

**CONSULTATION ON A NEW FUND TO
SUPPORT THE SUSTAINABILITY OF
VOLUNTARY, COMMUNITY AND SOCIAL
ENTERPRISE SECTOR ORGANISATIONS**

1st May 2014

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Part I – About This Consultation

Topic of this consultation

1. The Office for Civil Society recognises that many medium sized voluntary, community and social enterprise (VCSE) sector organisations, supporting vulnerable and disadvantaged groups, are struggling to plan for the future and maintain their services in challenging times. These organisations are delivering important services, both for their service users, as well as the wider community in which they are working.
2. This consultation seeks views on the design and delivery of a proposed new fund, which will aim to support these organisations.
3. The fund will only receive final go-ahead once a final design and business case has been established. Responses to this consultation will form the basis of the final design.

Scope of this consultation

4. This consultation is part of an open approach to designing the fund. This document forms one part of a wider approach to listening to the views of interested parties, which includes online and face-to-face engagement. There are specific issues and questions highlighted in Part III of this document, on which we are seeking views. In addition the consultation asks for respondents' ideas for responding to the challenges identified.

Geographical scope

5. The consultation is open to all. However, the fund will only be available to VCSE sector organisations operating in England. Devolved Administrations in Scotland, Wales and Northern Ireland are responsible for delivering policy related to the VCSE sector in their areas.

Audience

6. Anyone may respond to this consultation and all responses will be fully considered. The Office for Civil Society would be particularly interested to hear from frontline VCSE organisations working with vulnerable and disadvantaged groups, VCSE sector umbrella bodies, organisations supporting VCSE organisations, and public sector bodies working with charities.

Duration

7. The Office for Civil Society wishes to consult on the fund over 12 weeks from 1st May. The deadline for responses is 24th July.

How to respond, or make an enquiry

8. There are a number of ways to respond to the consultation:

Email: Submit your response via email to: OCSsustainabilityfund@cabinet-office.gsi.gov.uk

Postal: Send a written response to
Thomas Leftwich
Office for Civil Society,
Cabinet Office,
4th Floor,
1 Horse Guards Road
London, SW1A 2HQ.

9. If you have any questions about the consultation, please e-mail them to OCSsustainabilityfund@cabinet-office.gsi.gov.uk.
10. If you have specific accessibility requirements and would prefer to respond through a telephone interview please email: OCSsustainabilityfund@cabinet-office.gsi.gov.uk.
11. When responding, representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions.
12. Responses to this consultation may be shared with other Government departments. Responses may be published in full or in a summary.
13. All information in responses, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004). If you want your response to remain confidential, you should explain why confidentiality is necessary and your request will be acceded to only if it is appropriate in the circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

After the consultation

14. We will acknowledge receipt of all emailed or posted responses, and all responses will be considered. The aim is for a summary of the consultation responses to be published in late summer 2014, together with the Government's response.

15. The design and business case for the fund will be finalised in summer 2014, after the consultation responses have been fully considered.

Part II – Background to the Consultation

How is the operating environment for the sector changing?

16. The environment in which VCSE organisations are operating is changing. Changes in our society, the economy and public policy, are creating both new opportunities and pressures, for example:
 - We have seen reductions in public spending at both national and local levels in order to secure public finances. It is likely that we will continue to see restraint in public spending for the foreseeable future;
 - Changes in public service commissioning approaches are creating new opportunities for a wider range of organisations to deliver services more effectively;
 - The effects of the recession and our aging and increasingly diverse population are requiring service providers to adapt the type of support provided and respond to changes in levels of demand; and,
 - The population is increasingly active online. Whilst this requires those providing services to adapt to meet the expectations of their users, it presents a significant opportunity to explore alternative and more efficient approaches to deliver services.

