

# Strategic Review of Department of Health Funding of Third Sector Organisations: Consultation Document

*December 2007*



# Strategic Review of Department of Health Funding of Third Sector Organisations: Consultation Document

**DH INFORMATION READER BOX**

Policy HR/Workforce Management Planning Clinical	Estates Commissioning IM&T Finance <b>Social Care/Partnership Working</b>
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<b>Description</b>	The Third Sector funding and investment review is seeking to turn the current piecemeal arrangements for funding third sector organisations into a strategic portfolio of investments that are explicitly linked with DH priorities. Consultation will run until 20th March 2008. Feedback and publication of a response document is expected early Summer of 2008.
<b>Cross Ref</b>	Report of a review group established to examine the use of power to make grants under Section 64 of the Health Services and Public Health Act 1968 September 2003
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<b>Contact Details</b>	Carolyn Heaney / Olivia Butterworth Third Sector Partnership Team Room 5E40, Quarry House Quarry Hill, Leeds LS2 7UE 0113 2545450 <a href="http://www.dh.gov.uk/thirdsectorfundingreview">www.dh.gov.uk/thirdsectorfundingreview</a>
<b>For Recipient Use</b>	

# Foreword by the Minister for Care Services

Having been involved in the voluntary sector all my working life before entering the political world, I am committed to strengthening and developing the role of voluntary organisations and the wider third sector, harnessing their skills and commitment to innovation and to improving people's lives throughout our society. Since my appointment as Minister for Care Services, I have seen at close quarters the invaluable impact the sector can have in supporting people who use health and social care services to live independently and improve their health and well-being.

In this context, I have long spoken of my desire to undertake a fundamental review of the Department of Health's (DH's) funding of third sector organisations. The sector has key roles as mainstream partners in the context of improvement and reform across the health and social care system. It is critically important that the approach we take at national level to funding and investment in the sector reinforce those integral roles.

The purpose of this review is to develop a framework for strategic investment in the sector by DH and transform the current, rather piecemeal, arrangements for funding the sector into a strategic portfolio of investments that will more explicitly support the delivery of the Department's objectives and priorities for health and social care. This consultation document sets out the vision of a more strategic approach to DH's investment in the sector, that reinforces the sector's value in a way that reflects the Department's role in creating the conditions for innovation and improvement in service delivery across health and social care.

I am delighted, now, to be launching this consultation process to inform the review, and urge you to take part in the consultation and have your voice heard. Together, we can debate how and where the sector can make a sustainable difference to the health and well-being of local communities in England, and how the financial relationship between it and the Department can support that role more effectively.

**Ivan Lewis**

# Strategic Review of Department of Health Funding of Third Sector Organisations: Executive Summary

## DH's current approach to third sector funding has strengths and weaknesses

Whilst DH Funding:

- Enables third sector to contribute to achievement of policy objectives
- Enables its initiatives to obtain funding outside local commissioning priorities
- Often acts as a lever for access to other sources of funding
- Enables flexibility through grants that are not available through contracts It does however lack:
- Strategic direction and coherence
- Overall evaluation and benefits realisation
- Mechanisms to sustain valuable projects
- Assurance of diversity, inclusivity and equality
- Cost-effective delivery arrangements
- Effective links to local health and social care commissioning priorities
- Explicit links between S64 project funding and the Social Enterprise Investment Fund, and
- Adequate exploitation of potential links across Government

## DH proposes, for consultation, a new strategic approach to its funding of the sector that ...

Focuses funding on:

- Investment in strategic partners
- Supporting innovation, excellence and service development
- Promotion and support for volunteering
- Contracts where the sector's experience and expertise is required at national level

Through mechanisms underpinned by clear strategic principles that:

- Link priorities and objectives for increased cross-cutting impact
- Recognise and embrace the Compact
- Promote accessibility, inclusivity and equalities
- Provide fair, transparent and open processes
- Support robust but proportionate evaluation
- Accept risk-sharing and potential for failure as inherent to innovation and learning
- Value sustainability and security of investment, relevance to the wider delivery chain and appropriate synergy with other government departments

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# 1. Background and Context for the Strategic Funding and Investment Review

The Department of Health (DH) needs a strategic framework for its investment in the third sector

## Challenging vision for the future of health and social care services

People want NHS and community services that are safe, convenient and responsive to their personal needs

NHS reform is about creating a system that:

- Listens to users, and designs services to suit their needs and choices, and
- Improves quality, responsiveness, efficiency and equality of services

DH's role is to set overall policy, and create the conditions for improvement and innovation in service delivery

**Third sector is critical and integral to delivery of improved health and well-being in England**

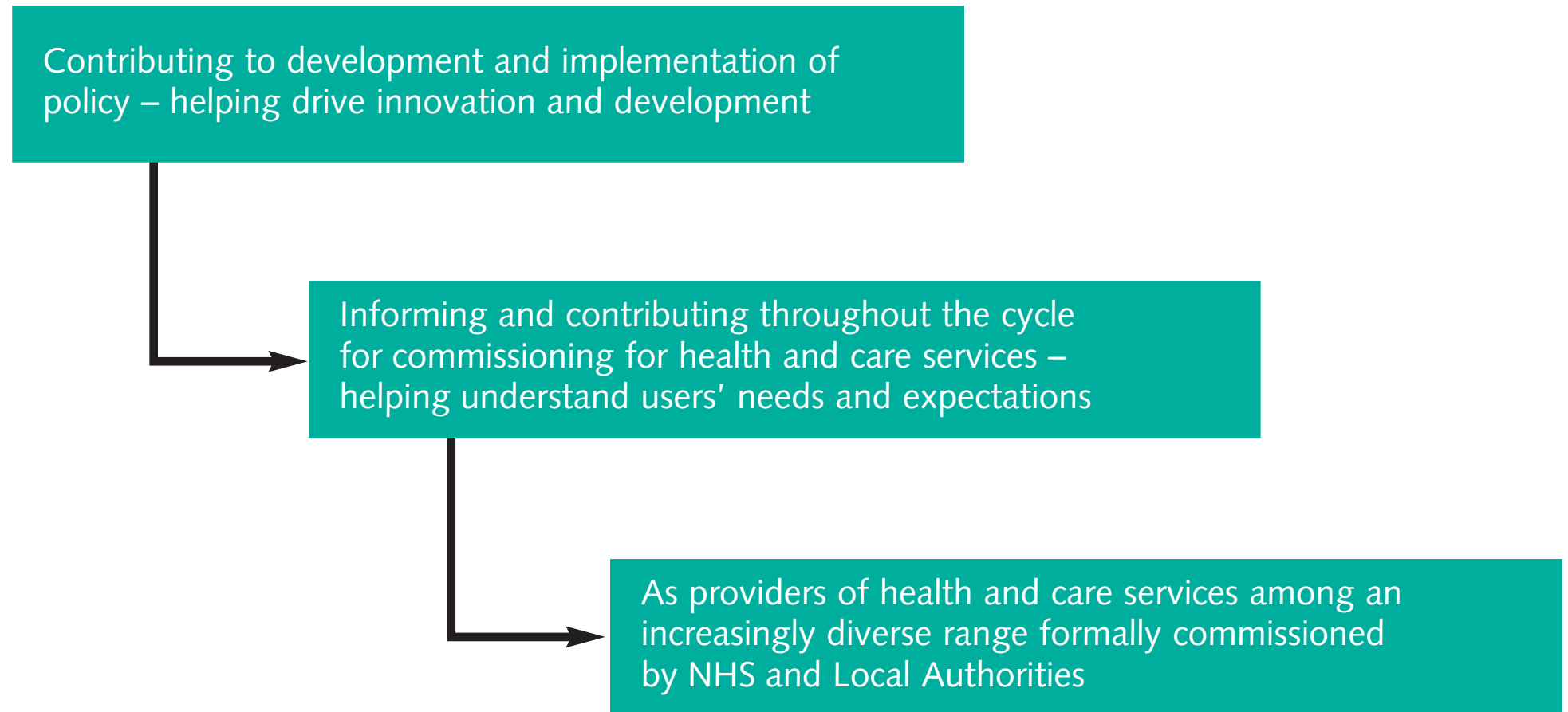
## Critical role for the third sector in Government's vision for social and economic regeneration

