

Welcome to...

North East Together
Leaders Network for Social Change

Funding Social Change: Exploring New Models
Wednesday 23 September 2015

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Welcome and Introduction

Alex Blake, Keda Consulting

Lead Contact for Funding for Social Change Working Group

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Programme for the day

10.10 Scene Setting – Jane Hartley, VONNE

10.30 The Future – Toby Lowe, Newcastle University Business School

10.55 Q&As

11.10 Introduction to Open Space sessions

11.30 Open Space I

12.15 Open Space II

13.00 Lunch

13.45 Open Space III

14.45 Refreshment break

15.00 Thematic discussion groups

16.00 Closing remarks and next steps

Setting the Scene

Jane Hartley, CEO VONNE

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What we will cover:

- Overview of North East VCSE sector
- Funding and income trends North East
- Funding and income trends – National
- Issues, challenges, opportunities

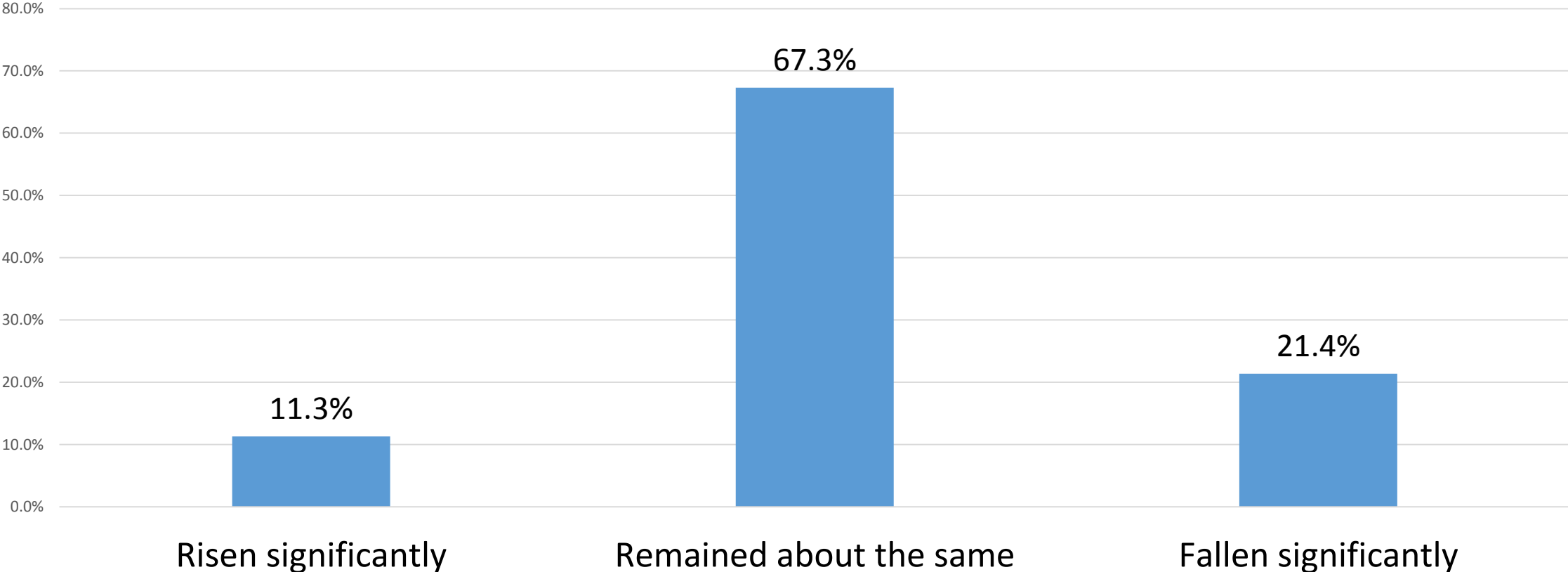
Overview of size and scale of sector in NE

- About 6,900 voluntary and community organisations in the North East
(figure doesn't include smaller grassroots organisations – figure likely to double to 15,000)
- 57% small organisations with less than £50,000 income
- 23% medium sized organisations income £50,000-£250,000
- 20% larger organisations income £250,000- £1M+
- VCS organisations employ c. 36,000 people (FTE), 3.1% of regional employment
- 149,000 people volunteer in VCS organisations