17. The changes highlighted have stressed more than ever the vital role that is played by VCSE sector organisations in supporting those most in need in our society. Government is limited in what it can do and the public continue to put great faith in the VCSE sector. However, the changes are also creating particular pressures for the sector, including:
 - Increasing demand for services, with the same or reduced funding;
 - Services traditionally funded through grants, being switched to competitive contracts; and,
 - Greater competition over new opportunities to deliver services and respond to new requirements from commissioners.

18. The change needed for VCSE sector organisations to take advantage of developing opportunities is not always easy to make. Organisations need to be resilient, entrepreneurial and agile. Many will need to adapt and develop their business models in order to continue to deliver and grow their services, developing new skills and capability along the way.

Where does the sector want to get to and what needs to happen to deliver this?

19. It is in all our interests for the VCSE sector to include a diverse range of organisations, delivering high quality services for those most in-need in our

society. To achieve this organisations need to have strong business models and forward plans, that enable them to adapt and continue to deliver in a changing and challenging environment.

20. There is no one one-size-fits-all approach to building a strong business model; it is up to each organisation to find the right pathway for them. For some organisations this will involve being better able to deliver a range of public services, perhaps using social finance to do so. For others developing paid-for services will enable them to better diversify their income. Some may want to look at how they can maintain their services by getting back to basics, developing their public fundraising and making more effective use of volunteers. In all cases organisations will be looking to review their operations and understand where they can increase their efficiency and cut unnecessary costs.

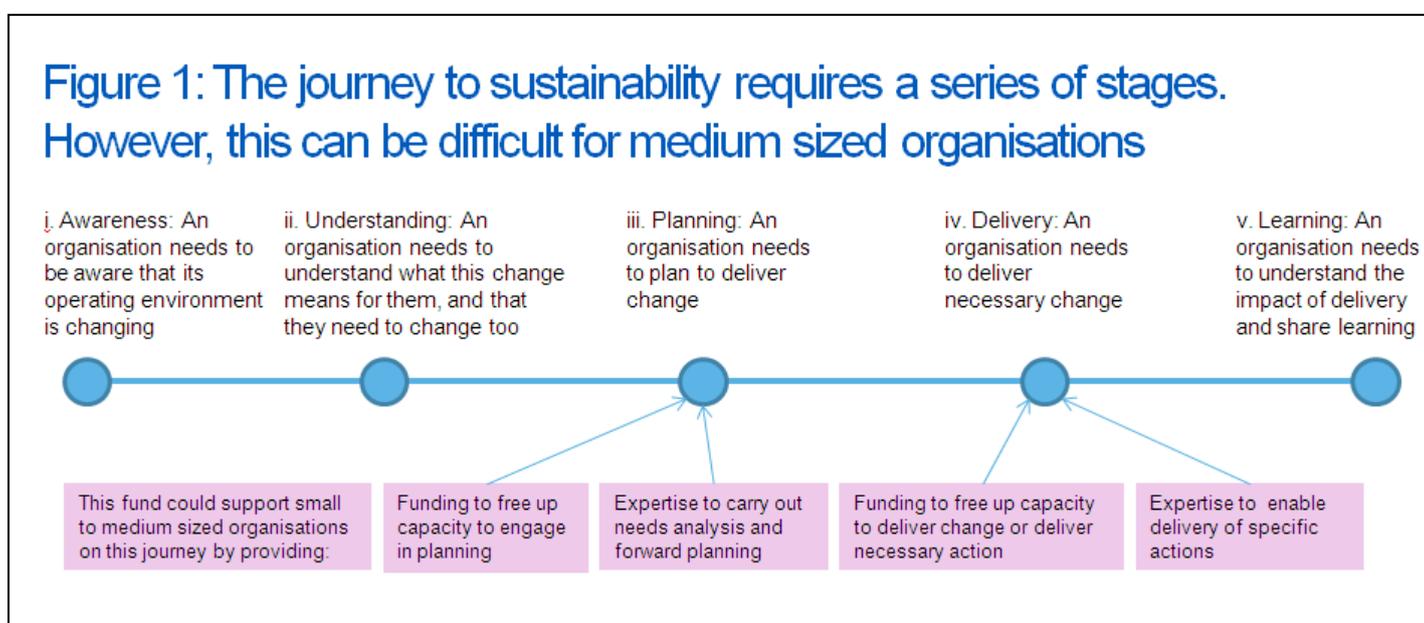
What is Government already doing to support the sector?