'Partnership in Public Services: An Action Plan for Third Sector Involvement' (December 2006) and 'The future role of the third sector in social and economic regeneration' (July 2007):

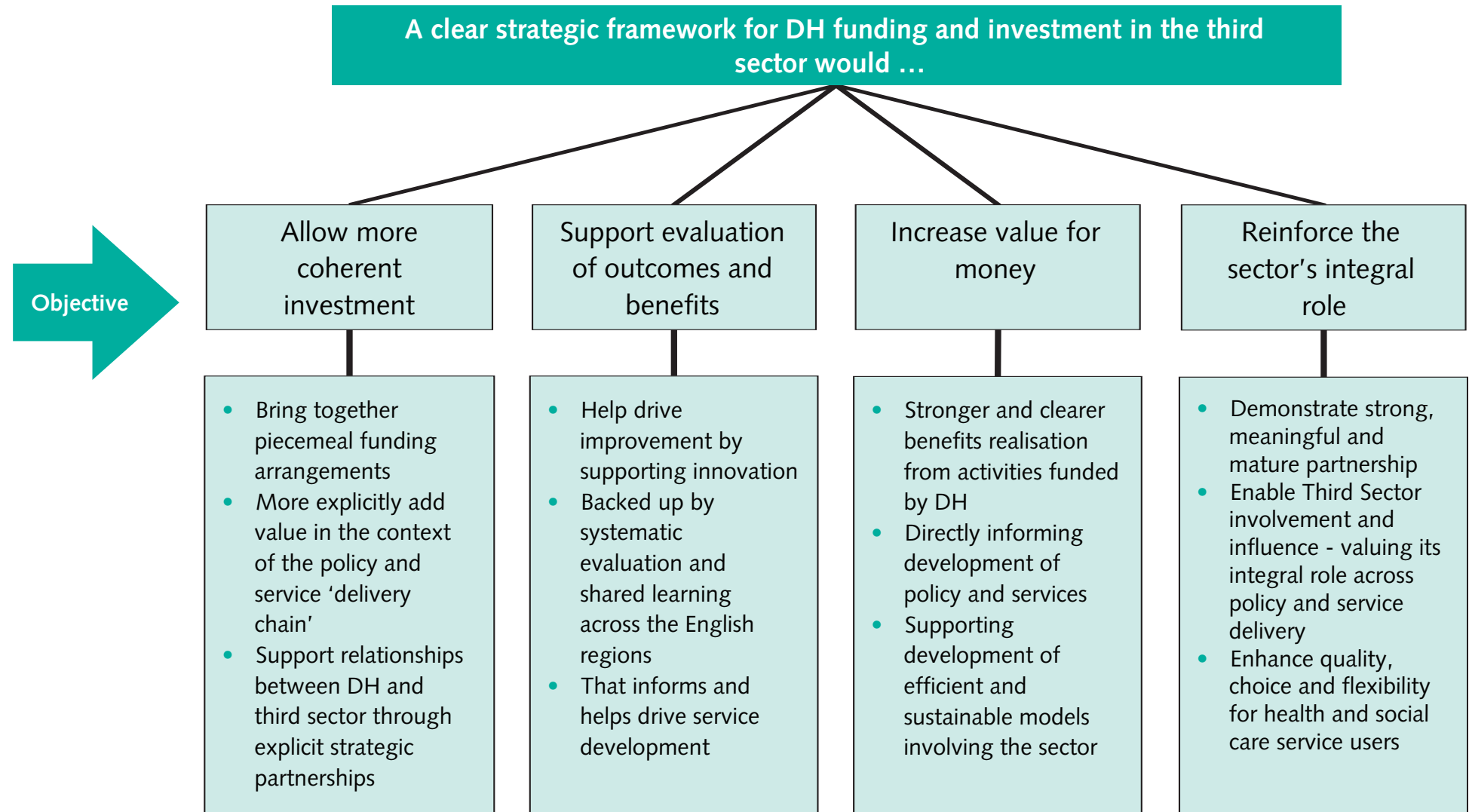
- recognised the many ways in which third sector should contribute across a range of policy and service delivery arenas
- articulated a vision for how Government and individual departments should maximise opportunities for the sector to contribute:
- Helping give Third Sector organisations a voice
- Supporting conditions for a thriving third sector
- Transforming public services
- Strengthening communities



Third sector is a mainstream partner in delivery at every level and quarter across the whole of the health and social care system



A more strategic approach to DH's investment in the third sector would be more consistent with its role in the health and care system



DH already invests substantially in the third sector at national level through a range of funding mechanisms

Level of investment (2006/07)	Funding mechanism	Number & type of receiving organisations
£17.2m	S64 General Scheme	Health and social care, advocacy and provider organisations
£6.7m	Opportunities for Volunteering Scheme	16 volunteer involving 'National Agents' disbursing grants to local projects
£1.45m	Social Enterprise Pathfinders Scheme	26 social enterprise pathfinders – Aspiring social enterprise organisations
£8.8m	Children's Hospice* (*Section 64 Specific Scheme)	Children's voluntary sector hospices and hospice at home schemes
£44.35 m	Commissioning & Procurement (Contracts & Grants)	Some examples: Expert Patient Programme (EPP); Anti-Smoking Campaign; Independent Complaints Advisory Service (ICAS)
<b>Total: £78.5m</b>		

## Existing funding mechanisms represent a variety of responses to a range of investment needs

- **Section 64 general scheme of grants\***

The general scheme of grants includes a large number [c.250] of 'core' grants, as well as a range of projects not otherwise supported under specific grants scheme. Where project grants support local activity they must demonstrate potential for wider application or national impact

- **Opportunities for Volunteering**

This scheme supports some 300 projects per year, a high proportion of which support local activity, normally over a 3year period, to enable third sector organisations to involve volunteers in health and social care activity

- **Social Enterprise Investment Fund & Pathfinders**

Set up to support development of social enterprise models to deliver innovative health and social care services.

- **Section 64 specific grants\***

Fewer in number, these tend to be large investments to respond to specific strategic challenges. Recent examples include:

- Children's Hospice & Hospice at Home – £27million over three years (2006 – 2009)
- Capital Bid Scheme for Hospices – part of the 'Dignity in Care for Older People' programme £40million capital (2007/08)
- User Led Organisations Development Fund – up to £850,000 (2007-08)

- **Other Grants**

In 2006-07 included, for example, Funding for the implementation of the Mental Capacity Act

- **Contracts**

DH contracts with third sector providers for a range of services, including expert advice/consultancy in the context of policy development, and some direct service delivery where national procurement is the most appropriate route

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\*Section 64 was reviewed in 2003, report published September 2003

