

FULL REGULATORY IMPACT ASSESSMENT

STRENGTHENING PARTNERSHIPS: NEXT STEPS FOR COMPACT

INTRODUCTION

This draft full Regulatory Impact Assessment (RIA) deals with the Government's consultation on the further development of the Compact to improve the relationship between the voluntary and community sector (VCS) and public sector bodies in England. It builds on the initial RIA published with the consultation document *Strengthening Partnerships: Next Steps for Compact* on 22 March 2005¹. The consultation closed on 12 July. The consultation paper can be obtained from the Home Office website at www.activecommunities.homeoffice.gov.uk. The responses to the consultation have been analysed. This full RIA deals with recommendations by the Home Office and with the Compact Working Group (CWG)² to take forward the findings from the consultation. These were developed through a "Next Steps" working group of officials from the Active Communities Directorate of the Home Office and representatives of the CWG. These recommendations were announced at the annual meeting³ to review the Compact held on 30 November.

PURPOSE AND INTENDED EFFECT

2. The aim is to achieve more effective partnership working between Government and the voluntary and community sector. The Compact is the framework for the relationship. By strengthening the Compact the aim is to develop a more robust relationship, and in doing so to level the playing field for voluntary and community sector organisations and unlock their potential for greater activity leading to better outcomes for communities. This is part of the Government's broader strategy to create an environment where a competent, confident and independent voluntary and community sector can flourish, and the contribution of voluntary and community action to improving the quality of life in local communities is maximised.

BACKGROUND

3. The Compact on relations between the Government and voluntary sector was adopted in 1998 and sets out a series of principles and undertakings to govern the relationship. It applies to Government Departments, their executive agencies, Government Offices for the Regions, Non-Departmental Public Bodies and VCS organisations. It is designed for mutual advantage, represents a shared vision, and operates on a voluntary basis. It reinforces the distinct but complementary roles of government and the sector. For example government recognises the sector's right to independence, and the sector undertakes to operate through open and accountable organisations. Five Codes of Good Practice set out the detail that guides particular aspects of the relationship: on Funding and Procurement, Consultation and Policy Appraisal, Black and Minority Ethnic (BME) voluntary and community sector organisations, Volunteering and Community Groups. Local Compacts adapt the national framework to suit local circumstances, and govern the relationship at local level. These have been used as an important means to increase mutual understanding of the public sector and the VCS.

CONSULTATION

4. In publishing the consultation document *Strengthening Partnerships: Next Steps for Compact*, the views of the following were sought within Government:

¹ The initial RIA also dealt with proposals on the future of ChangeUp, the framework for building VCS capacity and infrastructure – a further RIA for ChangeUp will be completed separately.

² Compact Working Group (CWG) – CWG represents the VCS when working with government at a strategic level on the Compact.

³ This is the annual meeting between government (represented by ministers, departmental officials and the Local Government Association) and the sector (represented by the CWG).

- Office of Deputy Prime Minister
- Department of Health
- HM Treasury
- Cabinet Office
- Department for Work and Pensions
- Department for Education and Skills
- Charity Commission
- Department for Culture Media and Sport
- Department of Environment, Food and Rural Affairs
- Department for Constitutional Affairs
- Department for Trade and Industry
- Government Offices for the regions

5. The consultation was carried out between 22 March and 12 July 2005. Feedback was received through written responses to the consultation, through questionnaire flyers, from feedback from consultation events, and from two reports from consultants from commissioned to engage the view of organisations in the BME sector, and from community groups and VCS organisations in rural areas.

Category	Written response	Flyer response (these figures are approximate only)
VCS infrastructure/umbrella body	48	185 (VCS total)
VCS front-line organisation	20	
Public sector body (or funding body)	47	24
Cross sector network	28	2
Other	5	10
Personal response	9	
Total	157	221

6. There were 12 dedicated consultation events including 3 national events (one organised by the Active Communities Directorate, one with the LGA, and one with NACVS/Local Compact Developers Network) and 9 regional events.

