

The Futurebuilders Advisory Panel

Report to Ministers

March 2008

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ACKNOWLEDGEMENTS

The Futurebuilders Advisory Panel (Panel) is grateful for the cooperation it has received from the Board and staff of Futurebuilders England Limited, in particular the Futurebuilders Investment Team, which has enabled the Panel to have an open and informative dialogue with the organisation that is delivering the Futurebuilders Fund on behalf of government.

The Panel is also grateful to staff at the Centre for Regional Economic and Social Research at Sheffield Hallam University, who are undertaking the independent evaluation of the Futurebuilders Programme. The Panel is especially grateful to Dr Peter Wells and to Dr Rob Macmillan for presenting their findings at Panel events.

The Panel would specifically like to thank those organisations that were visited by members of the Panel, both for their time and for their openness in sharing their experiences of applying for an investment from the Futurebuilders Fund.

The Panel would like to thank all officials from the Home Office and then the Office of the Third Sector in the Cabinet Office who have supported the Panel throughout its lifetime.

The Panel would like to stress that the views presented in this report are the independent views of the Panel.

EXECUTIVE SUMMARY

This is the second report from the Futurebuilders Advisory Panel (Panel), which provides independent advice to Ministers on Futurebuilders¹. A summary of the Panel's advice to Ministers is provided in **figure 1**:

Figure 1: summary of advice to Ministers

The Panel believes that the Futurebuilders Programme has been successful in:

- Demonstrating that third sector organisations **can** take on loan finance. Futurebuilders England has a good breadth of investees and has shown that third sector organisations have an appetite for loan finance at all levels.
- Addressing the issues around **commissioning**. The Panel also welcomes the Office of the Third Sector (OTS) taking a concerted lead across government at national, regional and local level in seeking improvements to the arrangements made for **commissioning public services** from the third sector.
- Offering a wide **range of financial products** to third sector organisations. This mix of products supports the individual nature of third sector organisations. The Panel also believes that the allocation of development grants is crucial in enabling organisations to move forward to become Futurebuilders investees or to build the organisation so that the organisation can obtain funding from elsewhere.
- Giving credibility to some third sector organisations, which has helped them to attract other funding.

The Panel would like to see the improvements continue in the second phase of the Futurebuilders Fund in:

- **Marketing:** The Panel would like to see Futurebuilders England adopting proactive working relationships with Public Service Commissioning Bodies across the country, to promote the Futurebuilders concept and to encourage the award of contracts to third sector organisations.
- **Application Process:** The Panel welcomed the move from application windows to a continuously open application process (May 2006). Although the Panel feels applications can still take too long to process, members agree that the two-stage online process has made for a more timely application process and has meant that more applicants are long-listed.
- **Business consultants:** The Panel feels that relationships between business consultants and investees had previously been patchy. The Panel is pleased that its comments were taken on board, in particular, through the review of the business consultants in December 2007 and welcomes the changes brought in to address the recruitment process of business consultants.

¹ The Futurebuilders Fund is a highly innovative demonstration programme providing accessible finance to third sector organisations that are delivering or seeking to deliver public services

- **Disbursement:** The Panel acknowledges that disbursement of the fund has been slower than expected and that a number of factors have contributed to this. Without detracting from the need to focus on disbursement through awarding full investments, the Panel would also welcome Futurebuilders England looking closely at the sustainability of the third sector organisations and their ability to repay the loans over many years. The Panel feels that it is essential for Futurebuilders England to look closely at the purpose of the investment and ensure sustained engagement with the investee to avoid drift from the original purpose of the investment.

In looking to the future, the Panel:

- Welcomes the fact that Phase 2 of the Futurebuilders Programme will look at **all areas of public service delivery**, and that the current delivery strands will remain at the heart of the Futurebuilders Programme.
- Welcomes the focus on **Key Performance Indicators (KPIs)**, which will be introduced in the next phase of the Futurebuilders Programme.
- Believes that the **personalised budgets plans** will open up opportunities for third sector organisations to be involved in providing public services. However, it has some concerns that the uncertainty of the income stream from such contracts may have an adverse impact on the ability of organisations to repay their loans.
- Welcomes the **continued, long-term ministerial commitment** to the Futurebuilders Programme and is pleased that it is envisaged that money from loan repayments will be recycled into this or similar programmes.
- Would like to emphasise how valuable, members found the **engagement with the Futurebuilders investees**. The Panel hopes that the remit of the new advisory body will allow for continued engagement with both successful and unsuccessful applicants.