## But there are strengths and weaknesses to the ways DH supports the third sector at present

### Strengths

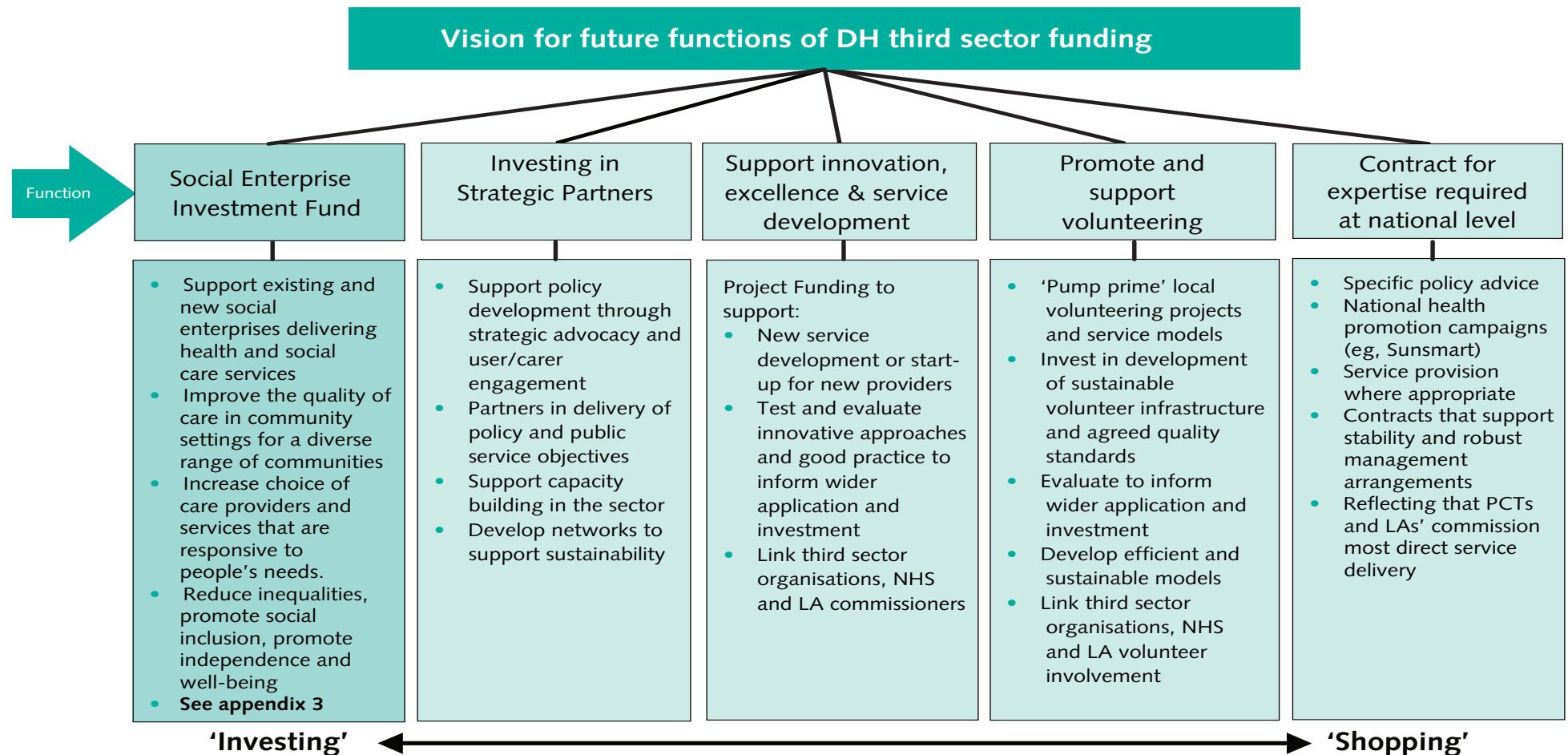
- Funding enables the third sector to contribute to achievement of policy objectives, and
- Enables third sector initiatives to obtain funding outside local commissioning priorities
- OFV Scheme supports valuable volunteering projects, national and local, and
- Is managed through experienced national delivery partners (National Agents)
- DH funding often acts as lever for access to other sources of funding
- Grant funding enables flexibility not available through contracts

### However

- DH investment lacks strategic direction and coherence, limiting cross-cutting impact
- No overall benefits realisation framework for assessing impact and outcomes
- No structures or mechanisms to support sustainability of valuable projects
- Some community interests have limited access, limiting potential equalities impact
- Programme delivery arrangements are fragmented and not cost-effective
- No effective links to local health and social care commissioning agendas and processes
- Limited scope for SEIF to support development of providers prior to 'investment readiness', and no explicit links between it and S64 project funding
- Limited exploitation of potential links across Government or alignment with other government funding schemes e.g. Capacity Builders, FutureBuilders

## 2. Vision for the future for Department of Health investment in third sector organisations

Now need a new strategic approach to managing DH's funding relationship with the third sector



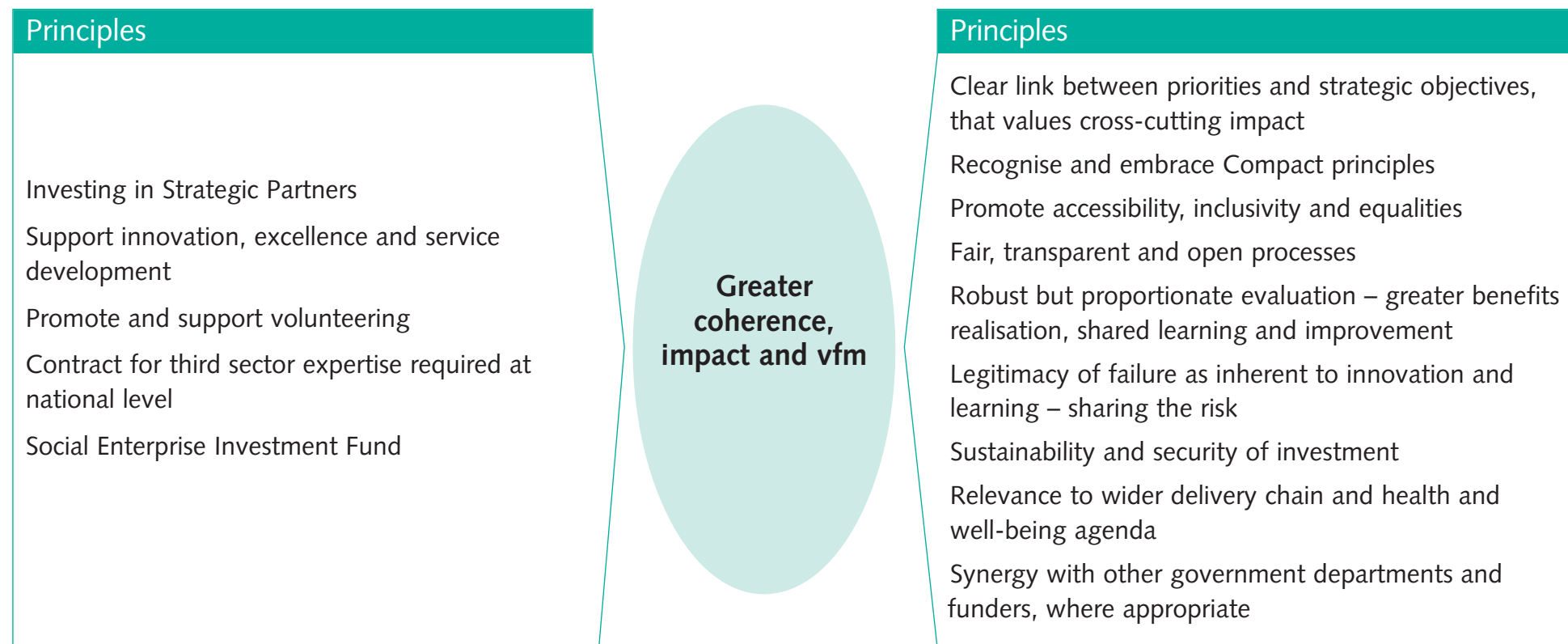
## Consultation questions:

**1.** How can the Department of Health's funding and investment in the third sector be improved to meet the objectives set out on slide 9?

- 1a.** Are the four functions of DH third sector funding set out on slide 14 the right ones to look at?
- 1b.** Are there any other functions we should consider?
- 1c.** Is the vision consistent with DH's role within the health and social care system?
- 1d.** How would it fit within the wider health and social care policy and service delivery chain?
- 1e.** How can we ensure that the functions are underpinned by strategic principles?
- 1f.** How does it link with other government funding schemes, eg, CapacityBuilders and FutureBuilders?

### 3. Underpinning principles for Department of Health investments in the third sector

Underpinning functions with clear strategic principles would increase coherence, impact and value for money





## Consultation questions:

**2.** What underpinning principles need to be enshrined in future funding mechanisms and processes, to ensure they are fit for purpose?

