose *raison d'être* is to try and move into the public service market, as it were, and who almost exclusively do that and would not be working if they did not do that. There are other voluntary organisations that just simply get on being a voluntary organisation with no attempt to run public services or compete with public servants for jobs.
***Mr Leach:*** I can give you two examples to show you the different sorts of things which groups of providers are engaged in at a local level. In the north-west region we helped fund an initiative which was focused very much on working with PCTs to reduce the number of different pre-qualification questionnaires for bidding for public services from 27 to one, to reduce the pressure on third sector organisations and also to increase the extent to which they could be provided with standardised help. In other areas we have worked to improve the coverage of volunteer bureaus to ensure that wherever you are in the area, if you are an organisation that is working with volunteers or indeed an individual wanting to volunteer, you know where to go and you have high quality support to do that. Our support and the groups of providers that we work with are necessarily diverse in an area and they will provide a diverse set of services dependent on local need.

**Q75 Dr Pugh:** In terms of the recipients of this level of support I was hoping that you would tell me which type gets the lion's share of the money or do they get equal shares of the money, but you are saying you do not know that because it is a local decision.

[3] *Note by witness:* Definition of social enterprise; as a minimum the recognition of social or environmental goals should be included. 'A social enterprise would be a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners. This means organisations that trade goods and services and use the majority of their profits for social and environmental goals.'

***Mr Leach:*** In making decisions on whether or not to fund groups of providers to improve their services we look at the extent to which they have taken account of local need, local demand, the sorts of pressures that are on the third sector locally. That is something we want to look at and satisfy ourselves of and they carry out self-assessments to help. We do not set out to define at the outset that people that we give funding to should spend X amount on public services and Y amount on social enterprise.

**Q76 Dr Pugh:** We will just stop there because we are not getting any hard facts. Mr Lewis, Futurebuilders involves a substantial loan being taken out.
***Mr Lewis:*** Yes.

**Q77 Dr Pugh:** So presumably the bulk of the recipients are people expecting to get public sector work?
***Mr Lewis:*** Yes, they have to demonstrate that at least 51% of the revenue derived from the project that we fund will be from public sector contracts. There is a great example in your constituency: Alt Valley is a social enterprise which trains up community people to deliver community services which gets most of its income from the local authority and other public bodies.

**Q78 Dr Pugh:** To some extent the problem in borrowing money is that you have to have continuity of work to repay it. If you only have a three-year contract, as most of them do, there is going to be an uncertainty, is there not?
***Mr Lewis:*** The evidence that we have is that most people are repaying their loans, or the vast majority are and, of course, there is uncertainty in any business.

**Q79 Dr Pugh:** Coming back to Mr Leach, can we go to chart three on page 17 which actually does give broad categories of expenditure, in other words where the money has ended up. Am I right in thinking that none of this is capital expenditure, apart from the ICT that is?
***Mr Leach:*** The vast majority of it is revenue spend. We have had a small capital programme over the last financial year which extends into this financial year, so the most recent spending review has included an element of capital.

**Q80 Dr Pugh:** The workforce figure presumably reflects increased staff being taken on by the organisations, does it? Or is that workforce training?
***Mr Leach:*** That refers to the structures of funding that were inherited from the Home Office, the national hubs. These were third sector-owned organisations that were given allocations of funds which they then spent in a range of different areas so workforce was the hub that provided advice, support and resources nationally around workforce development.

**Q81 Dr Pugh:** So it is not an expansion within the organisations themselves?
***Mr Leach:*** No, it is not.

**Q82 Dr Pugh:** I cannot help noticing that the ICT expenditure has grown exponentially, but the expenditure on volunteering has not grown to the same extent in terms of ratio. Can you tell me how many more volunteers have been engineered across the piece as a result of all this expenditure?
***Mr Leach:*** I cannot give you that answer. Campbell may be able to provide you with more information on global figures for volunteering.