1. INTRODUCTION:

Futurebuilders Fund and Purpose

1.1 In summary, the Futurebuilders Fund² is a highly innovative demonstration programme, testing the theory that if third sector organisations can access investment finance at reasonable cost, they can then compete for and win public service delivery contracts, and that public service delivery will improve as a result. In total £121million of Futurebuilders investments have been offered³ so far to 285 third sector organisations. Of this, £38million has been disbursed to third sector organisations.

The Panel's Remit and Purpose

1.2 The Panel was established by the Home Office in March 2005 as an advisory Non-Departmental Public Body to provide independent advice to Ministers on the Futurebuilders programme. As part of a machinery of government change in the May 2006, the Office of the Third Sector (OTS) was established and responsibility for Futurebuilders passed from the Home Office to the Cabinet Office. As a result the Panel now provides advice to Cabinet Office Ministers, to whom the report is submitted.

1.3 The Panel is chaired by Baroness Pitkeathley and comprises the following appointed members:

Dr Mohammed Amran

Mr Imtiaz Farookhi

Ms Margaret Hyde

Mr Bhupendra Mistry

Ms Maureen Salmon

Ms Anna Southall

² Background on the Futurebuilders programme is at Annex A.

³ This figure comprises c£98m of commitments and c£23m of 'in principle' offers that are subject to re-appraisal by the FBE Board when the applicant has met pre-conditions attached to the offer.

Mr Ted Unsworth

Ms Sarah Wood

1.4 Previous members:

Ms Pamela McHale⁴

1.5 In addition, representatives from Departments with a policy responsibility for the public service delivery strands on which the Futurebuilders programme is focussed, sit on the Panel as observers⁵:

Cabinet Office (previously the Home Office as the sponsor Department)

Department for Children, Schools and Families

Department of Health

HM Treasury

1.6 Secretariat support to the Panel is provided by the Office of the Third Sector in Cabinet Office (previously by the Active Communities Directorate in the Home Office).

1.7 The terms of reference of the Panel are to:

- Advise on progress, effectiveness and future developments relating to the [Futurebuilders] Fund;
- Scrutinise and evaluate the activities of the Fund; and to
- Influence the development of the Fund.

⁴ Resigned from the Panel in October 2007

⁵ The Panel agreed to change the status of the departmental representatives from members to observers on 16 November 2006, in order to remove any possible conflicts of interest from departmental representatives as the tendering process proceeded.

How the Panel works:

- 1.8 The Panel has met formally 17 times at the time of publishing this report. In addition, the Panel has held two away days and implemented action plans from these events.
- 1.9 The absence of a formal work programme has enabled the Panel to respond flexibly to changing circumstances and the shifting environment in which the programme operates. In order to address specific issues quickly and effectively, the Panel has set up smaller working groups and individual members have also advised on specific aspects of the Futurebuilders programme.
- 1.10 In addition, the Panel has worked proactively with the Office of the Third Sector and Futurebuilders England on all aspects of the programme. To date, Panel members have visited 120 third sector organisations, which have applied to the Futurebuilders programme for funding. The Panel has gained hugely from visits to investees and non-investees, both those who have been unsuccessful and those who, following a development grant have not applied for a full investment.
- 1.11 The Panel has had representation on the Futurebuilders Re-tender Project Board and on the Sheffield Hallam Research Steering Group.
- 1.12 Members have also been involved in advising Futurebuilders England on their communication and marketing strategy and have participated in the Learning Conferences held by Futurebuilders England.
- 1.13 Members of the Panel have had input into reports led by The National Audit Office (NAO) and the Chair has also been interviewed for two Office of Government Commerce (OGC) Gateway Reviews, which were assessing the Futurebuilders Re-tender Project.

