



19 August 2008

Dear NAVCA Members,

Following on from my visit to CORE in April, Kevin has kindly agreed to circulate an update to all of you from Capacitybuilders in the spirit of enhanced communication.

Firstly, thank you all so much for your comprehensive and articulate feedback on how you have found Capacitybuilders and where you feel we can improve our work with you. I heard several clear messages at CORE, largely focused on our processes needing improvement and in particular a general sense of dissatisfaction relating to our monitoring. I am confident that we are now putting in place improvements that respond to these concerns and was also heartened by the shared commitment to work together to demonstrate the impact of sector support services.

Many of your key messages were reinforced at our annual conference in June 2008 and we will be circulating a conference report in the next few weeks to capture the headlines from the event. Additionally I have been visiting key stakeholders at regional events, where your messages have been echoed.

Building on these conversations, I wanted to take this opportunity to update you on:

- Grants monitoring and three year funding
- Evaluation and learning
- Broader developments within Capacitybuilders

Grants

Since we met, Capacitybuilders have overhauled our monitoring processes to focus on outcomes being delivered, key areas of risk and appropriate financial monitoring. We tested some of our draft monitoring forms with some of you and once again thank you for your honest and very useful and insightful feedback.

Those of you who are involved in the management and delivery of Consortium Development Grant (CDG) may have already seen the new guidance and monitoring pack (sent to accountable bodies in July 2008). We are now working on an automatic payment schedule for CDG for most organisations, and only require qualitative monitoring on these grants on an annual basis (a considerable reduction from the previous four times per year). We have also combined the monitoring of CDG grant award with the Statement of Assessment monitoring to reduce the burden on grant holders. A relatively simple quarterly expenditure summary is also required of all grant holders.

Guidance for *Improving Reach* and *Modernisation* grant holders is being circulated this week. This follows a similar format to the CDG with all relevant documents available to download from website to offer additional flexibility. Both sets of guidance reflect a focus on outcomes, with six-monthly reporting on progress.

As both of these programmes are new in terms of grant recipients we are offering individual support to grant holders through e-mail and a range of events that are planned in September and October 2008.

I hope you will find these changes a considerable improvement – and as ever welcome feedback as to your experiences of our processes as grant holders.

Three Year Funding

As you will recall when we met at CORE there was a lot of discussion about the challenges of awarding three year grants with a backdrop of quite strict Treasury Accounting Rules and Regulations. Capacitybuilders in the first two years of operation had been criticised for 'changing the goal posts' relating to time and duration available to spend grant funds, particularly at the end of each financial year.

After considerable discussion with the Office of Third sector and Cabinet Office we have agreed that the only option within Government accounting rules is to specify annual allocations across up to three financial years (to March 2011) and to support grant recipients to account for their funds in each of the three financial years. We recognise that this has some advantages and disadvantages for grant recipients:

Advantages

- Clarity from the beginning about the funds that are available in each of the three years to enable planning.
- Consistent message from Capacitybuilders from the beginning of grant relationship.
- Maximises Capacitybuilders' ability ensure that predicted under spend can be redirected to stay in Third sector rather than being exposed to being returned to Treasury (which in the current economic climate is a real risk with under spend declared at year end – see my note on our experience this year, below.)

Disadvantages

- Allocations for 2008/9 under the Modernisation and Improving Reach programmes will effectively span 9 months instead of 12 months and therefore there may be some challenges to spend the full allocation.
- 2008/9 under spend will not be available to the individual grant recipients.

- We recognise that one year projects will need additional support to establish a realistic funding profile.

We recognise that the constraints of Government accounting rules cause frustration at times for grant holders, but hope that clarity at the beginning of grants will assist you in planning to achieve maximum impact from available funding.

Under spend 2007-2008

Many of you will remember me writing to you in October 2007 to highlight the importance of grant recipients articulating any predicted under spend ahead of the end of the CSR period. This proved to be a very tricky piece of work with many grant recipients unable to tell us what their predicted spend would be. We did manage to secure an extension for spend up to 30th June 2008 to support some grant recipients to manage their predicted under spend and avoid return of funds to the Treasury.