OPTIONS

7. The challenges: the Compact and its Codes are lengthy (approximately 140 pages in all) and can be difficult for a public sector body or VCS organisation to follow in deciding whether it is compact compliant; there is evidence of poor practice among both public sector bodies and the VCS in the area of funding; and there is no mechanism to recognise good practice or highlight behaviour which is not compliant with the Compact. More needs to be done to improve compliance with the Compact and change the way government and the sector engage with each other.

8. The recommendations on Strengthening Partnerships are designed to address the effectiveness of the relationship between government and the VCS and ongoing risks to this relationship through limited implementation of the Compact.

9. The consultation document published in March 2005 proposed to strengthen the Compact with a set of enhancements which would form the basis of Compact Plus. Compact Plus would be a simpler process under which it is clearer to organisations whether their behaviour is compliant or not. It would involve distilling the principles of the Compact and associated codes into a set of core Compact Plus commitments (with a stronger emphasis on the funding relationship), and establishing an accreditation scheme (which could involve the introduction of a kite mark scheme in a similar way to the Investors in People standard) to demonstrate those opting into Compact Plus are fully committed to it. They would be able to draw on the support of

a new Compact Champion or Commissioner who would oversee the relationship between government and the VCS, with responsibility for assisting organisations in understanding what membership of Compact Plus means. The Champion would adjudicate on complaints, and would be responsible for ensuring that only those organisations which are adhering to the principle of Compact are able to maintain their Compact Plus status.

10. Those affected by the consultation are front-line (first tier) and infrastructure (umbrella or second tier) VCS organisations that have a relationship with government, and public sector bodies covered by the national Compact or involved in/with an interest in Local Compacts will benefit from the recommendations. See paragraph 3 above. The Commissioner would oversee both the implementation of the existing Compact and Compact Plus (which is to build on the Compact, which remains basis for the relationship between government and the sector, and the processes and partnerships which continue to develop with Local Compacts, representing an evolutionary step forward). Front-line and infrastructure/umbrella VCS organisations, and public sector bodies could explicitly demonstrate their commitment to an enhanced relationship under Compact Plus.

11. The options are to do nothing, to implement the proposals from the consultation document with further work as supported by the consultation, or to implement the proposals in full now:

- Option 1. 'Do nothing': to continue with the current framework of the Compact on Relations between Government and the Voluntary and Community Sector in England and the five supporting Codes of Good Practice. There is a risk that the relationship between Government and the sector will not be as strong as it should, that there will continue to be uncertainty over circumstances when the Compact and Codes have been breached and that it will lose credibility.
- Option 2. To move forward with Compact Plus and establish an independent Compact Commissioner (the responses to the consultation suggested Commissioner could be a better term than Champion), to oversee and promote the Compact including Compact Plus. The Commissioner would be an independent person with clear visibility for both the sector and government who can provide leadership across both on the Compact. They could work on refining a clear and succinct statement of Compact Plus commitments, to simplify and clarify these to promote better understanding, and on assessing the feasibility of an accreditation scheme, following further analysis to be commissioned, as one of the mechanisms to give the Commissioner teeth. This is the recommended option. The responses to the consultation⁴ indicated widespread support for an independent Champion or Commissioner, and the principles of Compact Plus. They also indicate that successful implementation of the Compact Plus commitments and accreditation scheme depends on proper assessment before implementation.
- Option 3. Begin work on the full proposals in the consultation document on Compact Plus now. As noted above, the results from the consultation indicate broad support for a Compact Commissioner, streamlining the Compact and codes into a core set of commitments, and for implementing a mechanism for accreditation and assessment. But these also highlight a need to address uncertainty over the detail of the proposals, how Compact Plus will work at local level, ensure Compact Plus will be able to meet the range of needs across different groups, and ensure implementation of a mechanism for accreditation builds on existing processes to limit bureaucracy.