Panel Reports

- 1.14 The first report to ministers from the Panel was published in April 2007.
- 1.15 A summary of the Panel's advice to Ministers from the first report and the progress since the report was published is provided in ANNEX B.
- 1.16 In line with the remit of the Panel, the report is submitted to Ministers. The purpose of this report is to:

- Advise Ministers of the views of the Panel about progress of the Futurebuilders programme; and
- Offer views on the delivery of the second phase of the Futurebuilders programme.

1.17 With permission from Ministers, the Panel envisages the report having a wider circulation. In particular:

- For the Panel's comments and recommendations to be taken on board by the Office of the Third Sector's new advisory body.
- For the new Fund Manager of Futurebuilders England to recognise the report's recommendations throughout the transformation stage.

2. WHAT THE PANEL HAS ACCOMPLISHED

2.1 Feedback from stakeholders suggests that the Panel has had a positive impact throughout its lifetime.

2.2 Panel members have made three sets of visits to 120 third sector organisations that have had experience in applying to Futurebuilders England. Members gained sound information from the visits and reported on their findings to Futurebuilders England, who valued this feedback.

2.3 The Panel built a good relationship early on with the Futurebuilders England Board and subsequently a productive working relationship with the Futurebuilders England Investment Team. Before the announcement that the Futurebuilders contract was to be re-tendered, the Panel had regular meetings with Futurebuilders England, however, the Panel ceased these meetings during the re-tender period.

2.4 During the Interim Extension Agreement negotiations⁶, the Panel played an intermediary role, facilitating discussions between the Office of the Third Sector and Futurebuilders England, which was valued at ministerial and official level.

⁶ October 2006-June 2007

3. CONTEXT

Government's Commitment to the Third Sector

- 3.1 The Panel welcomes the Government's commitment to and support of the third sector and, in particular, the creation of the Office of the Third Sector in May 2006. The Office of the Third Sector sits at the heart of Government and leads work across government to support the environment for a thriving third sector (voluntary and community groups, social enterprises, charities, cooperatives and mutuals), enabling the sector to campaign for change, deliver public services, promote social enterprise and strengthen communities.
- 3.2 The Panel also welcomes the Government's final report of its review of the third sector⁷, which sets out a strategy to work with third sector organisations over the next ten years to promote social and economic regeneration, investing more than £515 million in third sector programmes.
- 3.3 Since the Panel's first report, there have been a number of changes that have affected the Futurebuilders programme. The Panel has ensured that it responds positively and flexibly to all the changes that have affected the Futurebuilders programme.
- 3.4 Changes that have affected the Futurebuilders programme are:
- A change in the Minister for the Third Sector in July 2007
 - A change in personnel in the Office of the Third Sector from April 2007
 - The decision to re-tender the Futurebuilders contract from April 2008
- 3.5 In light of the decision to re-tender and the Interim Extension Agreement, membership of the Panel was formally extended from 1st April 2007 to 31st March 2008.

⁷ The Future role of the Third Sector in Social and Economic Regeneration: Final Report, July 2007

Re-tendering of the Futurebuilders Programme

3.6 In May 2007, the Cabinet Office announced that the Futurebuilders contract would be re-tendered for the period from April 2008 to April 2011. This was due to the need for simpler accountability and governance arrangements between Government and the Fund Manager. Under European Union procurement rules, this required a new tender process.

3.7 The aims of the re-tendering were:

- *“A taut relationship between the Fund Manager, remuneration and performance – achieved through a clarified services contract and financial and legal models.*
- *A link between reward and performance to include a transfer of an appropriate amount of risk for the financial performance of the Fund.*
- *Timely disbursement of the funds committed by Government to the Futurebuilders Fund.*
- *Transparent charging mechanisms.*
- *Strong accountability for performance.*
- *Efficient processes for contract service and performance management.*
- *Emphasis on the importance of an affordable Fund Manager contract.*
- *A smooth transition to the new arrangements.”*

3.8 The Panel is satisfied as to the reasons for the re-tendering of the contract and with the objectives and processes of the re-tendering. The Panel saw it as an opportunity to learn and ensure that in the future contract, improvements were made for investees.