**Q83 Dr Pugh:** Do you know the figures?
***Mr Leach:*** I do not know the figures, no.

**Q84 Dr Pugh:** Would you be disappointed if you learned that across the country there were no more volunteers than when you started?
***Mr Leach:*** This particular resource was aimed at providing support to support providers, that is to say providing resources that local—

**Q85 Dr Pugh:** As a consequence of that an organisation would require more volunteers?
***Mr Leach:*** I would hope that our national evaluation would show that as a result of our activity across the country there would be, across a range of different measures, a positive impact on the availability of support for organisations working on volunteering, and volunteers seeking to engage with those organisations.

**Q86 Dr Pugh:** Mr Lewis, Adventure Capital Fund Management are running the contract now for Futurebuilders?
***Mr Lewis:*** It has been renamed as Futurebuilders England Fund Management, but essentially yes.

**Q87 Dr Pugh:** They are a private organisation?
***Mr Lewis:*** They are a trading subsidiary of ACF, the charity, a company limited by guarantee.

**Q88 Dr Pugh:** How much are they paid for the work they are doing?
***Mr Lewis:*** Over the three years it is £12.2 million, roughly £3.8 million a year.

**Q89 Dr Pugh:** Are they incentivised in any way if they make more than that?
***Mr Lewis:*** There is a small performance bonus of roughly £70,000 if you hit all of the three KPIs.

**Q90 Dr Pugh:** That is nothing by modern standards, is it?
***Mr Lewis:*** It is not a huge amount.

**Q91 Chairman:** There has been speculation in the specialist press that the £215 million Futurebuilders fund is being cut by £30 million between now and 2011 in order to fund the £42 million recession action plan. Is that right?
***Mr Robb:*** It is not. As I mentioned to Mr Bacon, the action plan is funded by four different sources. It is an up to £42.5 million action plan and up to £10 million of that will come from DWP.

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**Q92 Mr Bacon:** Can you confirm that that has changed from £10 million to £8 million?
***Mr Robb:*** I can, yes.

**Q93 Mr Bacon:** So it is not £10 million.
***Mr Robb:*** No, it is £8 million. There is £11.5 million from the Department of Health which will primarily go into the targeted support fund which is to support very front-line small organisations; £13.5 million from EYF drawn down from the Treasury and £7.5 million from efficiency savings within the Office of the Third Sector.
**Chairman:** That speculation is wrong then, is it?

**Q94 Mr Bacon:** Could I just ask Mr Robb to repeat those numbers?
***Mr Robb:*** Certainly.

**Q95 Mr Bacon:** You originally said up to £10 million and then when I asked you if it was actually £8 million you said yes.
***Mr Robb:*** The confirmation has just come through from the DWP. It is £8 million from the DWP; it is £11.5 million from the Department of Health; it is £13.5 million in EYF in negotiation with the Treasury and £7.5 million reprioritisation from the Office of the Third Sector.

**Q96 Mr Bacon:** On the Office of the Third Sector website the numbers are £10 million, £15.5 million, £16.5 million and £0.5 million and that adds up to £42.5 million because I did it earlier. However you are now talking about £8 million, £11 million—
***Mr Robb:*** Sorry, these figures I gave are the sources of the funds; those you have seen on our website are what we are spending them on.

**Q97 Mr Bacon:** So you are not spending £42.5 million?
***Mr Robb:*** We will be spending now with the DWP money, the £40.5 million.[4]

**Q98 Mr Williams:** In the recession obviously your role becomes more and more important. Are you up to it?
***Mr Robb:*** Yes, I think we are, definitely. I think what we have in the Office of the Third Sector is the ability to work across government, to understand what government needs in terms of the recession and also with the third sector to understand their needs. The action plan that we launched was a direct result of talking to the third sector about what their needs are in the current environment.