**2a.** Do you agree with the principles set out on slide 17?

**2b.** Are there any other principles we should consider?

**2c.** How can we ensure the principles genuinely underpin the key functions?

**2d.** How should risk sharing and management be developed between DH and third sector partners?

# 4. A Strategic Partner Model

Investment in strategic partners needs to change from a 'giving' to an 'investment' model

## From 'core' grants ...

'Giving' to provide general support where objectives coincide  
Un-restricted funding not linked to defined outputs or outcomes  
Inform policy development, but with limited rigour and transparency  
Risk of dependency and limited scope for mature business relationship



## ...To investment in an appropriate number

of strategic partners who  
Facilitate communication between DH and third sector  
Work collaboratively towards common goals both short and long term  
Contribute experience and expertise to policy development as 'critical friend'  
Support synergy with other government departments and statutory organisations  
Give 'voice' to service users and communities of interest  
Underpin strategic sector capacity, capability and credibility in health and social care system  
Support coherence between organisations in the sector – including support for smaller organisations

## Consultation questions:

### 3. Should the focus of existing DH 'core' funding shift to investment in 'strategic partners'?

- 3a.** How can DH make use of a 'strategic partner' model to improve the way it invests core funding?
- 3b.** What are the strengths and the weaknesses of the present system? What benefits could be gained from a 'strategic partner' model?
- 3c.** What could DH expect of a 'strategic partner'? What could a 'strategic partner' expect of DH?
- 3d.** Should strategic partnerships be exclusively at national level?
- 3e.** How should strategic partners be identified? What lessons can DH learn from experiences with other government departments?  
(see Appendix 2)
- 3f.** Are the roles for strategic partners identified on slide 20 the right ones to look at? Are there any other roles we should consider?  
(For example, should strategic partners have any role in helping set DH funding priorities for the sector?)
- 3g.** How should the scope of individual strategic partnerships be decided?
- 3h.** How should any potential conflict of interest for 'strategic partners' be avoided or resolved?

# 5. Investment to support innovation, excellence and service development

Project funding needs to include an explicit focus on supporting and driving innovation, excellence and service development

## From piecemeal project grants where ...

Pockets of good practice, but lack of strategic direction and coherence

Individually good projects are not supported to have cross-cutting impact

Structure of existing grant schemes limits relevance to wider delivery chain and health and well-being agenda

Lack of robust evaluation limits scope for shared learning and improvement

Limited sustainability and security of investment

## To investment that supports innovation and excellence

Systematically learn from innovative projects and promote sustainability and good practice

Develop new service models through seed corn/pump-priming projects

Test effectiveness of innovative solutions

Evaluate to inform wider application for greater cross-cutting impact and potential further investment

Increased relevance to wider health and social care system, enabling engagement with local commissioners

Support creation of new providers through startup development funding

## Consultation questions:

### 4. Should project funding include an explicit focus to support and drive innovation, excellence and service development?

- 4a. How can DH's project funding improve to support and drive innovation, excellence and service development?
- 4b. How does the current system support and/or hinder innovation, excellence and service development?
- 4c. What role should project funding have in supporting creation of new providers?
- 4d. Should there be a more explicit link between the Social Enterprise Investment Fund and project funding? If so, what should the relationship be?
- 4e. How can good practice and learning from successful projects be shared? What systems could be put in place to support evaluation and benefits realisation? Is there a role for an academic institution or external evaluation organisation?
- 4f. How can successful projects be supported to be more sustainable? How should DH innovation, excellence and development funding be linked with local commissioners?
- 4g. What other issues does there need to be clarity on (eg, appropriate treatment of intellectual copyright)?

The process for deciding *what* projects to fund needs to be less bureaucratic and more focused on where and how third sector organisations can add value. In terms of *how* ...

### From the current applications process that is ...

Oversubscribed with only 1 out of 10 applications being successful

Underpinned by priorities decided exclusively by DH and Ministers, with no involvement from the third sector

Limited in its scope to value cross-cutting proposals

Too onerous at Stage 1 in terms of level of financial detail required

Difficult for new or emerging organisations to access due to rigid criteria that potentially limits innovation

Allows limited discussion between DH and applicant organisations

Focused on 'process' for its own sake rather than 'content'



### To one that identifies the projects with most potential to add value ...

Fewer substantive applications, with greater chance of success

Funding priorities focused on where and how third sector can contribute to delivery of DH objectives

Strikes the right balance between:

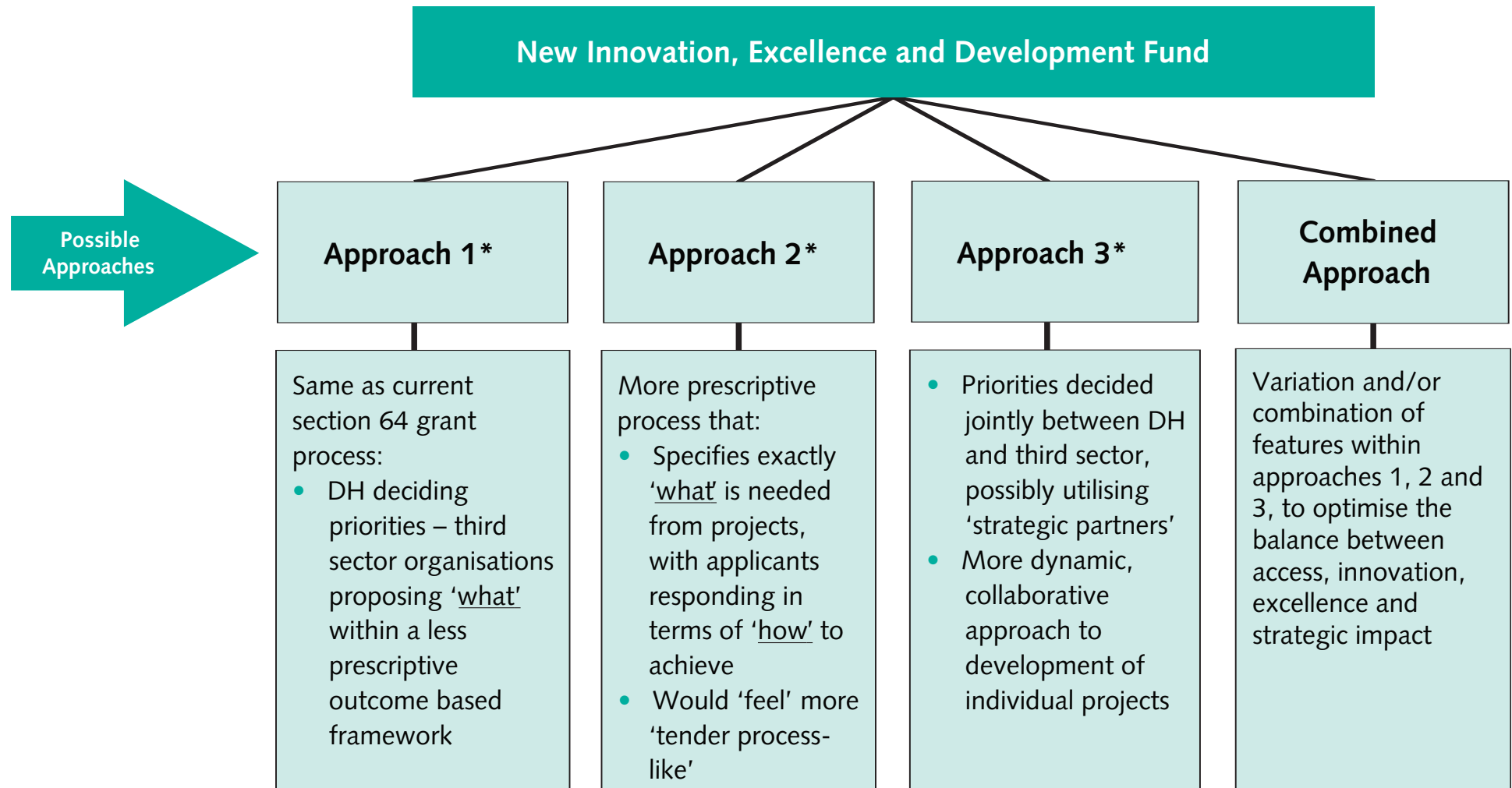
- Specifying exactly what is needed for some projects, with innovation linked to how it is achieved
- Encouraging innovation and excellence, with less prescriptive funding priorities within an outcome based framework

Utilises the role of Strategic Partners

Improves access for new or emerging organisations by reducing the 'red tape' requiring two years' accounts

Encourages cross-cutting proposals

The administrative approach to deciding priorities and managing applications needs to be more dynamic and less bureaucratic