3.9 The Panel believes that the ‘competitive dialogue’ approach used by the Office of the Third Sector to manage the re-tendering was the most appropriate vehicle for achieving a fair result in the circumstances – for Government, the fund manager and beneficiaries in the third sector.

- 3.10 The Panel's work programme reflected a need to provide general oversight of and support for the re-tendering exercise, while remaining independent of its detailed implementation.
- 3.11 The Panel did not hold any meetings with Futurebuilders England during the period of the re-tendering.
- 3.12 In July 2007, the Panel responded to the discussion document published by the Office of the Third Sector. The Panel is pleased to note that its comments were taken on board and reflected in the procurement documentation of the re-tender process.
- 3.13 The Panel was not party to any of the decisions made during the re-tender, however it nominated one of its members with extensive contracting and commissioning experience in public, private and third sectors as an observer on the Office of the Third Sector Re-tender Project Board. That member provided external scrutiny and challenge when required but, to ensure fairness and independence, took no part in the evaluation of bids.
- 3.14 Throughout the re-tender, the Panel received regular updates on the process from Office of the Third Sector staff.
- 3.15 The Office of the Third Sector was subject to an OGC Gateway Review, which examined the robustness of the re-tender processes and decisions. The Chair of the Panel met twice with the reviewers during the re-tender, who asked about the history and work of the Panel and its role in the re-tender.
- 3.16 The Panel was impressed by the rigour of the re-tendering process, its fairness, transparency and responsiveness to suggestions from bidders. The Panel is satisfied that legal, financial, policy and contractual requirements have been realised and that a robust transition plan is now in place to ensure continuity of service to current and potential investees. The Panel is also pleased that the outcome provides the best possible protection for existing staff.

4. SHEFFIELD HALLAM UNIVERSITY EVALUATION

- 4.1 Detail on the model adopted for the independent evaluation of the Futurebuilders programme being undertaken by the Centre for Regional Economic and Social Research at Sheffield Hallam University (SHU) was included in Annex B of the Panel's first Report to Ministers of December 2006, and has not been repeated here.

What the Evaluation addresses

- 4.2 The evaluation aims to address the hypothesis that 'Futurebuilders increases the capacity of the voluntary and community sector to deliver public services' and to look at the effectiveness of the model of investment used by Futurebuilders England. The evaluation model examines Futurebuilders' working arrangements; organisational development of the third sector; and Futurebuilders' impact. In essence, the evaluation takes a phased approach, looking first at the creation of organisational capacity, and then at outputs.

Timings

- 4.3 The evaluation started in July 2005, with the 1st phase running to April 2007. The Interim Report was due to have been published in the summer of 2007 but, in light of re-tender, the Office of the Third Sector decided to delay publication until the re-tendering had ended. The Interim report will now be published in April 2008, so the Panel is unable to comment on its findings.
- 4.4 In recognition of the need to measure the impact of the Futurebuilders programme over a longer time period, there will be a second phase of research from 2008-2010. The Panel would welcome the timetable of the evaluation to be aligned with the second phase of the Futurebuilders programme.

Stock take of evaluation

- 4.5 The Panel is pleased to learn that Sheffield Hallam University and the Office of the Third Sector are taking stock of the research ahead of the next phase of the evaluation. With the re-tendering of the Futurebuilders fund management contract, there is an opportunity to take account of any changes to the requirements and of the key performance indicators agreed with the new manager, and of adjustments needed in the light of the evaluation's scope and findings to date. The Panel

believes that it is important to ensure that there is continued relevance and correlation between the aims of the second phase of the programme and the steer of the research.

Comparators and value for money

4.6 The Panel is pleased that phase two of the Sheffield Hallam Evaluation will address the Panel's earlier concerns about comparators. In particular, the evaluation output so far has lacked a value for money comparator analysis. The Panel is pleased that SHU has reviewed this with the Office of the Third Sector and will be looking at: Adventure Capital Fund (ACF), small business areas, grant funders and Community Development Financial Institutions (CDFIs), to gauge a sense of relative value for money in comparison with other programmes.

Shorter Themed Reports

4.7 SHU will produce shorter themed reports during the next phase of the evaluation. The Panel welcomes this development and hopes that it will ensure greater engagement by Futurebuilders England with the evaluation and the learning emerging from it, throughout the second phase of the programme.