**Q99 Mr Williams:** When you look at Futurebuilders it took 127 days to make decisions and so on, you could improve enormously on that and that would still be inadequate.
***Mr Robb:*** The new fund manager has almost halved that to nearly 56 days I think. There is always a balance, particularly with a fund like Futurebuilders, of ensuring that we take our time to make sure that the fund is right, to make sure that the money is spent wisely. Some of the funds that Futurebuilders invest are quite innovative and we want to make sure that we are getting the value for money that they need.

**Q100 Mr Williams:** How was the new budget that you have been given arrived at and do you think it is adequate? Do you think you could use more?
***Mr Robb:*** The Chancellor announced a further set of funding of £16.7 million in England for a hardship fund to support third sector organisations on top of the action plan that we launched at the beginning of the year. That is on top of the significant investment already from the Office of the Third Sector and from across government. We are constantly working with the third sector to understand what their needs are.

**Q101 Mr Williams:** Have all your organisations set new targets?
***Mr Robb:*** We are in negotiations with all of our partners. Jonathan and Matt might want to outline what they are actually doing in terms of the recession. We have spoken to all of our spending partners to make sure that they are changing the nature of the funds that they do to make sure that that reflects what organisations need right now in terms of the recession.

**Q102 Mr Williams:** When did you first ask that?
***Mr Robb:*** The series of negotiations started certainly before Christmas. In the autumn we began to talk to them about what they might be offering for third sector organisations. The minister held a joint summit with NCVO and leaders of the third sector in January to understand and begin to commission work on what the needs of the sector might be.

**Q103 Mr Williams:** Do you think you will be able to meet the new targets you have set yourselves?
***Mr Robb:*** I think that we will meet whatever targets we have set out in this current fund and I do believe we will get the money to the organisations who need it and who we are targeting it at.

**Q104 Mr Williams:** What effect do you expect the recession to have on the value of the loan book?
***Mr Lewis:*** When our investees encounter problems we have a cause-for-concern list. The number of investees on the cause-for-concern list has not gone up yet so we have not seen a recessionary effect yet in terms of our loan book.

**Q105 Mr Williams:** What are you expecting it to be?
***Mr Lewis:*** It is hard to speculate on what the recession will do but we think it will self-evidently put pressure on poorer investees. It will increase demand on third sector organisations for services without necessarily increasing the amount of money they get. It will mean that some investees who had applied will no longer apply. By the same token there will be opportunities for the bold and we have seen some of our investees take those opportunities. That is what we see the recession doing at the moment.

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**Q106 Mr Williams:** In this new context do you see your targets focused more towards outcomes than in the past because in the past you have been much more concerned with processes rather than with achievements?
***Mr Lewis:*** We are very achievement-driven mindful of the fact that it is government money and we have to do a proper due diligence process so that we can invest with confidence.

**Q107 Mr Williams:** What practical steps have you taken?
***Mr Lewis:*** In terms of the actual investment process when we took over, with the help of Ernst & Young, we completely redesigned the assessment process to make it less burdensome on investees and to make it quicker. It is a complete redesign which is what has led to the dramatic increase in speed without any reduction in assurance.

**Q108 Chairman:** If the investees cannot repay the loans how will you avoid harming those organisations?
***Mr Lewis:*** The first thing that happens is that they go onto the cause-for-concern list as mentioned. During the cause-for-concern phase we try to work out whether we can help them get off the cause-for-concern list and fix themselves. If they cannot, our attitude to them would be dependent on the reason why they got into problems. In one example—this has happened just a few times—a commissioner will say that if the pilot is successful they will commission a service. We will fund the pilot, it will be successful and the commissioner will have moved on policy-wise. In circumstances like that we have written off the money. However, there are other circumstances where the organisation has got into problems through its own failings and we have taken a much more pro-active approach to recovering the money and have issued solicitors' letters on a number of occasions.

**Q109 Mr Burstow:** Can I give clarification on the note I requested earlier, it was in respect of research reports not everything else.
***Mr Leach:*** I understand that.