**See more detail about these individual options on the following pages/slides ...**

\*these models are not mutually exclusive

## Approach 1 – Same as current Section 64 General Scheme of Grants, with priorities agreed by DH and Ministers

### Opportunities

- DH and Ministers maintain control over priorities to ensure best fit with DH aims and objectives
- Scheme remains familiar to current grant holders
- Scope for organisations to propose both the 'what' and the 'how' to achieve the outcomes set out in the priorities
- Can be more responsive to the sector, as gives more freedom to innovate in what can be done as well as how to do it

### Challenges

- No third sector input to priority setting means full benefit of scheme may not be achieved.
- If priorities less prescriptive, then tendency for scheme to be oversubscribed with more speculative proposals that can duplicate existing work
- Organisations that feel scheme does not meet the strategic needs of the third sector continue to feel that nothing has changed
- Difficult to influence behaviour change in DH and third sector if approach remains unchanged
- Organisations that feel scheme does not meet the strategic needs of the third sector continue to feel frustrated
- Potential limits to strategic impact
- Reinforces existing behaviours and limits scope for increased collaboration



## Approach 2 – More prescriptive ‘tender-like’ project grants

### Opportunities

- DH would specify what was needed in terms of outcomes, or in terms of a product, so reducing scope for unnecessary duplication
- Organisations are clear about what is wanted and can use an innovative approach to propose how they would achieve the outcomes
- Clearer requirements could mean fewer speculative applications, meaning more resources available to work within organisations
- Reduced workload for organisations who would have made speculative bids.
- Benefits realisation easier to demonstrate on both sides

### Challenges

- Third Sector have no input into what is required, so may lose engagement with the process
- Tender approach may dissuade some applicants who are used to producing more standard grant applications
- Innovation linked only to ‘how’ outcomes delivered, stifling innovation at the ‘what’ stage
- May end up with a series of ‘products’ rather than softer outcomes, as may be easier to write specification for a product than for a set of outcomes
- Could discourage cross-cutting proposals

## Approach 3 – More collaborative approach to priority setting and bid development

### Opportunities

- Sector have a real stake in the process and can contribute expertise to identifying areas where the third sector can make the most difference
- Ministers would still have final say on funding priorities but options would be better informed and relevant to sector
- Funding priorities should be more focused and expressed in language relevant to third sector resulting in high quality applications with more realistic chance of success
- Enables mix of the 'what' and the 'how' so encouraging innovation and excellence
- Could encourage cross-cutting proposals

### Challenges

- May raise expectations within third sector that there is freedom to set funding priorities that meet needs of the sector, when ultimately all funding will still need to support DH aims and objectives
- How to involve the third sector in setting funding priorities – need to look at representation and potential conflicts of interest
- More collaborative approach that engages sector may result in more applications, reducing scope for allocating resources to bid development

## Consultation questions:

### 5. Which elements of approaches 1, 2 & 3 would enable better achievement of outcomes?

- 5a. How should outcomes be defined, to enable applications to be targeted more meaningfully?
- 5b. Should DH be more, or less, prescriptive in its expression of funding priorities?
- 5c. Should strategic partners have a role in informing funding priorities on behalf of the third sector? If so, what should be the focus of that role?
- 5d. Should third sector organisations be involved in the process of assessing funding applications?
- 5e. What are the potential conflicts of interest in these roles? How should they be managed?
- 5f. What are the strengths and the weaknesses of the present system? What are the potential benefits of moving to a process that is more prescriptive?
- 5g. How could we achieve a more dynamic, collaborative approach to the development of individual projects?

# 6. A strategic model for investing in health and social care volunteering

Support for volunteering needs to have greater strategic relevance to the wider health and well-being agenda

## From emphasis on 'giving' through historical partnerships

OFV Scheme supports valuable volunteering projects, national, regional and local

Historical mix of experienced national delivery partners (National Agents)\*

Pockets of good practice, but lack of strategic direction and coherence

Individually good projects are not supported to have cross-cutting impact

Structure of existing grant scheme limits relevance to wider delivery chain and health and well-being agenda

Lack of robust evaluation limits scope for shared learning and improvement – limited sustainability and security of investment in individual projects



## To more directly relevant strategic investment

Increased relevance to wider system and across volunteer-involving third sector organisations

Develop new service models through pump-priming individual projects

Systematically learn from innovative projects and promote sustainability

Ensuring inclusivity and promote equalities

Greater cross-cutting impact

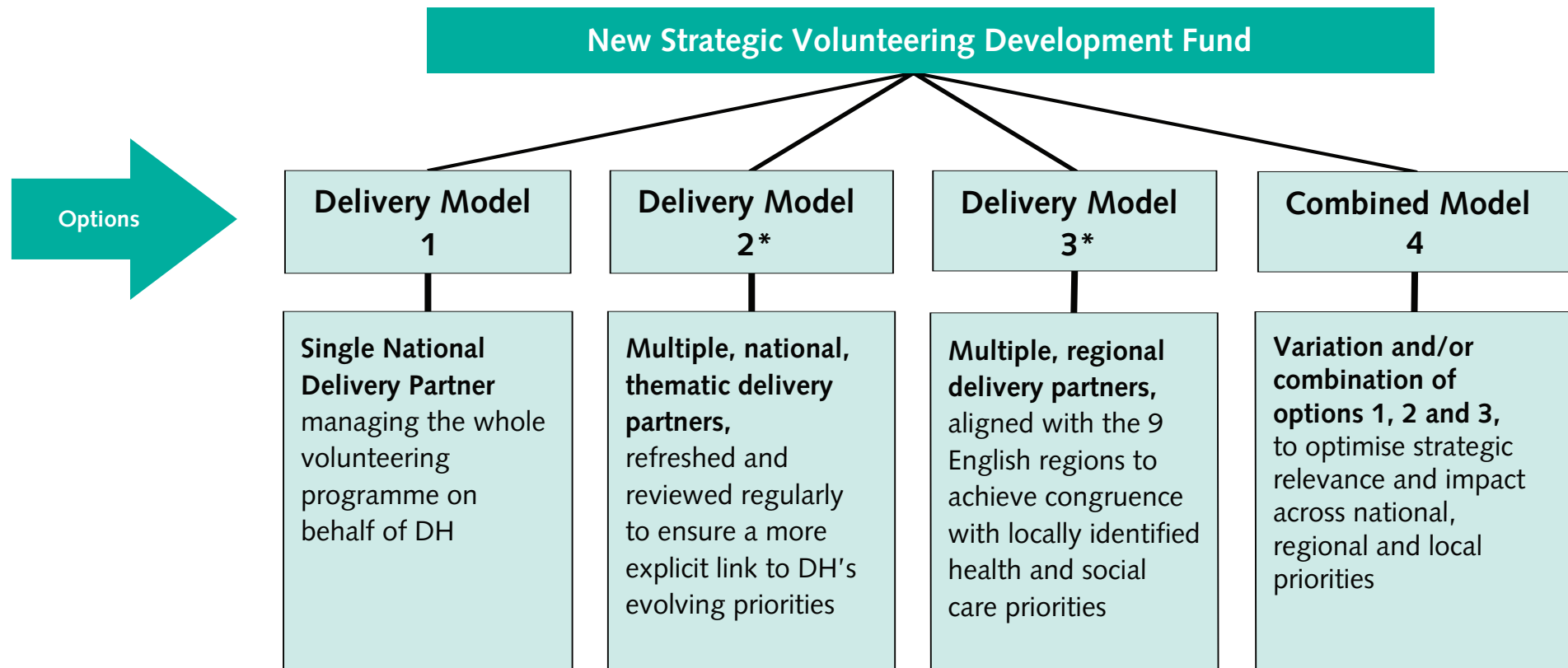
Supported through strategic partner relationships and sustainable volunteer infrastructure

Link third sector organisations and NHS/LA volunteer involvement

\* Current 'National Agents are: Age Concern England, Attend, Barnardo's, bassac, Churches Together in England, Crisis, CSV, MENCAP, Mind, NACRO, RADAR, RNIB, Scope, The Children's Society, UK Council on Deafness (UKCoD), Volunteering England

DH is committed to the OFV Scheme, but believes it's delivery model needs to be refreshed and updated to achieve greater strategic impact in the context of the wider health and well-being agenda

We propose to reform the OFV Scheme into a Strategic Volunteering Development Fund, fully integrated into DH's wider portfolio and framework for investment in the sector



See more detail about these individual options on the following pages/slides ...

