

Annex B – summary of consultation responses

Theme	Issue	Opportunities	Risks
Social investment	<p>According to <i>Venturesome</i>, there is rising demand for the development of a strong social investment market. However, the following supply and demand side barriers have prevented further evolution of the market:</p> <p><i>Financial risk aversion:</i></p> <ul style="list-style-type: none"> • VCOs/ trustees are apprehensive of borrowing money for fear of personal liability; • suppliers can perceive VCOs to be higher risk than they actually are. <p><i>Lack of understanding of financial needs:</i></p> <ul style="list-style-type: none"> • VCOs are unable to identify their financial needs or understand solutions presented by different products; • Venturesome has witnessed advisers and funders who are unable to distinguish between capital and revenue or read balance sheets. <p><i>Inefficiency of the market place:</i></p> <ul style="list-style-type: none"> • the market does not always provide appropriate products to civil society organisations; • there is also little co-ordination and co-investment between advisers; • little advice and general infrastructure in the form of brokers developing alongside the emerging suppliers of capital; • the market is not calibrating risk and opportunity e.g. most grant-making trusts are not operating in a way to leverage in finance and banks are not operating in a way that can layer grants. <p>They suggest the following recommendations for change:</p> <ul style="list-style-type: none"> • increased co-investment, syndications by a lead investor and more pooled funds; • greater sharing of information and knowledge including, as a first 	<ul style="list-style-type: none"> • Economic context points to increasing need to pool private and public resources and increasing demand from donors to see their money recycled/ made to work harder. • There are a range of proposals for further developing the SI market, including a social investment bank, social stock exchange and social impact bonds. • Calls for evolution of the market from the VCS. • Support from both political parties. 	<ul style="list-style-type: none"> • Caution expressed from some parts of the VCS. NAVCA spoke of the ‘limitations of loan funding’. • Protecting VCS independence and values.

	<p>step, collaboration to develop and support research that produces data on the current size of the market, past deals and their performance and transaction costs;</p> <ul style="list-style-type: none">• the development of a common language. This paper is our contribution to clarity regarding terminology. <p>Triodos argued that any new funding should utilise the existing intermediaries in the social finance market. They also made the case for better business advice for charities and access to longer-term investments, referring to their practice of lending over a 25 year period.</p> <p>We also received a response from Citylife on Social Investment Bonds. They have been using these to fund the VCS for the last ten years. These work as follows:</p> <ul style="list-style-type: none">• individuals and investors invest in a fixed term bond with Citylife;• Citylife immediately gives up to a quarter of the money to charity. The rest is lent to a social housing provider to build affordable housing for local communities and key workers;• After five years, the housing provider pays back the loan plus interest that matches the sum given to the charity;• Citylife gives the investors back all the money they put in. They have only given away the interest they could have earned. <p>They list numerous benefits of bonds. For example they offer individuals a new way to give and a way for business to demonstrate CSR. However, they think that the success of Social Investment Bonds could be greatly increased by the provision of similar tax incentives as those available for other funding mechanisms. They suggest rebates on investments of 3% per annum.</p> <p>The Barings Foundation supported the exploration of the Social Impact Bond in relation to public services.</p>		
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<p>Local funding</p>	<p>The importance of funding for the local VCS came out heavily in the consultation. The importance of grant funding was raised, as were endowments for the local area (cash, land, property) and the role of Community Foundations in delivering these. There was a lot of support for increasing the potential for asset transfer (see next section). Volunteering England also called for local infrastructure to support volunteering opportunities locally, and a case was made for local social investment opportunities: it was suggested that local authorities could provide interest free loans to individuals wanting to start-up organisations working on areas of shared interest.</p> <p>Challenges relating to the devolution of statutory funding were identified. For example Fairbridge and NPC argued that it can result in organisations having to develop relationships with individuals across a number of local authorities which can be very resource intensive. Fairbridge thought that high quality second tier organisations had improved the situation by building links with LAs, but these need funding. NPC also argued that devolution can mean that charities struggle to access funding in cases where a problem affects a large number of people across the nation, but not many in one area in any one year e.g. sexual violence.</p> <p>However, they also identified opportunities. For example, it means decisions are made locally and therefore charities can make personal relationships with people delivering the funding. This requires VCOs having time and inclination to network at a local level.</p> <p>The difficulties certain parts of the VCS experience accessing funding were also raised by a number of organisations. This included campaigning organisations, equalities groups, faith groups, groups working on environmental issues and small children’s charities. For example, Children England’s research into small children’s charities found that 40% of small children’s charities reported being in a vulnerable funding position with the potential to close if anticipated funding does not come in. They argue for longer term funding, grant</p>	<ul style="list-style-type: none"> • There is potential to increase the role of Community Foundations, e.g. in 07/08 Tyne and Wear raised over £2million in new donations. • In connecting local people to local causes, Community Foundations can help to ensure a fairer allocation of resources; • Potential to increase the amount of asset transfer in the economic climate; • Government’s localist agenda which is likely to continue in the event of a Conservative government. 	<ul style="list-style-type: none"> • Needs of national organisations?
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	<p>funding from all local authorities and greater access to training for small organisations, a major awareness raising campaign about safeguarding and for the VCS to work more closely together to maximise its impact.</p> <p>Respondents also identified difficulties experienced by organisations operating in certain parts of the country. This included groups working in deprived pockets within affluent area and organisations working in the East of England. However, the British Heart Foundation also stressed the important role national organisations play at a local level. For example, BHF run a number of local fundraising appeals where the money is used to fight heart disease at a local level.</p> <p>A number of interesting ideas to improve local funding were proposed by questionnaire respondents. These included proposals to divert a percentage of Council Tax to create community local endowments, Neighbourhood Funding Panels operating through a combination of Business Improvement Districts tax and National Lottery income and proposals for proceeds from local crime to be returned to the local area for endowment. One respondent raised a concern that a significant proportion of business rate relief for charity shops remains at the discretion of local government. This can result in some local authorities being less likely to grant this relief to trading arms of national authorities because of a perception that they do not benefit the local population.</p> <p>The Community Foundation Network thought there was potential to increase the role of new technology in connecting donors with local community groups. They are currently in the process of developing a concept similar to that of the Big Give.</p>		
Assets	<p>We received a number of responses outlining:</p> <ul style="list-style-type: none"> • The difficulties VCOs face accessing buildings because of expensive rent; • The impact high rent has on their ability to expand; • Difficulties accessing capital funding for building refurbishment. 	<ul style="list-style-type: none"> • Falling value of LA buildings and increase in empty private sector buildings could mean there is greater appetite for this. • The DTA have just received money from the OTS to set up 	<ul style="list-style-type: none"> • How to ensure that assets do not become liabilities? • Irrecoverable VAT issues tied to maintenance of buildings