12. Our recommendations focus on option 2 above, with work now on how Compact Plus could work in practice, and to appoint an independent office of a Commissioner and agree his/her remit. Work will involve commissioning analysis on establishing the bridge between Compact Plus and Local Compacts and also on existing accreditation schemes to help the Commissioner assess the feasibility of introducing one for Compact Plus. This involves working with the

⁴ MORI were commissioned to analysis the responses to the consultation and have produced a report of their findings which is available at www.thehomeoffice.gsi.gov.uk .

Commissioner on longer-term work to refine the Compact Plus commitments and take forward ideas on an accreditation scheme.

COSTS AND BENEFITS

13. Implementation of the recommendations will have the following benefits:

- Result in better implementation of the Compact. The Compact and codes set out the rules of engagement between government and the VCS. These are aimed at achieving a cultural change in how the two sides can better work together, to improve outcomes for the communities they serve. For example, the Compact supports the independence of the sector, and it encourages the engagement of communities in producing policies and services that affect them.
- The recommendations hinge on developing the Compact's strengths while introducing mechanisms to address poor practice. It is essential to have effective working relationships in place to support greater partnership between government and the VCS. A strengthened Compact framework should benefit the VCS by providing a more stable environment for it to operate in, and benefit public sector bodies by encouraging them to do more, and to work in a more efficient way with the VCS, to produce better policies, programmes and public services.
- The recommendations on Compact Plus and the Compact Commissioner have been published in response to criticism that the relationship between government and the VCS could operate better, particularly the funding relationship. If the funding aspects of the relationship were clearer, there should be better value for money, as a better relationship will help VCS bodies to focus on outcomes, rather than, for example, consume resources on transaction costs (through short term funding arrangements, onerous monitoring and reporting regimes).
- Under the recommendations there would be an independent office led by the Compact Commissioner – he/she would have the advantage of sitting between government and the VCS, and develop a clear voice and identity. The appointment will ensure the Commissioner is able to influence a wide range of VCS and public sector bodies, to help to strengthen the partnership in a way that benefits both sides. The Commissioner would be involved in shaping Compact Plus at the outset. He/she will be responsible to promoting best practice and putting right poor practice. Compact Plus will make the Compact commitments clearer and stronger, highlighting or making it simpler to understand where these are not being delivered, and provide more support to organisations in achieving good practice (including through the promotion of Compact/Compact Plus, ensuring guidance remains fresh, and peer and thematic reviews).
- The role of the Compact Commissioner will be an inclusive role, to cover work with the range of both frontline and umbrella/infrastructure VCS organisations and public sector bodies to take up Compact Plus, and the wide range of organisations currently covered by the Compact and Local Compacts.

14. The principle costs in relation to enhancing the Compact would be for government. This would include:

- Appointing an independent Compact Commissioner to oversee Compact and Compact Plus, and helping him/her to establish a board and supporting staff;
- Funding the Commissioner to carry out functions. Under the recommendations the Commissioner would:
 - Oversee Compact and Compact Plus
 - Promote, evaluate and develop Compact/Compact Plus
 - Provide support to organisations at national and local level
 - Deal with breaches of the Compact and complaints
 - Arrange peer and thematic reviews

- Take forward work on refining a core set of Compact Plus commitments in consultation with key stakeholders
- Take forward work on assessing the feasibility of an accreditation scheme.

15. The annual costs for this model would be in the range of £1.6m to £2m and there would be additional set up costs in the first year of up to £0.4m.

16. There are potential cost implications for individual organisations and partnerships. In opting into Compact Plus there is an expectation that resources will be committed by bodies (both public sector and VCS) to ensuring that practices conform to Compact Plus commitments. Compact Plus aims to strengthen the current Compact framework, and we do not envisage the work to be significantly over and above what's needed on the current arrangements, except that there could be some administrative work and potentially other work felt necessary to engage members and partners. (Under existing Compact arrangements, it is understood that extra resources have not been allocated for Local Compact development in most areas but that work has been absorbed through existing resources, while in possibly a third of areas there has been specific resourcing by the public sector). In implementing the Compact Plus proposals it is recognised there will be a need to avoid any duplication of existing effort or additional bureaucracy.