Source: NE Third Sector Trends Study

Funding and income trends North East

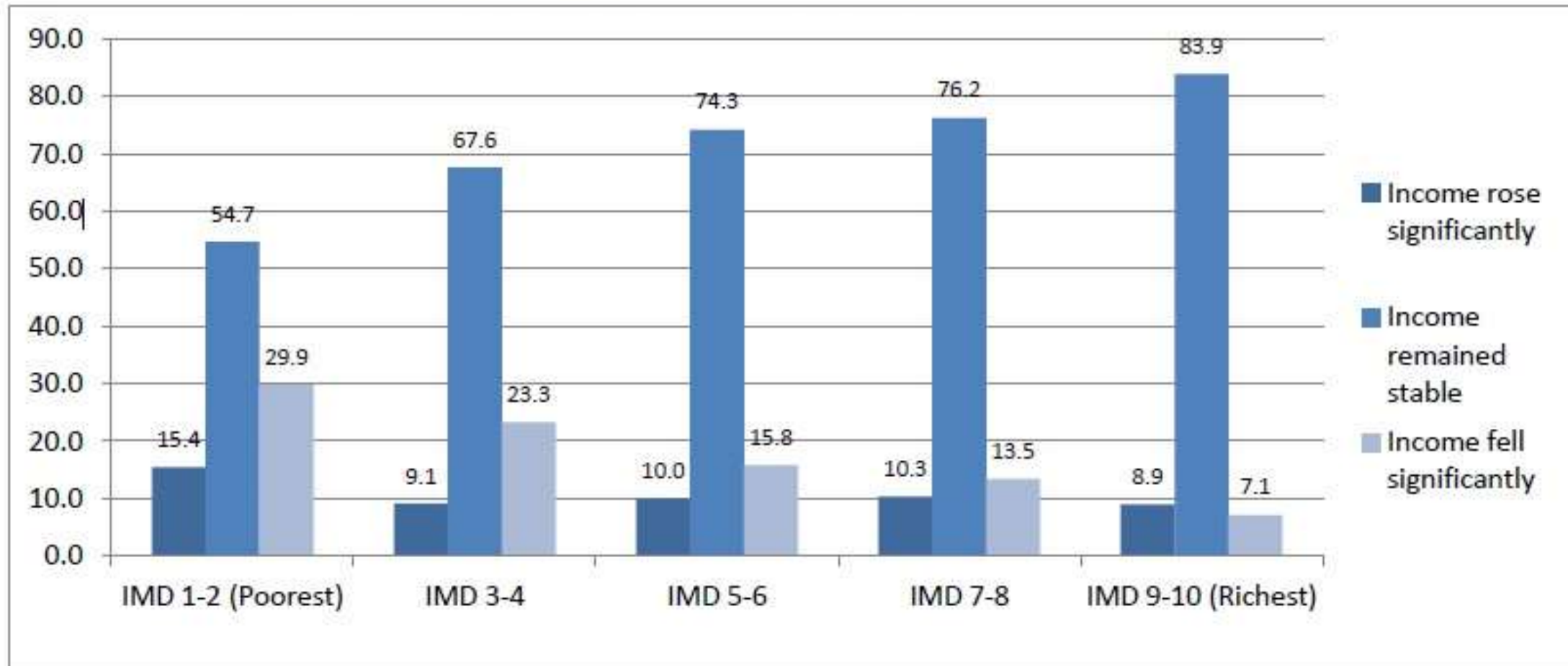
Changes in levels of income in the last two years



Source: NE Third Sector Trends Study

Funding and income trends North East

Figure 16(a) Percentages of TSOs' income change in richer and poorer areas (2014, North East England and Cumbria data)