21. Government has already delivered a number of policies to support the development of a vibrant and sustainable VCSE sector. For example:
 - We have strengthened the support available for frontline organisations, for example through the Transforming Local Infrastructure Fund and by funding services like Funding Central and Do-it;
 - We are working to open up public services to the sector, introducing the Social Value Act and working with commissioners to ensure that changes to commissioning open the door to the sector;
 - We have looked to leverage resources into the sector by encouraging the giving of both time and money, for example by funding the growth of some of the best volunteering projects;
 - We are working to grow the social investment market, including establishing the world's first social investment bank, Big Society Capital, and introducing social investment tax relief;
 - We have supported organisations struggling with the immediate effect of the recession through the Transition Fund; and,
 - We have worked to make it easier to run a VCSE organisation by cutting red tape and reforming regulation.

Where does this fund come in?

22. Making the change necessary to embrace the new opportunities created and take advantage of existing support can be hard for some. The journey to sustainability requires a series of stages (See figure 1 below). For many organisations finding the time, funding and expertise, to choose the pathway for them and start their journey, is very challenging.

23. Medium sized organisations, focused on maintaining vital services for those most in need, may particularly struggle. They are less likely to be able to rely on donations and volunteering to maintain delivery as smaller organisations can. They may also lack the financial resource and capacity of larger organisations, which are better able to identify and deliver necessary change. It is often difficult for these organisations to justify using resources to plan for the future whilst services are more in demand, even though such planning is essential to maintaining services in the longer term.
24. A new fund could support these organisations to plan for and start to deliver the change they need. Figure 1 below shows where the fund could offer support in the journey to sustainability.



25. On the basis of the background highlighted here, the working aim for the fund is: *To identify VCSE sector organisations delivering vital services to vulnerable people in our communities, but struggling to adapt to their changing environment, and to put them on the right pathway to securing the long term future of their services.*

What have we been doing to date and where are we going next?

26. Activity to date has focused on three key strands:
- Drawing together existing data and information in order to begin to establish the evidence base for the fund;

- Initial targeted engagement with stakeholders, focusing on organisations that act as representatives of, and support providers to, potential fund recipients; and,
- Engagement with providers of past and current projects that have similarities to this work, so that we can learn from their experiences.

27. This activity led to the development of the background described in this document. It also led to the definition of a range of themes and issues that we need to address in order to target and deliver the fund effectively. These themes and issues form the basis for Part III of this document, which asks for your input on the development of the fund.
28. The Consultation is running for 12 weeks. It is a 'co-design' consultation, asking open questions around the key themes and challenges identified by our work. The responses received will be used to formulate a final fund design.
29. Once a design has been reached, a final business case will be submitted to the Treasury. It is envisioned that we will be able to start communicating the fund design in early autumn 2014, launching the fund for applications by Christmas. We intend to be able to start awarding funding early in April 2015.

Part III – Issues and Challenges for Consultation

30. This part of the document outlines the key issues and challenges that need to be addressed to design an effective fund. In each case specific questions have been asked that relate to the issue or challenge.
31. Respondents are not required to answer every question. Responses on those issues that are most directly relevant to your organisations are most welcome.
32. The issues and challenges are broken down into four broad sections:

Section 1: What Support is Needed, by Who and Where?

This section asks questions around how we **target** the fund to maximise impact under headings of:

- What type of support is needed?
- How do we define organisations in-need of support?
- Which vulnerable and disadvantaged groups are most in need?
- Where is support needed?

Section 2: How Should Support be Provided?