Governance

4.8 The Panel has had some concerns over the governance of the evaluation and welcomes the recent changes that give the Office of the Third Sector full responsibility for this contract.

Third Sector Research

4.9 The Panel is pleased to learn that Government is investing, with partners, in a £10.25m independent research centre that will produce research of international standing with, about and for the third sector.

5. SUCCESSES OF THE PROGRAMME

Appetite for loan finance

- 5.1 The first phase of the programme has demonstrated that third sector organisations **can** take on loan finance. The Panel commends Futurebuilders England for investing in such a diverse range of the market, from very small organisations to very large. FBE has a good breadth of investees and has shown that third sector organisations have an appetite for loan finance at all levels. Throughout the Panel's visits programmes, members have been impressed with the wide range of size and type of third sector organisation in which Futurebuilders has invested, and the types and scope of the projects.
- 5.2 For example, these have ranged from a £3m loan to support the roll-out of a nationwide programme to support care leavers and young offenders, to an £80,000 loan to assist in the construction costs of a building extension.

Public Service Delivery

- 5.3 The Panel has been impressed with the Commissioning Reports from Futurebuilders England, which highlight the issues around commissioning public service contracts with third sector organisations. The Panel are pleased to learn that the Commissioning Reports will continue in the second phase of the Futurebuilders programme.
- 5.4 The Panel also welcomes the Office of the Third Sector taking a concerted lead across government at national, regional and local level in seeking improvements to the arrangements made for commissioning public services from the third sector.
- 5.5 In particular, the Panel welcomes the appointment by the Office of the Third Sector in March 2007, of the Improvement and Development Agency for Local Government (IDeA) to host, develop and manage the National Programme for Third Sector Commissioning. This programme aims to build understanding, at a local level, of the unique circumstances of third sector organisations and the benefits they can bring to the design and delivery of services. The Panel has been very fortunate to have the Director of this programme, Sarah Wood, as a member of the Panel.

“Cocktail” of financial products

- 5.6 The Panel is impressed with the wide range of financial products offered to Futurebuilders investees supporting the individual needs of third sector organisations. There is ample evidence from the Panel’s visits that this mix of products is often crucial to an organisation’s ability to sustain both the delivery of its contracts and the repayment of the loan.
- 5.7 Through their visits, the Panel members have concluded that this “cocktail” of products is an essential element of the success of the Futurebuilders programme. The Panel also believes that the allocation of development grants is crucial to enabling organisations to move forward either to become Futurebuilders investees or to obtain funding from elsewhere.
- 5.8 The Panel also commends the flexible nature of the packages offered by Futurebuilders (for example, the interest holiday periods) which enables investments to be tailored to the needs of individual third sector organisations. However, there is some evidence that investees would welcome more clear advice about “what is for what” in the money that they received.

“Kite mark” effect

- 5.9 The Panel has been pleased to hear from investees that the stamp of approval of a Futurebuilders offer has given credibility to some third sector organisations, which has helped them to attract other funding.
- 5.10 Some third sector organisations have also told the Panel that the Futurebuilders “kite mark” has raised the profile of the organisation and its work, helping them to gain public sector contracts and to establish relationships with public service commissioning bodies.

6. LESSON LEARNED

Marketing

- 6.1 The Panel feels that Futurebuilders England's marketing strategy was slow in getting started.
- 6.2 A member of the Panel met Futurebuilders England staff and explored ways in which Futurebuilders England could improve its external communications and effectively market the Fund to a range of different stakeholders. The Panel welcomes this investment in marketing and the staff appointments from which followed.
- 6.3 Panel is pleased to see a more focussed marketing strategy from Futurebuilders England and envisages that a more targeted approach in the future will attract more appropriate applications from third sector organisations.
- 6.4 In particular, the Panel would like to see Futurebuilders England adopting proactive working relationships with Public Service Commissioning Bodies across the country, in particular the Government Offices (GOs), to promote the Futurebuilders concept and to encourage the award of contracts to third sector organisations.