Winners & Losers : VCSE in richest areas versus poorest areas

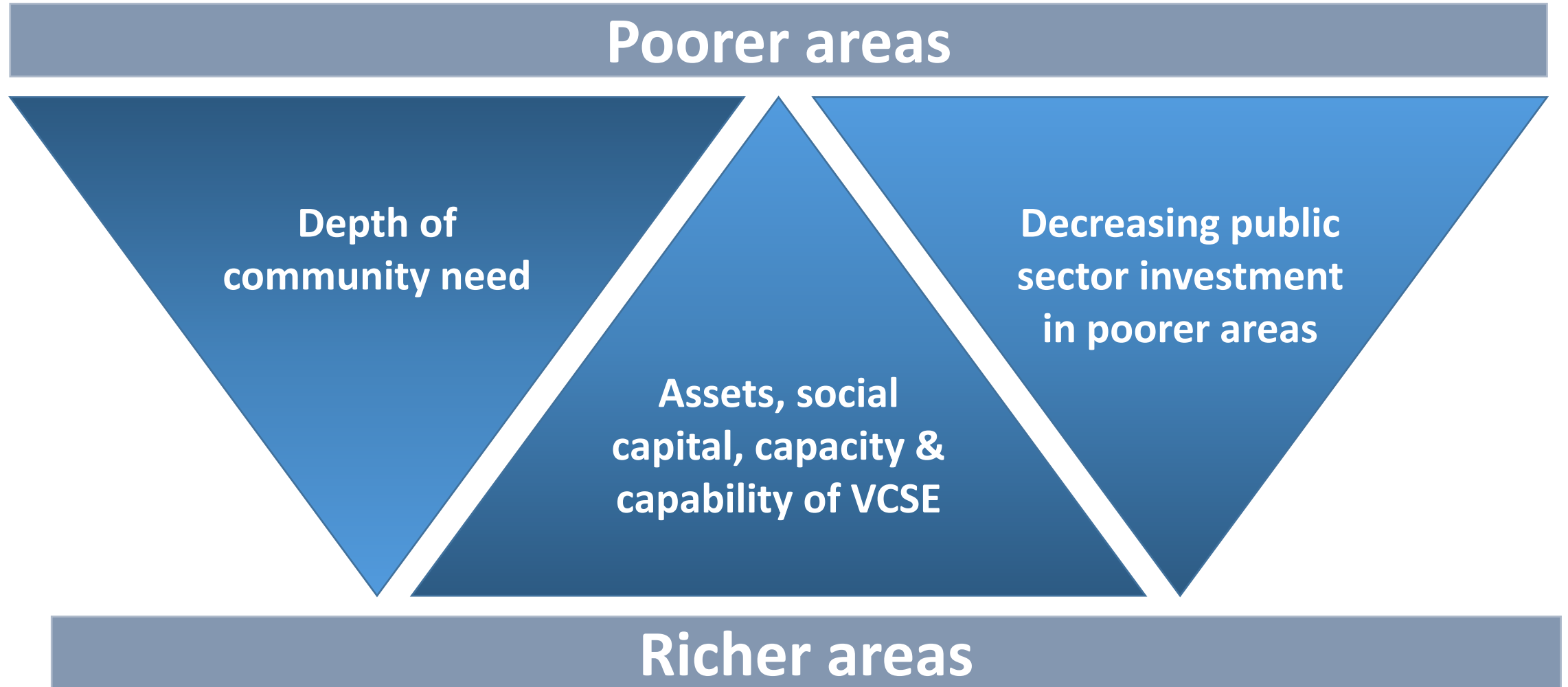
Poorer areas

Depth of
community need