**Q110 Mr Burstow:** I would also like to ask the NAO a quick question about the quotes that are referred to on page 22 in paragraph 2.31, particularly the second quote which the Chairman read out earlier on. When and how were those quotes obtained?
***Mr Prideaux:*** They were obtained through the field work we did in autumn last year, so face-to-face interviews.

**Q111 Mr Burstow:** Autumn can be one of those very moveable feasts. Can you be a bit more specific?
***Mr Prideaux:*** It was between July and October; I am not sure exactly when.

**Q112 Mr Burstow:** This relates to Capacitybuilders and it talks about the fact that an organisation at some point between July and October of last year, so it is really quite current in terms of its experience of what Capacitybuilders is delivering, and it was saying that it was having to underwrite Capacitybuilders project commitments in terms of providing the cash up front, was not being given reasons for the delays and then went on to say that the decisions—at that point, less than a year ago—were still slow in coming, the payments were still late and they were being asked for repeated information. One of the things which struck me through all of the answers we have had to almost all of the questions so far is, "Don't worry because all the problems are in the past, particularly when the Home Office was running this, rather than now". This is now. Why is it that these problems are so clearly being stated in this particular quote this recently?
***Mr Leach:*** I think, as has been said earlier, Capacitybuilders is a relatively new organisation. In its first two years of existence it invested a lot of energy in taking on and managing quite complex and challenging programme.

**Q113 Mr Burstow:** This is July of last year to October of last year.
***Mr Leach:*** It has sought to improve its performance over the three years of its existence. To be fair, the Report has identified that not everything it has done has been perfect. I joined the organisation in December and one of the focuses of my work since then has been to continue to drive forward Capacitybuilders' improvement in service. For the next few years my expectation is that there will be many fewer of that sort of complaint for two reasons. Firstly, spending decisions have largely been made for the ChangeUp programme so there cannot be more delays because the decisions have already been made. Secondly, we have fundamentally reviewed both our monitoring and payment systems which means that people will be getting money much, much faster than they would in the past, so they will be getting paid automatically on the basis that there are no risk issues with their organisation rather than having to put in claims and documentation and that should help with the cash flow issue which was addressed. I recognise the issues that are there and over the course of the last three years Capacitybuilders has improved significantly as an organisation. However, as you rightly pointed out, there will still be organisations which can refer to the reasonably recent past and identify where we might have done better.

**Q114 Mr Burstow:** This quote is obviously just a quote of one experience. What is not clear to me is that you actually capture in a systematic way the actual performance of your organisation in terms of data and that you have performance standards against which you are measuring yourself so when it comes to the amount of time it takes to make a decision, is there a standard? Do you measure yourself against a standard? Is that sort of data collected and routinely examined by yourself and questioned?
***Mr Leach:*** There are two answers there, one in terms of overall corporate objectives which are obviously set out in a corporate plan and a business plan which

is agreed with the Office of the Third Sector. For the current year's business plan—which has not yet been published but which we are now engaged with our sponsor department on—we have set ourselves a target of an average of four to six weeks for decisions on funding applications. In our most recent programme, which is our capital programme phase one of which we implemented between January and March, we were hitting that target; between applications arriving and decisions being made it was between four and six weeks, which is significantly better than we have ever achieved in the past and does reflect the extent to which the organisation is focusing on that as an issue.

**Q115 Chairman:** Thank you, gentlemen. That concludes our hearing. Clearly ChangeUp and Futurebuilders have done some useful work but this is a very serious Report which concerns us greatly, particularly what I have said at the beginning that no central record of ChangeUp funding exists and there are no outcome targets. I think its administration was a mess from the start. There was an underspend of £8 million for the first three years and third sector organisations, as we have heard, had to spend £80 million in just 21 months. I suspect a lot of taxpayers' money has been wasted. An academic reminded me that 150 years ago this Committee was set up because of lack of accountability at the Duke of Wellington's funeral. When I listen to what you have been telling me this afternoon I wonder how much progress we have made in 150 years. Do you want to make any last comment in your defence?