Application Process

- 6.5 The Panel welcomed the move from application windows to a continuously open application process (May 2006). The Panel feels that this gives a clearer message to applicants and, as a result, has attracted a higher quality of applications.
- 6.6 The Panel has also noted, from its three rounds of visits, an improvement from applicant feedback in the application process itself. Although the Panel feels applications can still take too long to process, members agree that the two-stage online process has been welcomed by applicants and has made for a more timely application process and has meant that more applicants are long-listed.

Business Consultants

- 6.7 Early rounds of visits undertaken by the Panel had concluded that the relationships between the investees and business consultants had been patchy. Although some projects had been enthusiastic about the input of the business consultants, the

Panel felt that the recruitment process for consultants was not coherent and that some consultants had been inappropriately allocated to projects.

6.8 The Panel is pleased that its comments were taken on board, in particular, through the review of the business consultants, the latest of which was in December 2007.

6.9 The feedback from the organisations visited in January and February 2008 indicates that these changes have had an impact. Investees were much more positive about their experiences with the business consultants.

6.10 The Panel is pleased that the work with the business consultants feels more organised and transparent and congratulates Futurebuilders England for their progress in this area.

Disbursement

6.11 The Panel acknowledges that disbursement of the fund has been slower than expected and that a number of factors have contributed to this.

6.12 Ensuring the sustained repayment of loans is important. The Panel would therefore welcome Futurebuilders England looking closely at the sustainability of the third sector organisations and their consequent ability to repay the loans over many years. The Panel feels that it is essential for Futurebuilders England to look closely at issues such as leadership and succession planning. Sustained engagement with the investee will be important in this, and will assist with avoiding drift from the original purpose of the investment.

6.13 The Panel strongly supports the engaged investor approach, which should identify early on any issues that the organisation has with its financial package.

6.14 The Panel feels that a more focussed marketing strategy, with Futurebuilders working more closely with Public Service Commissioning Bodies (PSCBs), will help to address some of the barriers around disbursement of the Fund.

7. LOOKING TO THE FUTURE

Crime

7.1 The Panel has found in every round of visits that there is a lack of investment in third sector organisations working in the area of crime.

- 7.2 The Panel is aware of the problems with the delayed national roll out of the National Offender Management Service (NOMS), which has led to third sector organisations delaying investment decisions until the procurement and commissioning market in the crime area develop. However, the Panel feels that Futurebuilders England has not been as innovative or proactive as it could have been in this area.
- 7.3 A panel member did work with Futurebuilders England to assist them in this area, giving them key contacts in Probation Services and securing London Probation participation in a Futurebuilders Conference. Futurebuilders England did also invest in the London Regional Offender Manager initiative with BME third sector organisations. However, in the future, the Panel would like to see Futurebuilders England being more proactive in making partnerships in the public service delivery area of crime.
- 7.4 The Panel also recognises that the restriction of the fund to five public service areas has meant that Futurebuilders England has consistently missed its targets in the crime area. The Panel welcomes the fact that Phase 2 of the Futurebuilders programme will look at all areas of public service delivery, but it would like to see the current delivery strands remaining at the heart of the Futurebuilders fund.
- 7.5 The Panel feels that Futurebuilders England has not been as innovative as it could have been in utilising the crossover aspects of some organisations into more than one public service delivery area. Very few projects fit into only one of the five public service areas, with many fitting into two or more. The Panel welcomes the expansion of the five delivery areas to all areas of public service delivery in the next phase of the Futurebuilders programme.

Key Performance Indicators

- 7.6 The Panel welcomes the focus on Key Performance Indicators (KPIs)⁸, which will be introduced in the next phase of the Futurebuilders programme and thinks that all three are vital to the success of the Fund.
- 7.7 The Panel believes that it is essential to capture the information on contracts won by third sector organisations and is pleased to see that the criteria in meeting this target does not create an adverse incentive in bias to investing in big contracts.

⁸ The Key Performance Indicators will measure Contracts Won, Funds Disbursed and Customer Service.

- 7.8 The Panel is also pleased to see that its concerns and comments on the disbursement of the Fund have been taken on board with a KPI relating to disbursement.
- 7.9 The Panel was pleased to see that the staff at Futurebuilders England are embracing the concept of KPIs.