Decreasing public
sector investment
in poorer areas

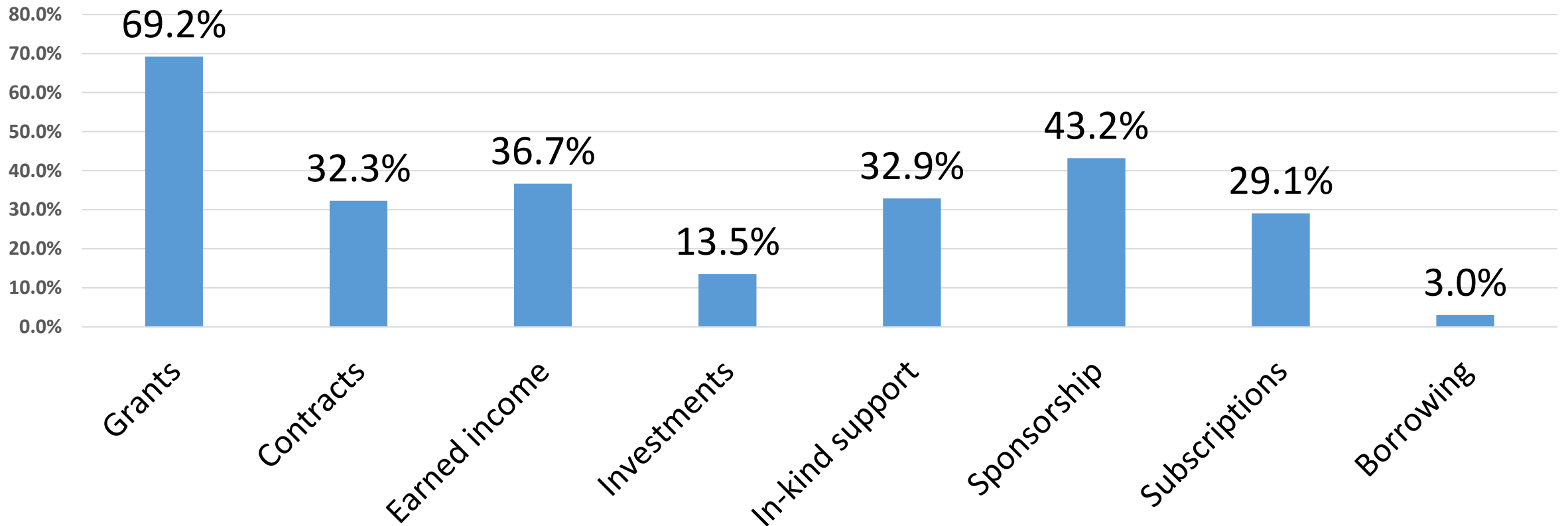
Assets, social
capital, capacity &
capability of VCSE