***Mr Robb:*** We have done everything we can to improve on that so that we can prove that these programmes do offer value for money and that we do have oversight of them.

**Chairman:** Thank you very much; that concludes our hearing.

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## Memorandum from Director General, Office of the Third Sector, Cabinet Office

Thank you for the opportunity to appear before the committee on 27 April and for the clear direction that the committee gave about the future work of the Office of the Third Sector, and specifically the Capacitybuilders and Futurebuilders programmes.

On reviewing my evidence, I wanted to take the opportunity to write to the committee to clarify one of the matters raised in questions.

When first questioned about the value of the Government's action plan to support the third sector in the recession, I quoted a figure of £42.5 million which I confirmed included a contribution of up to £10 million from DWP to provide volunteering opportunities for people who have been unemployed for over six months. When further questioned about the value of the contract that DWP had recently signed with third sector organisations, I answered that it was £8 million. This is sufficient funding to deliver the number of volunteering opportunities outlined in the plan. I was then asked to confirm that this would make the action plan a £40.5 million overall fund. I confirmed that it would.

In order to be absolutely clear to the committee I should point out that whilst the current DWP contract is for £8 million, a figure based on the negotiations with third sector providers, DWP have also confirmed that up to £10 million will still be available if demand for places outstrips the current projected numbers. Whilst this is of course dependent on a number of factors, it does mean the total value of the recession action fund could potentially still reach £42.5 million.

I hope this clarifies my answer and puts the full facts at the disposal of the committee. I apologise for not making this clearer at the time.

*5 May 2009*

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## Memorandum from Capacitybuilders

I am writing in response to a question Paul Burstow MP asked about the reviews and reports produced by the National Hubs at the Public Accounts Committee hearing on Monday 27 April 2009.

The National Hubs were a part of the ChangeUp programme between 2004 and 2008 when they were replaced by nine new National Support Services. Their primary role was to provide advice, support, training, toolkits and other resources to local organisations supporting the third sector. However, they also commissioned a range of research and reviews to inform delivery at a national level, and provide an information resource for local support providers.

A list of all of the reports and reviews produced by the Hubs of which we are aware is set out below. It is possible that the list does not cover all Hub outputs in 2004–06, prior to Capacitybuilders taking responsibility for the ChangeUp programme, but does include all outputs from that date.