	<p>Respondents also raised concerns that the current asset transfer scheme was resulting in the transfer of a liability over an asset.</p>	<p>an asset transfer unit. The new Unit will offer independent advice to local people and councils to help community groups take control of under-utilised land and buildings and put them to better use for the benefit of the community.</p>	
Philanthropy	<p>A number of respondents referred to the need to increase the amount of income to the VCS through donations.</p> <p>There was particular support for raising the amount of corporate social responsibility.</p> <p>Certain organisations identified the difficulties they experienced accessing charitable donations and match funding because they do not work on 'fluffy' issues, including second tier organisations and organisations working with unpopular groups e.g. offender rehabilitation.</p> <p>There was a general recognition of the need for capacity building support in fundraising from the public. In particular, there was reference to the need for skills to fundraise from private organisations support to manage the relationship effectively.</p> <p>There was some support for the move to an opt out system of Gift Aid and further simplification of the system e.g. in relation to the sale of goods from charity shops. There was also some support for developing payroll giving.</p>	<ul style="list-style-type: none"> • The research does not suggest that giving will fall in the coming years, and there is some evidence that there is potential to increase it e.g. this year's Comic Relief raised record amounts • There may be potential to increase the amount raised through donations through changes to tax effective measures, including: Gift Aid, Legacies, Lifetime legacies, Community Investment Tax Relief (CITR), Payroll giving. • Support from both political parties. 	<ul style="list-style-type: none"> • How to encourage philanthropy in a way that protects VCS independence and values. • VCOs that receive little or no charitable donations • Legacies largely go to wealthier charities • Changes to tax effective giving could present a significant cost to the exchequer.
Public services	<p>A number of concerns remain in relation to commissioning practice and the impact it is having in VCS delivery of public services e.g. experience with Pathways to Work. Many considered that contracts were going to private companies or larger organisations with the capacity to win contracts.</p>	<ul style="list-style-type: none"> • Consultation respondents were very keen to see money from contracts further developed. 	<ul style="list-style-type: none"> • There was a recent PASC inquiry into this. It is mostly an implementation issue. • Certain organisations are more likely to benefit from