Richer areas



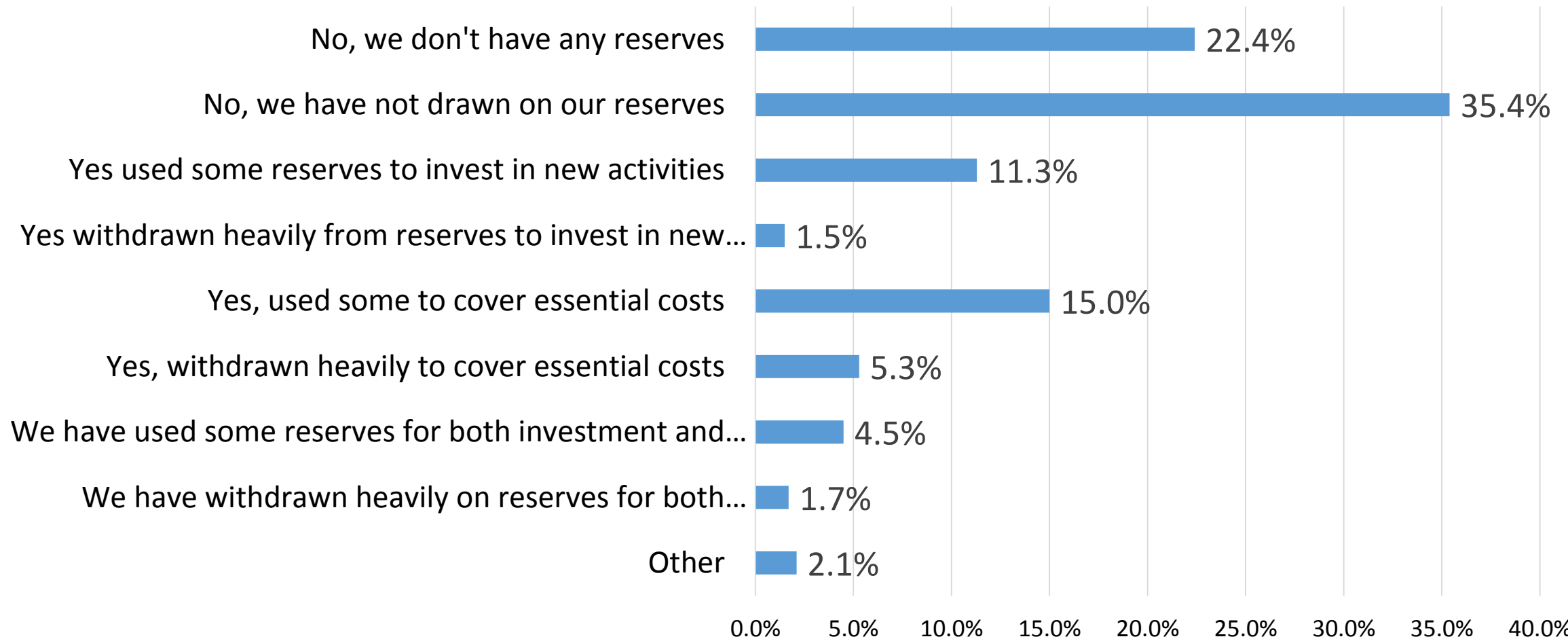
Funding and income trends North East

Sources of income that are most important to VCS organisations



Funding and income trends North East

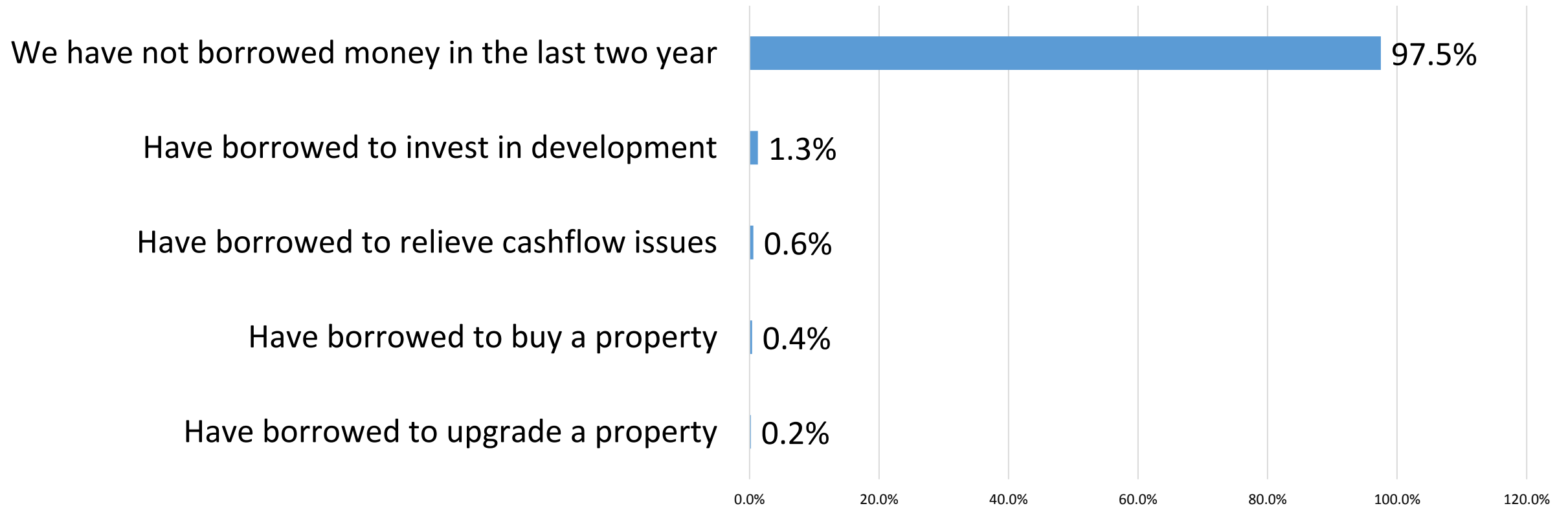
Extent to which organisations have drawn upon reserves in last year