17. Behind the recommendation to appoint a Compact Commissioner is the agreed view that they should create links with other regulatory and inspectorate bodies to avoid overlap and to create economies of scale.

ASSESSING THE IMPACTS

18. Under the recommendations to strengthen the Compact, the Commissioner should be asked to take forward the core Compact Plus commitments. The aim is that these will be clearer and more succinct, and make it simpler for bodies to understand what they need to do to be Compact compliant. A wide range of public sector bodies and VCS organisations are covered by the existing Compact/Local Compacts and the idea is that Compact Plus will help with realising implementation of existing commitments.

19. To assist the Commissioner, our recommendations include the commissioning of analysis into building the bridge between Compact/Local Compact and Compact Plus to ensure all parts of the sector are involved and the move to Compact Plus is achievable for those working at the local level. Part of this work will be to assess the feasibility of Local Compact partners to agree to opt in to Compact Plus. It will be recognised in taking work forward that Compact Plus should build on existing Compacts, and any set of core commitments should be implemented so as to enhance existing agreed Compacts or those shortly to be reviewed.

20. Under the recommendations, the Commissioner should also be asked to undertake work on assessing the feasibility of an accreditation scheme. The response to the consultation indicated that there needs to be a mechanism to address poor practice, particularly over funding, and support for implementing an accreditation scheme. It also led to the view that successful implementation depends on proper assessment. New accreditation processes must build on existing processes to avoid red tape or over-regulation.

21. The Home Office should commission analysis on comparing and contrasting existing accreditation schemes, to inform work by the Commissioner on the feasibility of introducing an accreditation scheme or kitemark. The work on the feasibility of an accreditation scheme:

- will carefully weigh up the pros and cons of introducing a scheme, in particular to ensure the VCS is not exposed to onerous monitoring requirements or duplication of effort with any other schemes
- look at how to create incentives for opting in
- look at what redress would be needed if behaviour is not compliant
- how to build on, or draw from, existing accreditation schemes, thus avoiding placing unnecessary monitoring and regulatory burdens.

22. Strengthening Partnerships: Next Steps for Compact asked whether a charge should be levied for opting into Compact Plus, and for participating in the peer review process. Charges could potentially apply to public sector bodies and to voluntary and community sector organisations, with a sliding scale according to size. The report analysing the findings from the consultation noted that charges for opting into Compact Plus were unpopular because this could be considered to be a deterrent. The Commissioner will need to carefully assess the issues involved in considering the feasibility of an accreditation scheme, and will need to consider the resourcing of peer reviews.

SMALL FIRMS IMPACT TEST

23. We do not expect any impact on business. The proposals are directed to the public and voluntary and community sectors. See section below.

COMPETITION ASSESSMENT

24. The recommendations relate to public and VCS bodies only. We do not believe these cause any issues of unfair competition.

25. The recommendations that are the subject of this RIA support levelling the playing field, to ensure the VCS can operate on equal terms with the public and private sectors. The sector is often constrained by poor funding and procurement practices, for example some of the problems are lack of understanding of the full costs of providing a service, short term funding models, and disproportionate monitoring systems for the amount of funding involved. The aim is to give the VCS a fair opportunity to take on more public services. The recommendations will also help the VCS to achieve a more equal footing in partnerships with the public sector to contribute to shaping the way services and policies are delivered, and provide a voice for communities.

RACE EQUALITY IMPACT ASSESSMENT

26. The consultation document Strengthening Partnerships: Next Steps for Compact⁵ sought views on how the proposals for Compact Plus would meet the diverse needs of the VCS. In addition to responses sent in directly from VCS organisations and public sector bodies, two reports were commissioned by consultants to gather views specifically of organisations in the BME sector, and of community groups and VCS organisations in rural areas. Also, of the consultation events held, there was an extra event specifically for the BME sector in London, and a North East event took account of specific feedback from a BME groups meeting.