\*these models are not mutually exclusive

## Delivery Model 1 – Single National Delivery Partner

### Opportunities

Could:

- Enable a more coherent, strategic approach, and clarity of governance
- Provide single point of access for funding
- Ensure consistent approach, not least to diversity and equality issues
- Support a common approach to evaluation and benefits realisation, leading to more systematic learning from successful projects and increased sustainability
- Fund a mix of grants to support development of volunteering infrastructure and innovative approaches to volunteer involvement
- Allow greater overall efficiency and value for money, ensuring 'full cost recovery' for delivery partner

### Challenges

- Potential loss of current National Agents' (NAs) experience and expertise – governance arrangements would need to retain links where appropriate with them and other relevant partners across the third sector
- Would need strong links with regional and local public sector stakeholders (eg SHAs, GOs, RDAs, PCTs, LAs and LInKs) to ensure strategic relevance and sustainability in context of wider health and well-being agenda
- Would need to fund an appropriate mix of grants to support volunteer development appropriately – strategically and operationally
- Would need to provide 'full cost recovery' for delivery partner, whilst ensuring overall value for money

## Delivery Model 2 – Multiple, national, thematic delivery partners

### Opportunities

Could:

- Enable mix of delivery partners to stay up-to-date as DH's objectives and priorities evolve over time
- Retain existing NAs' experience and expertise where appropriate, whilst providing opportunities to other relevant partners across the third sector
- Enable a more coherent, strategic approach, and clarity of governance
- Help ensure consistent approach, not least to diversity and equality issues
- Support a common approach to evaluation and benefits realisation, leading to more systematic learning from successful projects and increased sustainability
- Fund a mix of grants to support development of volunteering infrastructure and innovative approaches to volunteer involvement
- Allow greater overall efficiency and value for money, ensuring 'full cost recovery' for delivery partners

### Challenges

- Need to ensure equality of opportunity to potential delivery partners, including current NAs
- Need for strong governance arrangements to:
- Ensure clarity and consistency, not least in relation to diversity and equality
- Retain appropriate links with current NAs and other relevant partners across third sector
- Support a common approach to evaluation and benefits realisation, leading to more systematic learning from successful projects and increased sustainability
- Need for strong links with regional and local public sector stakeholders, to ensure strategic relevance and sustainability in context of wider health and well-being agenda
- Would need to fund an appropriate mix of grants to support volunteer development appropriately – strategically and operationally
- Would need to provide 'full cost recovery' for delivery partners whilst ensuring overall value for money

## Delivery Model 3 – Multiple, regional delivery partners

### Opportunities

Could:

- Provide geographically equitable distribution of volunteer development funding
- Support links with regional and local public sector stakeholders, eg LSPs and LAAs
- Retain existing NAs' experience and expertise where appropriate, whilst providing opportunities to other relevant partners across the third sector
- Enable a more coherent, strategic approach, and clarity of governance
- Help ensure consistent approach, not least to diversity and equality issues
- Support a common approach to evaluation and benefits realisation, leading to more systematic learning from successful projects and increased sustainability
- Fund a mix of grants to support development of volunteering infrastructure and innovative approaches to volunteer involvement
- Allow greater overall efficiency and value for money, ensuring 'full cost recovery' for delivery partners

### Challenges

- Need to ensure equality of opportunity to potential delivery partners, including current NAs
- Need for strong governance arrangements to:
  - ensure clarity and consistency, not least in relation to diversity and equality
  - retain appropriate links with current NAs and other relevant partners across third sector
  - support a common approach to evaluation and benefits realisation, leading to more systematic learning from successful projects and increased sustainability
- Need for strong links with regional and local public sector stakeholders, to ensure strategic relevance and sustainability in context of wider health and well-being agenda
- Would need to fund an appropriate mix of grants to support volunteer development appropriately
  - strategically and operationally
- Would need to provide 'full cost recovery' for delivery partners, whilst ensuring overall value for money



## Consultation questions:

### 6. Should funding of volunteering be changed to have greater strategic relevance and impact in the context of the wider health and well-being agenda?

- 6a. How can DH improve its support for volunteering to have a greater strategic relevance to the wider health and well-being agenda and ensure effective links to other local volunteering infrastructures?
- 6b. What are the strengths and weaknesses of the existing OFV Scheme? How can the current delivery model be refreshed to build on the strengths of the existing scheme, to increase its strategic relevance and impact in the context of the wider health and well-being agenda?
- 6c. Do you agree the OFV Scheme should transform into a Strategic Volunteering Development Fund?
- 6d. How can good practice and learning from successful projects be shared with the wider public and volunteering sector? How can successful projects be supported to be more sustainable?
- 6e. What systems could be put in place to support greater consistency in evaluation and benefits realisation, including capturing of 'soft' information, to better demonstrate strategic impact? Is there a role for an academic institution and / or independent evaluation organisation?
- 6f. What systems can be set up to ensure volunteering funding is aligned with the strategic agenda, and forge links with regional and local public sector stakeholders to ensure sustainability?
- 6g. What are the strengths and weaknesses of suggested Delivery Models 1, 2 and 3? Are there any other models we should consider? What mix of benefits within Models 1,2 and 3 could optimise strategic relevance and impact across national, regional and local priorities leading to a workable and credible fourth model?

# 7. Specialist commissioning and developing appropriate contracts

Specialist commissioning from the third sector needs to make better use of contracts, as opposed to grants, where appropriate

## From limited use of contracts when 'shopping' for sector's expertise

Dependency on grants as the 'easy' option for DH for funding the third sector

Limited expertise and knowledge leading to lack of clarity on specific issues (eg, VAT)

Disproportionate application of procurement processes and contract management

Limited opportunities for the sector to engage in national procurement exercises

## To relevant and appropriate use of contracts

DH as 'centre of excellence' for third sector commissioning

Recognising and embracing Compact principles in commissioning and procurement processes

Terms and length of contract appropriate to circumstances

Robust but proportionate evaluation – greater benefits realisation, learning and improvement

Sustainability and security through relevant and proportionate contracting

Relevant to wider delivery chain and health and well-being agenda – reinforcing that PCTs and

LAs commission most direct service delivery

Increased opportunities for the third sector, not least smaller organisations

## 'Partnership in Public Services: An Action Plan for Third Sector Involvement' (December 2006) set out the principles Government believes will help to improve commissioning in general and the experiences of the third sector in particular

The Government believes that all commissioners of services should:

- Develop an understanding of the needs of users and communities by ensuring that, alongside other consultees, they engage with third sector organisations as advocates to access their specialist knowledge;
- Consult potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service;
- Put outcomes for users at the heart of the strategic planning process;
- Map the fullest practicable range of providers with a view to understanding the contribution they could make to delivering those outcomes;
- Consider investing in the capacity of the provider base, particularly those working with hard-to-reach groups;
- Ensure contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia-building where appropriate;
- Seek to ensure long-term contracts and risk sharing wherever appropriate as ways of achieving efficiency and effectiveness; and
- Seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local need

**The principles DH applies to contracting from third sector organisations need to reflect these**

## Consultation questions:

### 7. How can DH make better use of contracts, as opposed to grants, when commissioning from the third sector?

- 7a. Should DH increase its use of funding via contracts, as opposed to grants? In what circumstances are contracts a more appropriate funding mechanism than grants?
- 7b. What are the strengths and weaknesses of current procurement and contracting practice by DH?
- 7c. How could DH demonstrate its role as a 'centre of excellence' for third sector commissioning? How can best practice be shared?
- 7d. What systems can be set up to identify situations in which funding should be by contract?
- 7e. How can we ensure that the appropriate type of funding arrangement is used in the correct situation?
- 7f. How can we ensure the length and terms of contracts are appropriate to the circumstances in which they are used?
- 7h. How can DH more effectively recognise and embrace Compact principles in its commissioning and procurement processes?