| *Hub* | *Report* |
|---|---|
| Performance | — "Full Value: Public services and the third sector" (2008)<br>— "Benchmarking in the third sector" (2008)<br>— "Third Sector Peer Review: Report of a Pilot Project" (2008)<br>— "Banking on outcomes for the Third Sector: Useful? Possible? Feasible?" (2007)<br>— "Performance and Race Equality Project: Research Report" (2007)<br>— "Successful strategies: Real learning from real experiences" (2007)<br>— "Advice in the future: scenarios and issues for the future of the advice sector" (2007)<br>— "Tools for strategic planning: What works best" (2007)<br>— "The use of outcome measurement systems within housing and homelessness organisations" (2007)<br>— "To Drift or Set Anchor: Long term strategies to steer you through the funding environment" (2006)<br>— "A Study on Performance Diagnosis for the Performance Improvement Hub" (2005) |
| Volunteering | — "A Winning Team? The impacts of volunteers in sport" (2008)<br>— "The impact of public policy on volunteering in community-based organisations" (2008)<br>— "Volunteering to lead: a study of leadership in small, volunteer-led groups" (2008)<br>— "Management matters: a national survey of volunteer management capacity" (2008)<br>— "The Commission on the Future of Volunteering: Results of the public consultation" (2008)<br>— "Developing the tools for "building on success" (2007)<br>— "A Sustainable Funding Framework for Volunteer Centres" (2006)<br>— "Small Firms and Employer Supported Volunteering: Developing a Strategy to Take Forward the Work of Volunteering England" (2006)<br>— "On the safe side: Risk, risk management and volunteering" (2006)<br>— "Working with Volunteers: A management guide for refugee community organisations" (date of publication unknown)<br>— "Volunteering for Everyone: A guide for organisations that want to include and recruit volunteers who have a learning disability" (date of publication unknown)<br>— "Involving Ex-Offenders in Volunteering" (date of publication unknown) |
| Workforce | — "National Accredited Trustee Learning Programme: Evaluation report (2008)<br>— "Voluntary Sector Skills Survey 2007 England" (2007)<br>— "The UK Voluntary Sector Workforce Almanac 2007" (2007)<br>— "Research into the training and learning needs of Black and minority ethnic workers employed in local infrastructure organisations (voluntary and community sectors)" (2007)<br>— "Review of Sector Skills Councils websites and Sector Skills Agreements from a voluntary/third sector perspective" (2007)<br>— "Young People's Perception & Attitudes of Working in the "Voluntary, Community & Charity Sector"' (2006)<br>— "Pathways into employment in the voluntary and community sector: An evidence review" (2006)<br>— "Funding opportunities for accredited voluntary sector training in England" (2006)<br>— "Third Sector, First Choice: Exploring the viability of a new scheme to attract graduates to the voluntary and community sector as the first stage in building their career" (date of publication unknown) |
| Governance | — "For Love and Money: Governance and Social Enterprise" (2007)<br>— "A Matter of Common Sense? A report on the attitudes and approaches of funders to the governance and workforce development costs of voluntary and community organisations" (2006)<br>— "A research report on the approach of voluntary and community organisations to planning and budgeting for workforce and governance development" (2006)<br>— "Building governance and workforce capacity in the CVS" (2006)<br>— "Chairs of Voluntary and Community Organisations: Support and Learning Needs" (2006)<br>— "Governance Advisors Support Need Analysis" (2006) |

| *Hub* | *Report* |
|---|---|
| | — "Mapping Governance Learning and Support for Chairs in England" (2006) |
| | — "Measuring Governance Performance" (2006) |
| | — "Support and Resource Needs of Trustees and Chairs in Voluntary and Community Organisations" (2006) |
| | — "Unambiguous advice on the liabilities of trusteeship: Qualitative research and analysis" (2006) |
| ICT | — "Sources of funding for ICT projects and initiatives" (2008) |
| | — "ICT Hub Evaluation: Final Report (2008) |
| | — "Shared Systems Research" (2008) |
| | — In search of cost-effective ICT services for the Third Sector: Is Social Enterprise the solution? (2008) |
| | — "Report on 2007 extension to Baseline Research" (2007) |
| | — "IT Funding for Charities Survey" (2006) |
| | — "Making connections: What the voluntary sector told us about telephony" (2006) |
| | — "Report on Baseline Research and Evaluation Framework" (2004) |
| | — "ICT Hub Accessibility Research" (date of publication unknown) |
| | — "Key software solutions for the VCS: What"s available and how it can be used to improve operational performance" (date of publication unknown) |
| | — "Sampling Survey of Free and Open Source Software (FOSS) in the Voluntary and Community Services Sector" (date of publication unknown) |
| | — "Campaigning and consultation in the age of participatory media" (date of publication unknown) |
| Finance | — "The Decline of Local Authority Grants for the Third Sector: Fact or Fiction?" (2008) |
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| | — "Talking at Cross Purposes: Why the public and third sectors need to speak a common funding language" (2008) |
| | — "Is Best Value Good Value? Why public sector commissioning isn"t producing better outcomes" (2008) |
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| | — "Intelligent Funding: From Vision to Reality" (2008) |
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| | — "Pulling in the Same Direction: Why third sector capacity building needs cross-sector co-ordination" (2008) |
| | — "Feasibility Study for a Proposed Funding Advisors National Network" (2008) |
| | — "The Potential for Mainstreaming Rural Investment" (2008) |
| | — "Trading to Create New Income Streams" (2008) |
| | — "Building third sector capacity: encouraging surer funding and asset transfer" (2007) |
| | — "Mapping of Funding Advisers Networks in England and Implications for a Funding Advice National Network" (2007) |
| | — "Why grants are important for a healthy local CVS; A study of four local authorities" policies" (2007) |
| | — "Supporting Advisors: Training and Development Opportunities Evaluation Report" (2007) |
| | — "BME VCS Policy and Advocacy (Phase 2 Report)" (2007) |
| | — "Analysis of Community Accountancy Services in England and Strategic Implications" (2006) |
| | — "BME VCS Policy and Advocacy Research Report" (2006) |
| | — "Progress Report on the work of Funders" Forums in England" (2006) |