	<p>However, opportunities were also identified:</p> <ul style="list-style-type: none"> • Personalisation agenda and individual budgets. • Further contracting of VCOs to deliver financial services, manage diversity or social cohesion, worklessness, social care etc. • Private companies may increasingly sub-contract to the VCS. <p>The Barings Foundation stressed the importance of protecting the independence of the VCS, which they define as the ability of organisations to secure a range of freedoms necessary for their work. They suggest a range of areas for the Commission to consider, one of which was exploring funding models that get the best out of the Sector at the same time as meeting government’s reasonable requirement for accountability and service quality. They suggested exploring:</p> <ul style="list-style-type: none"> - The New Economics Foundation’s Public Benefit Commissioning model currently being piloted in Camden. - The work by Advice UK on a “systems-thinking” approach to planning local advice services. - The work by Furniture Resources Centre in Liverpool to establish a model of contracting with local councils that reflects the wider benefits of their particular method of service delivery. - The approach to partnership working with statutory agencies underway at Barton Hill Settlement in Bristol where an analysis of local needs has led to a neighbourhood partnership model being considered for wider application by Bristol City Council. - The Social Impact Bond. <p>They also argued that there is a need to address the sense that government is still not convinced about the value of involving those outside government in the design of services. They suggest some simple approaches including project visits, secondments and joint working can help, as well as more involved approaches such as participatory budgeting.</p>		<p>PSD, e.g. VCOs working in social services and larger organisations.</p> <ul style="list-style-type: none"> • There may be less government money for public services in a tighter climate.
Funding practice	Concerns about poor funding practice came out heavily in the questionnaire responses, including onerous application forms and	<ul style="list-style-type: none"> • This was identified as one of the biggest challenges facing 	<ul style="list-style-type: none"> • Implementation issue: a lot has been done around

	<p>reporting requirements, full-cost recovery, short-term funding, project funding, unequal allocation of funding and difficulties building up reserves. There are continued calls for implementation of HMT guidelines and for strengthening of the Compact. On a more positive note, there was also recognition of the benefits of what's been achieved in relation to funding on the last few years.</p> <p>A clear argument was made for making better use of existing resources through improving funding practices by <i>New Philanthropy Capital</i>. They argue that a sector with finite resources requires the following:</p> <ol style="list-style-type: none"> 1. <u>Funding that is allocated according to need and effectiveness</u> NPC argue funding needs to be allocated on the basis of need and effectiveness rather than values. Martin Brookes has previously argued that charities should provide evidence of their effectiveness to help funders choose the best charities to give to. NPC state that a greater move towards outcomes based funding will help this, providing that both sides use it effectively. Charities and funders need to be realistic about what outcomes to expect and be ready and able to challenge each other on unrealistic expectations. Some VCOs reported the difficulties they experience demonstrating soft outcomes. 2. <u>Funding that is designed so that it is proportionate to the need</u> NPC mention the need for funding to be well structured and designed. In particular, the research shows the need for funders to consider the size and length of funding; funding innovation; full cost recovery and restricted funding. 3. <u>Monitoring that is useful and proportionate.</u> NPC argues that, since the money and time spent on monitoring and reporting could be spent on beneficiaries, it is important that it is useful and proportionate. They make a case for: <ul style="list-style-type: none"> • Better reporting – funders need to think carefully about what it is reasonable to expect charities to collect, reflecting on the different 	<p>the VCS from the questionnaire.</p>	<p>public sector funding practice e.g. Cross Cutting Review and HMT guidance.</p>
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	<p>capabilities of small and large charities;</p> <ul style="list-style-type: none"> • Standardised reporting – they argue that, if each charity could produce a standard report to send to funders, it would significantly lower the cost of reporting; (This view was shared by Fairbridge) • Sharing information – sharing information of successes and failures can make it easier for others to learn. NPC is interested in a Results Library where charities could post their outcomes measurement widely allowing the sector to learn which activities get the best results. <p>The Funding Commission should concentrate its effort on:</p> <ul style="list-style-type: none"> • Allocation of funding across sectors; • Outcomes-based funding; • More effective monitoring. <p>Changes to funding practice were also supported by David Carrington. He proposed a number of changes to improve the relationship between funded and funder including small changes to a funder’s administrative procedures (e.g. making payments in advance, making payments in full without any report requiring-retentions), more direct engagement between funded and funder and through both sides adopting a more patient and long-term approach to what they are trying to achieve.</p> <p>In their response, the Big Lottery Fund agreed with a number of David Carrington’s suggestions for improving the relationship between funder and funded. BIG has set up an ‘Intelligent Funding Forum’ to explore what being an intelligent funder means in practice. They think the following will be particularly important in the future:</p> <ul style="list-style-type: none"> • Supporting positive and lasting outcomes by explaining clearly what this means to applicants; • Supporting working together/partnerships between VCOs and funders; • Supporting innovation, even in a time of economic downturn; 		
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	<ul style="list-style-type: none"> • Promoting sustainability through encouraging learning where a project ends; • Building the capacity of VCOs to make applications; • Engaging more with customers or stakeholders; • Exploring ways to support VCOs to reduce their impact on the environment. 		
Capacity building	<p>A number of capacity building issues arose from the questionnaires:</p> <ul style="list-style-type: none"> • Collaboration; • Use of technology; • Governance issues; • Performance (demonstrating outcomes); • Income management and accessing a diverse range of income ; • Measuring outcomes; • Fundraising; • Business advice. <p>The Barings Foundation argued that VCOs need to develop the skills and resources to maintain their independence. They argue that this can be done through enhancing:</p> <ul style="list-style-type: none"> • Their ability to demonstrate their legitimacy. This is the source that any voluntary organisation draws on in its relationships with others. It means having evidence of the needs being tackled and of impact, that users are involved in the organisation, that governance is strong, that values are articulated and that organisations make these values live. • The ability to act with confidence. Confidence can be drawn from the skills organisations have in negotiation, campaigning, using the media and in having good finance systems, access to good information and making use of the Compact. 	<ul style="list-style-type: none"> • Key issue for respondents. 	<ul style="list-style-type: none"> • A number of capacity building functions exist. Why are there still issues?
Volunteering	<p>Volunteering England made a case for the Commission to consider volunteering within its remit. They made the following points:</p>	<ul style="list-style-type: none"> • £8m (originally £10m) DWP funded volunteer brokerage programme; 	<ul style="list-style-type: none"> • Already dealt with by Julia Neuerberger's Commission on the