Personalised budgets

- 7.10 The Panel believes that the personalised budgets plans will open up opportunities for third sector organisations to be involved in providing user-focussed public services. However, it has some concerns about the uncertainty if the income stream from such contracts.
- 7.11 The Panel welcomes this shift in the public service policy towards meeting the needs of the individual. However, it believes that there could be a conflict of interest between meeting the needs of the individual and the provision of public service delivery contracts. The Panel sees this as a challenge to Public Service Delivery Bodies and therefore could be an obstacle for third sector organisations in the repayment of loans.

Long-term management of the Fund

- 7.12 The Panel welcomes the continued, long-term ministerial commitment to the programme and is pleased that it is envisaged that money from loan repayments will be recycled into this or similar programmes.
- 7.13 The Panel would like to emphasise the importance of a legacy for the Fund, which will account for the loans that go beyond the new three+three years contract.
- 7.14 The Panel hopes that support of the Futurebuilders programme will continue through any changes of Department or Government.

New Advisory Body

- 7.15 The Panel acknowledges that its term comes to an end at the end of March 2008. It wishes to stress how much the members have valued working together and having the opportunity to contribute to the workings of the Fund. The Panel appreciates the effective leadership of the Chair.

- 7.16 The Panel hopes that the points in this report will be taken on board and developed by the new advisory body from May 2008.
- 7.17 In particular, Panel members would like to emphasise how valuable they have found the engagement with the Futurebuilders applicants and investees. The Panel hopes that the remit of the new advisory body will allow for continued engagement with both successful and unsuccessful applicants to Futurebuilders England.
- 7.18 Through the wide experience of its members, advice gained from representatives of various key Departments of State supporting the Panel and extensive intelligence gained from 120 visits undertaken by Panel members to investee projects, the Panel believes that it has been able to impact positively on the development of the Futurebuilders programme. This has been achieved through advising Ministers and Office of the Third Sector officials together with both the Board and employees of Futurebuilders England. The Panel feels that its role of 'critical friend' has been usefully deployed.

Background on Futurebuilders

The Treasury's 2002 Cross-Cutting Review of the Role of the Voluntary and Community Sector (VCS) in Service Delivery identified several obstacles that need to be overcome if the sector is to develop its public service role and fully support the Government's wider vision for public service reform. It recognised important financial obstacles including the lack of capital investment in the sector, the lack of flexible funding, especially for smaller organisations, and access to development funds.

In the 2002 Spending Review the Government announced the establishment of the £125 million Futurebuilders Fund (Fund) with the aim of tackling these obstacles. The Futurebuilders Fund has three objectives:

- To overcome obstacles to efficient third sector service delivery;
- To modernise third sector service delivery organisations for the long term; and
- To increase the scale and scope of third sector delivery.

Following a competitive tender, a consortium led by Charity Bank, including the National Council for Voluntary Organisations, the Northern Rock Foundation and Unity Trust Bank, won the contract to run the Futurebuilders Fund in December 2003. On 8 March 2004 the consortium formed Futurebuilders England Limited (FBE) as a company limited by guarantee to manage and deliver the Fund under a three-year tri-partite Agreement that ended in June 2007.

The tri-partite 'Agreement for the Futurebuilders Fund' was set up between the Home Office, The Charity Bank Ltd, and FBE, in which Charity Bank is the Accountable Body responsible for stewardship of the Fund and FBE is responsible for the operation of the Fund. Responsibility for Futurebuilders passed to the Cabinet Office in the summer of 2006.

Summary of advice to Ministers from the Panel's first report

Recommendation	Action
The Futurebuilders experiment should be continued for a 2 nd phase - aligned with the next spending period	Actioned in full
The five public service strands should remain at the core of all Futurebuilders investments until the next spending period	Actioned in full
The service delivery strands could then be expanded for the next phase of delivery:	Actioned in full
Futurebuilders should continue to provide development grants within its investment portfolio:	Actioned in full
The Office of the Third Sector should make full use of evaluation data	Actioned – the Office of the Third Sector is working with Sheffield Hallam University to assess how the data can be used more effectively in the second phase of the programme.