27. The findings of the analysis of the consultation included concern that Compact Plus needs to be able to meet the vast range of needs across different sectors and groups, and the need to ensure smaller organisations are not further disadvantaged if not able to have the resources to become Compact compliant.

28. The recommendations for following up the consultation reflect the need to ensure developments on the Compact and Compact Plus work at local level, and do not marginalise VCS bodies that may not want to sign up to Compact Plus formally but that still want to use Compact ways of working. And BME, small groups and rural groups should not in any way be marginalised but are assisted with new arrangements. The analysis to be commissioned by the Home Office on the bridge with Local Compacts will take account of the need to avoid a two-tier VCS (ie not to exclude those who choose not to opt into Compact Plus, which is a particular concern for small bodies, rural bodies and BME groups).

29. The work on Compact Plus with the Compact Commissioner on assessing the feasibility of an accreditation scheme, and the consultancy work commissioned to inform this, will also need to take proper account of implications for BME and small groups.

⁵ The draft set of core Compact Plus commitments in the consultation document covered the need to work with the breadth of the VCS, including small community organisations, social enterprises, BME organisations, faith and rural groups. It also covered the need to embrace diversity and work to improve community cohesion and reduce inequalities.

30. The Commissioner will be asked to promote Compact and Compact Plus across all parts of the sector to ensure that they work in an inclusive way. We will work with the Commissioner to ensure diversity issues (including disability, gender, and other issues in relation to developments in public sector duties) are addressed.

31. A recent BME awayday was funded by the Home Office to inform and consult further with the sector on Compact Plus (as well as on the development of the Capacity Builders agency business plan, and the Active Community Directorate's strategic grants review).

ENFORCEMENT AND SANCTIONS

32. The proposals in the consultation document to deliver Compact Plus included an accreditation scheme, which could involve the withdrawal of accreditation for non-compliance. We are now recommending that the Compact Commissioner takes forward further work to assess the feasibility of introducing an accreditation scheme before this can proceed. The consultation document asked whether there was agreement that there should not be an option to impose financial penalties or award compensation on organisations where Compact Plus had been breached. Responses to the consultation did not favour penalties, as this was not felt to be in the spirit of constructive collaboration and could be detrimental to partnership development. But there was some support for redress where a VCS organisation has suffered as a result of non-compliance by a public sector body, and Compact Plus is seen by some as having the potential to reduce vulnerability in this respect for some VCS groups. The work on the feasibility of introducing an accreditation scheme will need to cover the issue of redress behaviour is not compliant.

IMPLEMENTATION AND DELIVERY PLAN

33. The recommendations which are the subject of this RIA were considered at the annual meeting to review the Compact on 30 November 2005. The meeting agreed these, and work will now begin to appoint a Compact Commissioner, and to commission research on establishing the bridge between Compact Plus and Local Compacts, and on existing accreditation schemes. There will be joint working between the Home Office and CWG on the appointment of the Compact Commissioner (the appointment process would directly involve the Chair of the CWG or his designated representative), and on the development of Compact Plus.

POST-IMPLEMENTATION REVIEW

34. The development of the Compact and Compact Plus will be considered through future annual review meetings with government and the VCS.

35. The need for review would be built in to the role and structure of the Compact Commissioner to ensure the office is achieving its objectives in an effective way.

36. The CWG will review its current remit and structure to reflect developments on the Compact and Compact Plus.

SUMMARY AND RECOMMENDATION

37. This RIA deals with the recommendations agreed at the Compact annual review meeting to follow up the consultation on Strengthening Partnerships: Next Steps for Compact. ACD will work with the CWG to implement the recommendations. This should result in stronger partnerships between the VCS and public sector, through work on a clearer set of Compact commitments, the assessment of an accreditation process, and the establishment of the office an independent visible Compact Commissioner who can give direction and support to bodies working towards better Compact implementation.

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