This section asks questions around how we **deliver** the fund to maximise impact under headings of:

- How do we identify the right beneficiaries?
- Should we use third party intermediaries to deliver effective support?
- Should we set upper and lower limits on organisation size?
- What size of grant should be provided?
- What mechanisms should be used to incentivise effective engagement from both support providers and frontline organisations?

Section 3: How can the Design of the Fund Ensure Long Term Impact?

Section 4: An Open Call for Ideas

Section 1: What Support is Needed, by Who and Where?

1.1 What Type of Support is Needed?

We want to establish what the fund can do to enable organisations to overcome the barriers they face in undertaking their journey to sustainability (see figure 1 above). This is not only about specific interventions but their wider need.

Feedback received to date has identified four possible overarching areas where funding and support is needed (the list is not supposed to be exhaustive):

- | | | |
|-----|--|---|
| i | Needs analysis and future business planning | <ul style="list-style-type: none">• General consultancy support to review need and put in place a robust plan for the future. |
| ii | Specific cost cutting measures | <ul style="list-style-type: none">• Merging or downsizing – cutting non-core/unproductive services.• Efficiency reviews and action to cut excessive/unnecessary costs.• Service delivery reform – e.g. greater digital delivery to reduce cost of services. |
| iii | Identifying and establishing new funding sources to diversify income | <ul style="list-style-type: none">• Consultancy support for identifying and bidding for specific funds and grants.• Funding to develop new paid-for-services and trading opportunities.• Capital to enable organisations to participate in ‘payment by results’ funding.• Build public fundraising capacity.• Support to engage with local funders/commissioners to ensure that opportunities are opened up to voluntary organisations. |
| iv | Building capability within organisations | <ul style="list-style-type: none">• Developing core business skills.• Demonstrating impact to funders and/or investors.• Writing quality bids/tenders.• Building capability and willingness of trustees to drive change. |

We are interested in encouraging both paid-for and pro-bono support (e.g. professional volunteering or provision of free services) as well as identifying innovative activities.

Questions:

- 1.1. Reflecting on the journey to sustainability, what types of support will have the greatest impact and why?

1.2. How can we best encourage pro-bono support alongside paid-for support?

How do we Define Organisations In-Need of Support?

The fund is looking to support organisations which are experiencing difficulties maintaining services whilst planning for the future. A number of potential factors have been identified to date that suggest an organisation is in-need, including:

- Lacking a robust forward business plan;
- Having inadequate levels of reserves;
- Accessing reserves repeatedly over the previous year to fund service delivery;
- Relying on a small number of sources of funding;
- Having had or expecting a significant cut in funding; and,
- A lack of necessary skills amongst staff and/or trustees.

Questions:

- 1.3. Are these the right factors for identifying those in-need?
- 1.4. What might be an effective approach to identifying those 'in-need', particularly given that these factors could be seen as negative and organisations might be unwilling to admit to them?

Which Vulnerable and Disadvantaged Groups are Most in Need?

The fund will target organisations working with 'vulnerable and disadvantaged groups'. The Department for Work and Pensions (DWP) has defined vulnerable and disadvantaged groups in the context of its work. This can be viewed at Annex A.

Questions:

- 1.5. We intend to use the DWP definition of 'vulnerable and disadvantaged'. Should we also include any additional groups?

Where is Support Most Needed?

This fund will be available across England. However, the needs of organisations will vary significantly around the country, reflecting different levels of local social and economic capital. For example, in deprived areas organisations may struggle to establish effective boards due to a lack of candidates. Effective boards can bring the capability and confidence to challenge the organisation, ensure that appropriate forward plans are in place and enable the organisation to secure greater support from funders. This fund is not going to resolve the underlying causes of these geographical differences, but could look at creative ways to reduce their impact.

Questions:

- 1.6. How should we ensure that support available is appropriate to local need?
- 1.7. What evidence is there of need in particular locations?

Section 2: How Should the Fund be Delivered?

How do we Identify the Right Beneficiaries?