The vast majority of the material and resources produced by the National Hubs will soon be available on a new website, www.improvingsupport.org.uk, which is due to go live later this month.

*5 May 2009*

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**Memorandum from CASH (Community Accountancy Self Help)**

Community Accountancy is about teaching people how to run the finances of small charities and community organisations, which often provide very important local services. A Community Accountancy Service (CAS) will teach local people how to write an organisation's budget, set up and run books of account, produce a finance report for trustees, put in place controls to reduce the risk of fraud, focus on efficiency, calculate and pay taxes.

It may be helpful to the committee if some questions were asked around the following subjects:

> Research was undertaken in 2006 into the community accountancy needs of small charities in England by Community Accountancy Self Help (CASH), the Community Accountancy National Network (CANn) and Sheffield Hallam University. The work was funded at a cost of £50,000 by the Finance Hub who were funded by Capacitybuilders.

This work revealed that:

- There is a 90% short fall in the supply of community accountancy.
- That 1,000 more community accountants would fill this gap.
- People from black and minority ethnic (BME) communities are three times more likely to use a community accountancy service than white people.

This research is available at: http://www.cash-online.org.uk/content/3/65

Further work funded by Capacitybuilders through the Finance Hub established:

- A kit for setting up a Community Accountancy Service.
- A Quality Assurance System for running a Community Accountancy service.
- A business case for community accountancy which indicated that Community Accountancy increases the tax take by HMRC because small voluntary organisations learn how to operate PAYE and so bring casual and other employees in to the tax system.
- Each £1 spent on Community Accountancy generates £5 in extra services and tax for HMRC.

Capacitybuilders stopped funding community accountancy in the financial year 2007–08 and no further work has taken place on rolling out the quality assurance system or increasing the number of community accountants in England. Applications have been made to Capacitybuilders, but they were rejected. The expenditure to date by Capacitybuilders has been pretty pointless because the work has been shelved.

Capacitybuilders was also responsible for work force development in the Third Sector. Charity finance involves fund accounting, not profit and loss because funding is provided to be spent on specific activities rather than to provide a service and profit for share holders. The principles are very different from private sector accounting. Are you aware that you cannot study at a local College of Further Education to be a treasurer of a local charity. There are no charity accountancy qualifications funded by the Learning and Skills Council that are available throughout England. A few charity finance qualifications are delivered by Universities in London, but that is not very helpful if you live 100 miles away.

Are research reports commissioned by Hubs and Capacitybuilders ever read by people in the Office of Third Sector? Does anybody ever collate all these reports to find out what the most significant information is rather, than what the most lobbied for information is?

How many reports have been commission by Capacitybuilders and the Hubs and what was the total cost?

Do you have a view of the stop start nature of Government programmes that are focused in community cohesion and is community cohesion a luxury that we can pay for from time to time or an essential part of the fabric of our society? Examples of programmes that have come and gone are: Task Force, City Challenge, Urban Aid, Single Regeneration Budget, Community Empowerment Fund, Neighbourhood Renewal. There are often big gaps between a fund ending and a new one starting during which time small community groups have to struggle with nothing or close.

I hope the above is helpful.

*Tom Fitch*
*Chief Executive*

*22 April 2009*

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