# 8. Strategic management and stronger coordination

Stronger coordination and more strategic management by DH would reinforce coherence, impact and value for money

## More strategic management

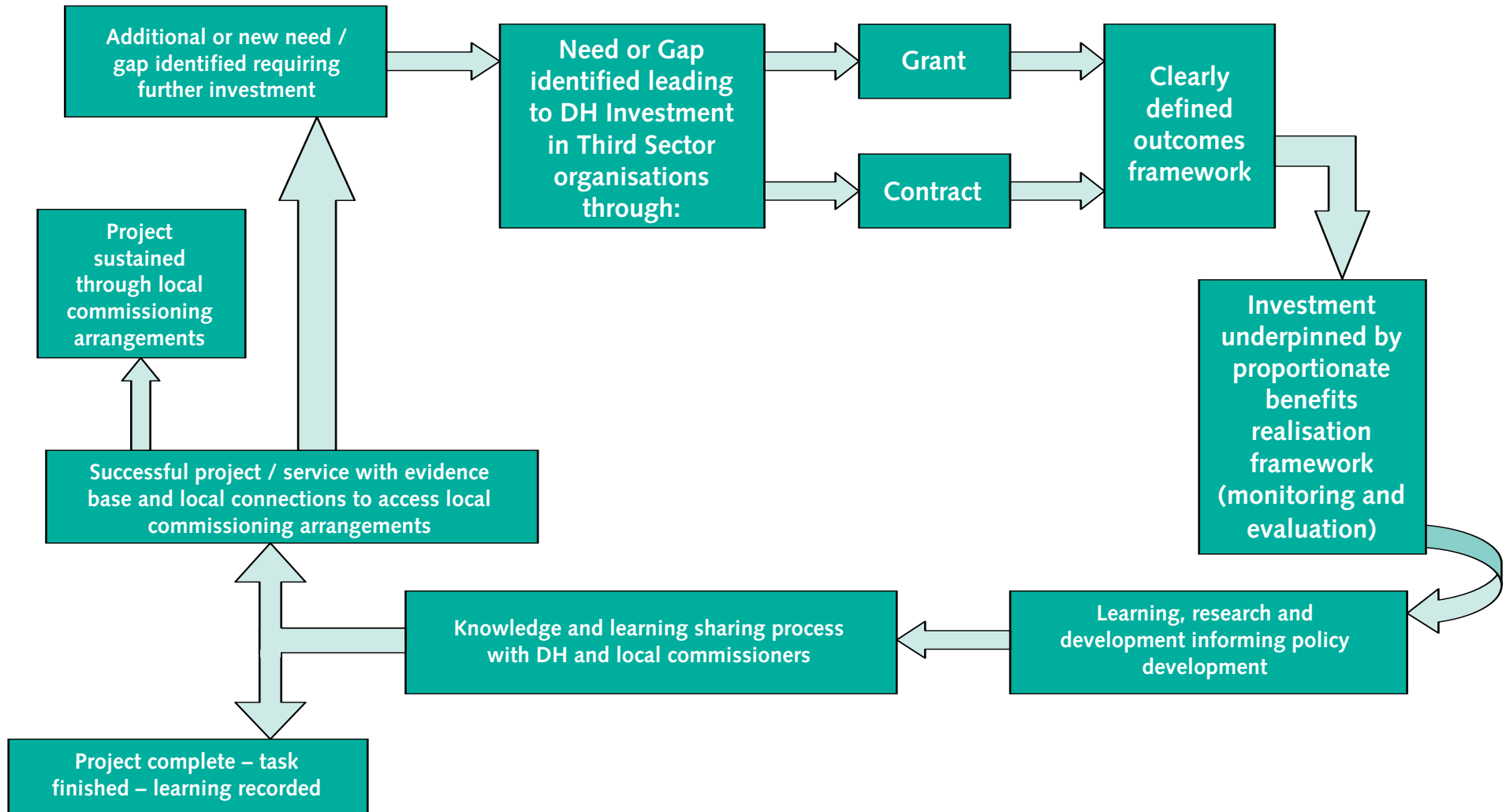
- Stronger coordination within DH
- Clear link between priorities and strategic objectives, that values cross-cutting impact
- Coherent investment – contributing to synergy across government departments
- Systematic learning from innovative projects, to promote mainstream sustainability
- Tackling inequalities through equality impact assessment
- Recognising and embracing Compact principles
- Coherence between organisations in the sector – including support for smaller organisations
- Reduction in administrative burdens caused by funding processes

**More centralised approach reinforces coherence, impact and vfm**

## More centralised administration

- 'Centre of expertise' in grant management
- Strategic links with procurement expertise within DH
- Open and transparent approach to third sector investment
- Intelligence gathered in one cumulative shared 'library' of knowledge and learning
- Celebration of success through proactive communication and promotion
- Stronger network into third sector through relationships with strategic partners collectively

Ensuring DH funding it adds value in the context of the wider delivery chain and that funding schemes contribute clearly to strategic policy objectives



## Consultation questions:

### 8. How can DH improve the overall coordination and management of its investment in the third sector?

- 8a. What role should be taken centrally by DH? Are there any other management and/or coordination roles that would sit appropriately with DH? Are there any roles or functions that could be undertaken by external organisations?
- 8b. What systems can be put in place to ensure strategic vision is maintained?
- 8c. How should records be kept of funding that has been agreed?
- 8d. How should monitoring of projects take place?
- 8e. How should learning and best practice be shared?
- 8e. How should evaluation and benefits realisation be supported?
- 8f. What systems can be put in place to monitor that the new framework is working?
- 8g. How shall we ensure the Department's investment is underpinned by appropriate quality assurance standards, including appropriate safety criteria?

# 9. How to respond to this consultation & criteria for consultation

How to respond to this consultation and have your voice heard!

## Ways to respond to this consultation

A full list of all the questions we are asking is available on the DH website at [www.dh.gov.uk/thirdsectorfundingreview](http://www.dh.gov.uk/thirdsectorfundingreview)

If you would like us to send you a paper or e-mail copy please contact us (details below).

Please return your completed responses either by e-mail, fax or post.

If you would like to give us your feedback and comments in any other way please contact us and we would be happy to try and accommodate your needs.

Come and participate in one of the consultation workshops we are running across England.

Details of these workshops are available at [www.dh.gov.uk/thirdsectorfundingreview](http://www.dh.gov.uk/thirdsectorfundingreview) or telephone: 0113 2546741

## How to contact the Review Team

Visit: [www.dh.gov.uk/thirdsectorfundingreview](http://www.dh.gov.uk/thirdsectorfundingreview)

Ring: 0113 2546741

Fax: 0113 2546117

E-mail: [thirdsectorfundingreview@dh.gsi.gov.uk](mailto:thirdsectorfundingreview@dh.gsi.gov.uk)






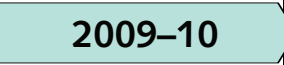
Write to: Third Sector Funding Review  
Room 5E40,  
Quarry House  
Quarry Hill  
Leeds, LS2 7UE



## Response to this consultation – what happens next?

- The consultation will close on the 20th March 2007
- During the consultation period we will regularly update the DH website with summaries of the workshop feedback and other feedback we receive.
- We will be sending out update newsletters to inform key stakeholders and workshop participants of the feedback and responses we receive
- At the end of the consultation period we will publish a feedback document that details all of the responses we have received to the questions we are asking.
- The responses we get will help to inform and shape the recommendations we submit to Ministers for proposals to implement the strategic funding and investment framework
- We anticipate that the recommendations will go to Ministers in Summer 2008
- Once the recommendations are accepted and approved we will then publish a full implementation plan detailing the new framework and processes together with the timetable for implementation

## Implementation plan

Process / Date	December – March 08	April – June 08	July – September 08	October – December 08
Consultation Period				
Feedback & Develop Recommendations				
Full implementation plan produced and published				
Recommendations affecting general grants implemented				
Volunteering recommendations implemented				
Full framework implemented and operational				

## Who will be affected by this consultation?

- This consultation is about how the Department of Health funds and invests in third sector organisations (voluntary, community, faith, social enterprise, charities and other not for profit groups and organisations)
- Third sector organisations that work in the health, well-being and social care fields and those that work with communities to improve health and well-being
- Third sector organisations that give voice to communities who are often excluded or harder to hear in mainstream services
- An Equalities Impact Assessment has been carried out on the consultation process and has been published alongside this document. Copies are available at (insert web link)
- A further Equalities Impact Assessment will be undertaken on the recommendations that arise from the outcome of this consultation exercise and will be published alongside the consultation response document.