Source: NE Third Sector Trends Study

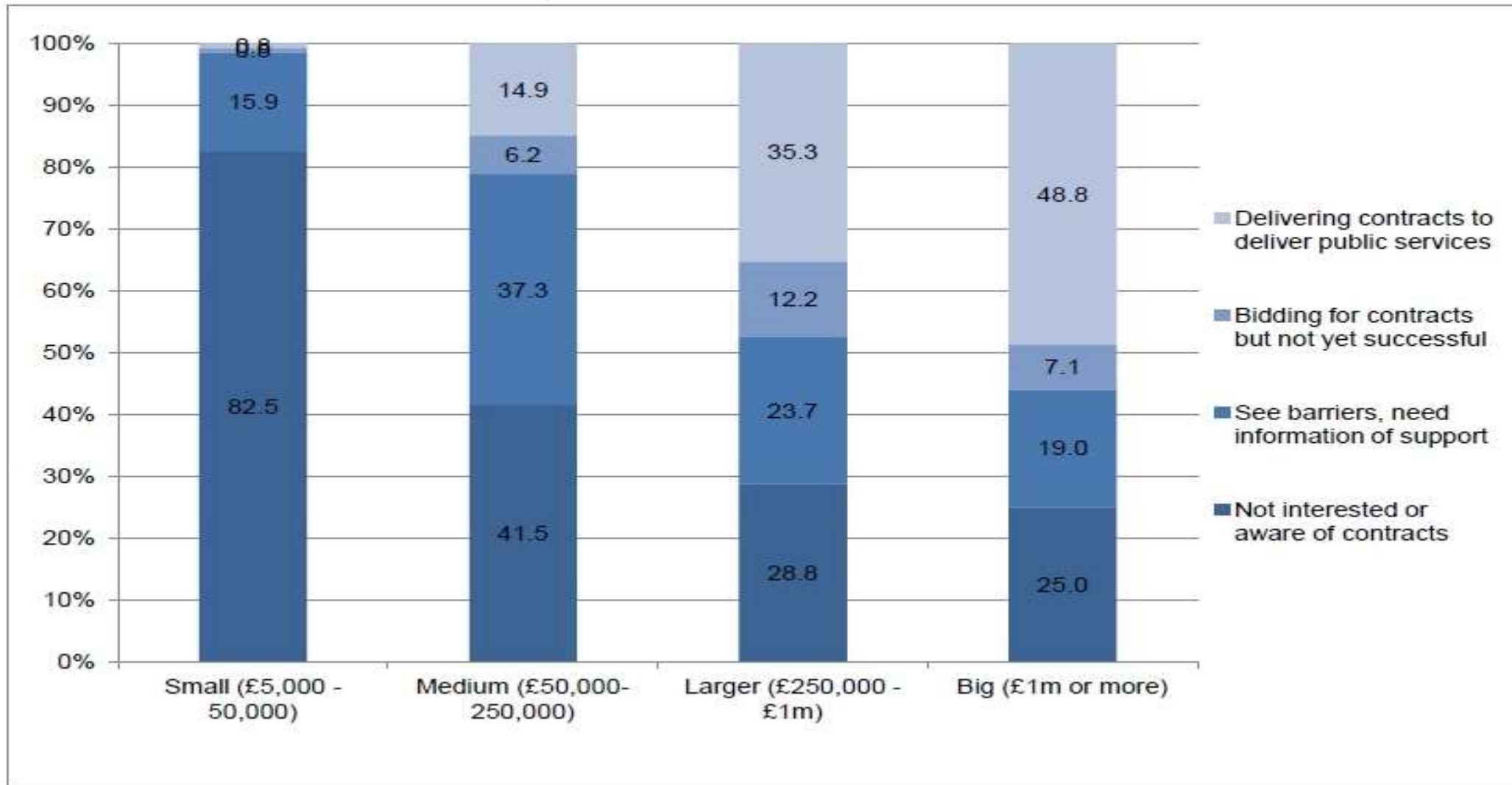
Funding and income trends North East

Percentage of organisations that have borrowed money in last two years



Funding and income trends North East

Figure 25 **Participation in contract delivery by size of organisation** (2014 North East England and Cumbria)



What the sector says

- Tend to be optimistic about the future when responding to Third Sector Trends surveys – possibly ‘too optimistic’.
- Many are planning and preparing for the future – but it’s all about money: few focus on strategic, finance, people management issues.
- More are prepared to work in partnership – but it’s mainly the bigger ones that are likely to do this well.
- Most expect that demand for their services will rise, but it’s hard to know how they can meet this demand.