	<ul style="list-style-type: none"> • Long term funding solutions need to invest in the sustainability of the volunteering infrastructure as well as delivery, particularly local infrastructure; • During periods of economic downturn, funding needs to meet increased demand for quality volunteering opportunities; • Organisations should be supported to demonstrate value and quality to funders so that they will fund this work; • Organisations should be funded to engage effectively with groups who are at risk of social exclusion or have additional support needs; • Funders need to take account of the volunteer led nature of the majority of charities when designing funding processes and information; • Funders should be aware of the impact short term funding can have on high quality volunteer experiences and the communities served by volunteers; • Employer supported volunteering has an important role to play in increasing financial advice and insight for trustee boards. 	<ul style="list-style-type: none"> • Brown's civil service for young people 	<p>Future of Volunteering;</p> <ul style="list-style-type: none"> • Needs significant brokerage; • Needs to be truly 'voluntary'; • Needs to be properly resourced so that VCOs have capacity to take on increasing demand.
Trading	<p>VCOs are increasingly trading to provide a means of unrestricted income. Some respondents to the questionnaire wanted to increase income raised from this source.</p> <p>One respondent referred to the need to think about what are the potential limits on what would be seen as publicly acceptable.</p>	<ul style="list-style-type: none"> • Rise in ethical consumerism 	
Other tax issues	<p>Irrecoverable VAT results in a significant burden for VCOs and was mentioned in relation to refurbishment of buildings.</p>	<ul style="list-style-type: none"> • Well supported among VCS; • Government initiatives, including community asset transfer and collaborative working, are suffering as a result of irrecoverable VAT issues. 	<ul style="list-style-type: none"> • Long-standing resistance from government; • Large cost to the Exchequer.

Responses to the questionnaire were received from:

Adrian Ashton (Consultant)
Ansaar
Barnet VCS
Beat Youth Sports Club (The)
Bolton Lads and Girls Club
British Heart Foundation
Burnley, Pendle & Rossendale CVS
CCORRN
CEMVO
Chester-le-Street and District CVS and Volunteer Bureau
Cornwall Blind Association
County Durham Furniture Help Scheme
CVS North Lanarkshire
Disabilities Forum
Doncaster Racial Equality Council
Fairbridge
Global Action Plan
GMCVO
Hertfordshire Community Foundation
High Green Development Trust
Housing Justice
Hyndburn Community Network
Ingol and Tanterton Community Trust
Junior League of London
Lincolnshire Community Foundation

Milton Keynes Community Foundation
Mortimer Society (The)
NAVCA
Preston Faith Forum
Romsey Mill
Royal London Society for the Blind
Satellite Arts
Tomorrow's People
Voscur
Voluntary Norfolk
Warwickshire Association of Youth Clubs
Zone; Youth Enquiry Service (Plymouth)Ltd (The)

Written submissions were received from:

Big Lottery Fund
Citylife
Children England
NAVCA
New Philanthropy Capital
Triodos
The Barings Foundation
Venturesome
Volunteering England

Meetings were held with:

Community Foundation Network
Joseph Rowntree Foundation

David Carrington
NAVCA
South Yorkshire Funding Advice Bureau
Voluntary Action Sheffield
Mary Marsh
Office of the Third Sector
New Philanthropy Capital