## The consultation process Criteria for consultation

**This consultation follows the 'Cabinet Office Code of Practice'. In particular, we aim to:**

- 1 consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the code of practice;
- 2 be clear about what our proposals are, who may be affected, what questions we want to ask and the timescale for responses;
- 3 ensure that our consultation is clear, concise and widely accessible;.
- 4 ensure that we provide feedback regarding the responses received and how the consultation process influenced the code of practice;
- 5 monitor our effectiveness at consultation including through the use of a designated consultation co-ordinator; and
- 6 ensure our consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

The full text of the code of practice is on the Cabinet Office website at: <http://bre.berr.gov.uk/regulation/consultation/code/index.asp>

## What to do if you are not happy with the way the consultation has been handled

### The Code requires us to:

- reproduce the six criteria in consultation documents, explain any departure from the Code and confirm that all other criteria have been followed.
- invite respondents to comment on the extent to which the criteria have been adhered to and to suggest ways of further improving the consultation process.
- explicitly state whom to contact if respondents have comments or complaints about the consultation process.

### For comments or complaints About DH consultations write to:

If you have concerns or comments which you would like to make relating specifically to the consultation process itself please Contact:

#### **Consultations Coordinator**

Department of Health  
2N16, Quarry House  
Leeds  
LS2 7UE

e-mail: Mb-dh-consultations-  
coordinator@dh.gsi.gov.uk

Please do not send consultation responses to this address.

## Confidentiality of information

- Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).
- If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.
- The Department will process your personal data in accordance with the DPA and in most circumstances this will mean that your personal data will not be disclosed to third parties.

# Appendices

<b>1</b>	<b>The legislative framework for DH funding and investment</b>	<b>00</b>
<b>2</b>	<b>Potential approach to identifying Strategic Partners</b>	<b>00</b>
<b>3</b>	<b>Social Enterprise Investment Fund</b>	<b>00</b>
<b>4</b>	<b>Examples of other government departments grants schemes</b>	<b>00</b>
<b>5</b>	<b>Organisations involved at intelligence gathering stage</b>	<b>00</b>
<b>6</b>	<b>Glossary</b>	<b>00</b>

# Appendix 1

## The legislative framework for DH funding and investment

Third sector grant funding from DH is given under Section 64 of the Health Services and Public Health Act 1968, which gives the Secretary of State power to make grants to voluntary bodies. To qualify for support, the organisation's business must be, at least in part, to provide, promote, publicise or give advice in relation to a service that is similar to, or the same as, one that the Secretary of State has a duty or power to provide or arrange. At national level, S.64 grants have been made under the DH General Scheme ('core grant' and 'project grant' funding) or Specific Schemes (ie, grants for specific projects).

There are also powers under Section 23 of the Act, whereby the Secretary of State may enter into a contract with a voluntary body for the provision of services that come within the scope of NHS responsibility. This power does not extend to social care provision\*, and has been little used at national level.

Powers under both Section 23 and 64 are delegated to Primary Care Trusts (PCTs), although no additional budget is provided for this and the extent to which PCTs have used the facility is unknown.

The review has *not* included funding through Section 28A of the 1977 NHS Act, which allows NHS bodies to make payments to a local authority for provision of 'health benefit', or Section 31 of the Health Act 1999, which enables NHS bodies to pool budgets with local authorities to jointly commission health and social care services from the third sector.

\* Recommendation 1 from the 2003 Section 64 Review Group report



# Appendix 2

## Potential approach to identifying Strategic Partners

Learning from approaches other government departments have taken to identifying strategic partners suggests:

- Partnerships would need to relate to the key DH strategic priorities and policy areas – fulfilling the role description on the right on slide 20
- DH, in consultation with other stakeholders, would need to determine criteria by which partners would be selected. These might be linked to evidence of alignment with the role description on the right on slide 20, as well as:
  - Extent/degree of alignment with DH priorities and strategic objectives
  - Commitment to access, inclusivity and equality (addressing health inequalities and engagement of disadvantaged groups)
  - Ability to support and develop local networking (including development of sustainability where this is appropriate), and
  - Ability to act as a conduit between the third sector and DH, to engage communities of interest in policy development, and funding and investment issues
- DH is committed to an open, fair and transparent process of selection once criteria have been agreed. This could be on the basis of 'open competition' in terms of application and assessment against the agreed criteria.
- Partnership agreements would need to be negotiated with selected partners, either at national or regional level, and subject to negotiation about the partnership period, review arrangements and the level of financial support to be provided by DH.

# Appendix 3

## Social Enterprise Investment Fund

### **Purpose**

- Support existing and new social enterprises to deliver health and social care services to identify and address the needs of a diverse range of communities

### **Objectives**

- To stimulate and encourage the development of a vibrant social enterprise sector delivering health and social care services.
- To provide start up funding, sustained business support and longer term investment to emerging and existing social enterprises in this sector.

### **Process**

- SEIF will invest in social enterprises over 4 years from 2008/09 to 2010/11.
- Applications will be considered and discussed by an independent Investment Panel, which will make investment recommendations to Ministers.
- Options for longer-term management of the SEIF are being considered.

# Appendix 4

## Examples of grants schemes in other government departments

### **Office of the Third Sector (OTS)**

Focus on investment in strategic, long-term programmes that improve the overall strength of the sector. OTS are unable to offer direct funding assistance to individual projects. Most of its funding is delivered through four key programmes:

- Capacitybuilders
- Futurebuilders
- V, the youth volunteering charity
- OTS's strategic grants programme, which funds OTS strategic partners

OTS have recently announced £80 million for grants programme to promote community action. It will be channelled through local independent grant funders such as Community Foundations.

### **Children, Young People and Families Grant Programme (DCSF)**

National grant programme funding work of national significance to improve outcomes for children, young people, and families through strategic and project grants. These outcomes are embedded in the Children Act 2004 and the Every Child Matters: Change for Children Programme. The amount of funding available in 2008-2009 is approximately £11m.

# Appendix 5

## Organisations involved at intelligence gathering stage

- ACEVO Health & Social Care Cluster
- NACRO
- Age Concern England
- NACRO Telford
- Age Concern Leicester
- National People First
- Attend
- NAVCA
- BACP Third Sector Forum
- NCVO
- Bassac
- NGO Forum
- Bingley Voluntary Action
- North West Regional Forum
- Churches Together in England
- Options for Life, Sandwell
- Crisis UK
- RADAR
- CSV
- Regional Action West Midlands (RAWM)
- Derbyshire Coalition for Inclusive Living
- RNIB
- DIAL Mansfield
- Scope
- Fit4Funding
- South West Regional Forum
- Help the Aged
- The Children's Society
- LTCA
- The LGBT Consortium
- Mencap
- Voice4Change England
- Mens Health Forum
- Volunteering England
- Mental Health Providers Forum
- West Midlands Regional Assembly
- Mid Staffordshire Mind
- Yorkshire & Humber Regional Forum

# Appendix 6

## Glossary

<b>Compact</b>	– Framework which sets a context for relationships between statutory and 3rd sector partners
<b>DH</b>	– Department of Health
<b>EqIA</b>	– Equality Impact assessment
<b>GO</b>	– Government Office (regional)
<b>LA</b>	– Local Authority
<b>LAA</b>	– Local Area Agreement (led by Local Authorities)
<b>LINKs</b>	– Local Involvement Networks (for patients and the public)
<b>LSP</b>	– Local Strategic Partnership
<b>NA</b>	– National Agent (Opportunities for Volunteering programme)
<b>NHS</b>	– National Health Service
<b>OFV</b>	– Opportunities for Volunteering
<b>OTS</b>	– Office of the Third Sector
<b>PCT</b>	– Primary Care Trust (NHS commissioning)
<b>RDA</b>	– Regional Development Agency
<b>S.64</b>	– Section 64 of the Health Services and Public Health Act 1968
<b>SEIF</b>	– Social Enterprise Investment Fund
<b>SHA</b>	– Strategic Health Authority (regional NHS responsibilities)
<b>Third Sector</b>	– Voluntary, community, faith, social enterprise and other not-for-profit organisations







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