We want to support organisations that deliver high quality services to users, high impact for wider communities and have the potential to achieve sustainability. We are aware that robust impact evaluation and needs analysis can be very challenging for the VCSE sector, particularly those organisations that we are seeking to support.

In addition many organisations that are 'in-need' may not be aware that support is available as they lack the time to look for it.

Questions:

- 2.1. Could we use a light touch self assessment tool that would identify the likelihood that an organisation is appropriate from simple evidence and data?
- 2.2. Are there existing tools that would enable us to do this?
- 2.3. Could we use existing local knowledge to identify appropriate organisations, for example by utilising a nomination approach?
- 2.4. Which local bodies or partnerships could best provide local knowledge? E.g. local infrastructure such as Councils for Voluntary Service, Local Enterprise Partnerships, Local Authorities?

Should we use Third Party Intermediaries to Deliver Effective Support?

The organisations most in need of support are those that do not have resource and/or capability to plan effectively for the future. Therefore, there is a high risk that these organisations will struggle to develop strong applications, needs analysis and realistic delivery plans.

One solution could be to adopt a model where frontline organisations must partner with a third party 'expert' intermediary, in order to develop a strategy, apply for funding and deliver their project.

Intermediaries could:

- Source appropriate frontline organisations for support, either directly or from a pool identified using an online filtering process;
- Ensure a high quality impact assessment is carried out for organisations;
- Carry out a high-quality needs analysis;
- Agree a plan of support, either provided by, or sourced by the intermediary
- Ensure that the plan is sustainable in the long term, once funding is no longer available; and,
- Oversee delivery of plans to ensure they remain on track.

Using pre-approved intermediaries with appropriate expertise, could enable the fund to ensure quality of delivery, whilst freeing up organisations to explore a range of innovative and relevant support appropriate for them.

Funding could be broken down into three key elements:

- a. Funding for support for needs analysis, planning and monitoring of delivery;
- b. Funding for specific types of support and/or activities identified through planning, either pro-bono or paid-for; and,
- c. Funding to frontline organisation to enable participation (freeing up time of key staff to engage whilst enabling ongoing service delivery).

Questions for consultation:

- 2.5. How could a model like this be made to work effectively?
- 2.6. Is there an appropriately sized and experienced body of potential intermediaries available to fulfil this role?
- 2.7. How would we ensure that intermediaries are appropriately held to account and challenged to deliver effectively?

Should we Set Upper and Lower Limits on Organisation Size?

Medium sized organisations are the priority for this fund. When looking at the delivery of the fund this raises a question around setting lower and upper level turnover limits so that applications are restricted to organisations of this size.

A definition of medium sized has been suggested of £50k-£80k to £1-£1.5million turnover. However, some feel that there are organisations in the £1.5-£10 million range that are likely to need this type of support.

Questions:

- 2.8. Should we apply upper and lower turnover limits to focus efforts on those organisations in need and which are achieving impact?
- 2.9. If so:
 - What lower limit would be appropriate for identifying organisations having the desired impact in communities?

- What upper limit would ensure that organisations that shouldn't need support are excluded?
- Should we have a phased upper limit with higher turn-over organisations considered in exceptional circumstances?

What Size of Grant Should be Provided?

Grant size should vary depending on the size of the recipient organisations and level of additional support needed. However, the scale of individual grants must secure an appropriate level of activity for individual recipients, whilst also ensuring that the fund reaches as many organisations in-need as possible.

As an example, in early scoping an average grant of £30k was suggested. This would enable approximately 1,300 organisations to benefit. In this example a cap of £50k could be applied. If a larger cap were proposed then a smaller proportion of the sector would be able to benefit.

Questions:

- 2.10. What average level of funding would enable appropriate depth of activity for individual projects, whilst ensuring a broad reach for the fund across the sector?

How do we Ensure Effective Engagement from both Support Providers and Frontline Organisations?

We need to ensure that high quality support is available and enable frontline organisations to engage effectively. There is a risk that high quality forward plans 'end up on the shelf, gathering dust', or that external support providers focus on quick wins rather than more ambitious longer-term change.