Despite all of our efforts, we have found ourselves in a situation where several infrastructure organisations and consortia have returned quite large sums of money to us at the end of June 2008 (which had not been declared). This is very disappointing as the funds are now in the process of being returned to the Treasury and this is money that will not be invested in the third sector.

The total sum at this point being returned is **£353,148.12**. This unexpected return of funds has led to significant questions being asked by both our auditors and sponsor department as they are quite rightly concerned about how this happens when the process and dialogue with grant recipients to ask the questions on predicted under spend commenced in October 2007.

Evaluation & Learning

Capacitybuilders has put evaluation and learning at the forefront of its plans for 2008-11.

To date there has been no overall evaluation of the ChangeUp programme. Capacitybuilders is now nearing the end of the tender process for this major piece of research. We expect to award the contract in October and for the work to begin almost immediately. As it unfolds, the evaluation will be examined by an expert advisory panel who will report to the Capacitybuilders board on its robustness, independence and credibility.

The key focus for the evaluation team will be to impact of the ChangeUp programme and Capacitybuilders investment on support services, and from that to draw conclusions on what difference the investment has made to frontline organisations.

With preliminary work for the next spending review gearing up from spring next year, the evaluation comes at a significant time. We expect findings from the first phase of the programme (to March 2008) to be available in time to feed into the review, with the ongoing evaluation highlighting good practice and learning based on the monitoring as it becomes available.

The evaluation is central to our commitment to focus on learning about capacity building and the impact of support services. Alongside additional research and ongoing analysis of the programme monitoring, the evaluation will I hope allow us to add value as an intelligent funder, feeding learning back into the sector and helping to build the evidence base which will inform the direction of future policy making, and underpin our role in influencing sector funders.

National Audit Office (NAO): Report on Capacity Building in the Third Sector

The NAO are currently looking into the impact of ChangeUp investment with a view to publishing a report on the value for money of recent Government capacity building programmes. One of the ways they are looking at measuring the impact of ChangeUp is to track the cascade of funding in six localities. They are looking at consortia, infrastructure and frontline organisations and how ChangeUp investment has made a difference at each tier. Ahead of the main evaluation, we are working

with the NAO to pilot this way of measuring impact at programme, as one of a number of options. This is a really exciting piece of work being led by NAO which could form the basis for a Public Account Committee hearing when the report is published.

Other developments:

www.improvingsupport.org.uk

I hope you have had the opportunity to visit the above site, which provides a single gateway to information on our national grants to 'support the supporters'. The lead agencies for the nine workstreams have been consulting and developing delivery plans and will be staffing a joint stall at NAVCA's conference in September.

Social Enterprise programme

You will be aware that Capacitybuilders launched its social enterprise programme at the annual conference in June. The regional social enterprise networks are now in the process of consulting and developing regional priorities for improving the support available to social enterprises, for autumn submissions. This programme aims to add value to our existing investments such as modernisation and consortia development; you may wish to keep in touch with developments via your relevant regional network.

Recruitment

You will be aware of our recent recruitment drive which is now complete. We are looking forward to new staff commencing their work with Capacitybuilders from September 2008. There will be further updates on new staff available on our website and in other briefings. An announcement on the CEO appointment is scheduled for September 2008.

Capacitybuilders has also recruited 5 new Non Executive Directors to commence in September 2008 and there will be a press statement shortly to tell you who these are.

Summary

I am sending this update to you in the spirit of openness and a real desire to engage in ongoing debate about the way in which we are working. We are working hard to improve things from our end, and we want to work with you – from embedding the new monitoring arrangement to ensuring a real focus on learning from ChangeUp investment.

To restate my commitments from CORE: Capacitybuilders is genuinely seeking to work to support the third sector to demonstrate the effectiveness, efficiency and reach of support services. We want to be able to articulate very clearly to Government how the ChangeUp investment to date has impacted on support services, with clear messages being available to influence the next CSR negotiations and ultimately to secure ongoing funding for support services post 2011.

This is a challenging time for all of us and I hope that we can work effectively together for the benefit of the wider third sector.

Best wishes,

A handwritten signature in black ink that reads "CE Johnstone". The signature is written in a cursive, slightly stylized font.

Catherine Johnstone
Capacitybuilders, Acting CEO