Potential solutions could include:

- Clear accountability from named individuals in frontline organisations, both from senior executive leadership and on the board of trustees
- An element of output/outcomes based payment
- Ongoing external challenge of plans and activities by a panel of experts and peers
- Requirement for frontline organisations to make some financial commitment to the project

Questions:

- 2.11. Are these the right ways to incentivise effective engagement?
2.12. Which of these are likely to be most effective?

2.13. What other ways could ensure effective engagement from all parties?

Section 3: How can the Fund Ensure Long-term Impact?

We want the fund to set organisations on a sustainable path. In addition, budgets for future years are unlikely to be set until summer 2015, well after the fund has launched. The design of the fund needs to create long term impact and/or explore other ways to continue to fund activity after the first year.

A potential solution could include requiring funded activity to:

- open up a future income stream for an organisation from public service delivery or trading; and/or,
- identify a future source of non-government funding to continue to deliver the change started.

Other sources of non-government funding could include working to connect relevant trusts and foundations with funded organisations working within their areas of interest, to explore potential to provide further support after 2015/16.

One key longer term impact could be using the 2015-2016 funding to grow the market of support for frontline organisations, to leave a legacy of support available for the whole sector after the end of the fund. A challenge will be ensuring that without the fund, providers will be able to maintain their capacity to deliver high quality support. Again exploring other interested non-governmental sources of funding could provide one solution.

Questions:

- 3.1. Which of the proposals for achieving sustainability do you think are likely to be most effective? How else can we ensure lasting impact?
- 3.2. What other ways could individual projects maintain their activity after 2015/16?
- 3.3. What other ways could we sustainably grow the market of support for frontline voluntary organisations?

Section 4: An Open Call for Ideas

In addition to those types of support and delivery mechanisms described above, we also want to hear about any and all ideas for support that could be provided, plus different ways of delivering it, that might help to build sustainability for organisations in-need. We particularly want to hear about ideas with the potential to create a long

term impact. Examples might be establishing peer-support relationships; or, supporting the growth of paid-for services that can help to cut costs, such as 'shared service centres' for the sector, which could deliver cheaper back-office services.

Questions:

- 4.1. In addition to the types of support described in this consultation document, what ideas do you have that could help organisations build their sustainability?
- 4.2. What other mechanisms of delivery could the fund explore in order to better reach beneficiaries?

Annex A: Definition of Vulnerability

The Department for Work and Pensions (DWP) has worked to develop a common definition of vulnerability for use across its services. Rather than creating a separate definition we propose to use an adapted version of DWP's work. This is presented below.

Description of Vulnerability:

“An individual who is identified as having complex needs and/or requires additional support to enable them to access services and support”

Complex Needs

Complex needs are difficult personal circumstances and/or life events that affect individuals

Specific Life Events and Personal Circumstances

- Adoption - children
- Leaving the Armed Forces and Ex armed forces personnel, their spouses/partners/families
- Bereavement, Death - recently bereaved
- Children who leave care
- Care Leavers - over 18 care leavers
- Crime – Victim of crime
- Debt / indebted
- Divorce / termination of Civil Partnerships
- Domestic Violence and abuse
- Just Left hospital
- Homeless
- Race - Immigration status/refugee/asylum seeker/ people arriving from abroad
- Redundancy
- Retirement
- Addiction – Drug and alcohol dependency
- Age - older person
- Age - older person - financial abuse (Pensioners)
- Age - Young Person - 16 & 17 year olds
- Caring responsibilities
- Children - child care
- Cultural Barriers, Language barriers – English not their first language
- Gender recognition/transgender
- Lone Parent
- Offender/ex Offender/ Prisoners/Detainees

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- Suicide and/or Self Harm Declaration
- Supported by Troubled Families programme
- Rural Isolation
- MAPPA claimants (Multi Agency Public Protection Arrangements)