Source: Professor Tony Chapman ,Third Sector Trends Study

Over to the national picture for the NCVO Almanac 2015

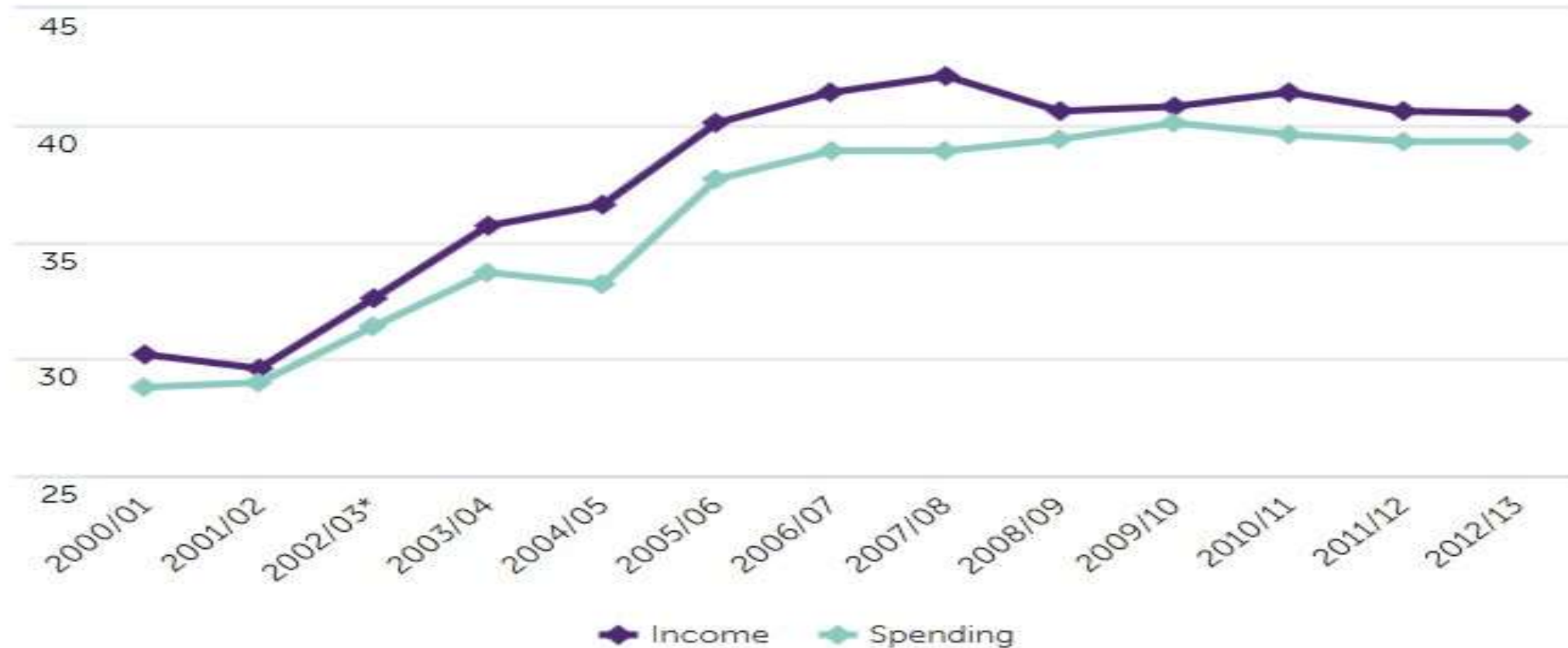
- Caveats
 - Skewed by major national charity data
 - Size of organisations very different to Third Sector Trends Study
 - Major organisations - income £10M +
 - Large organisations - £1M - £10M
 - Medium organisations £100K- £1M
 - Small organisations £100K and below
- However, useful to consider national trends to see if the regions' organisations can learn anything

Summary of sector finances



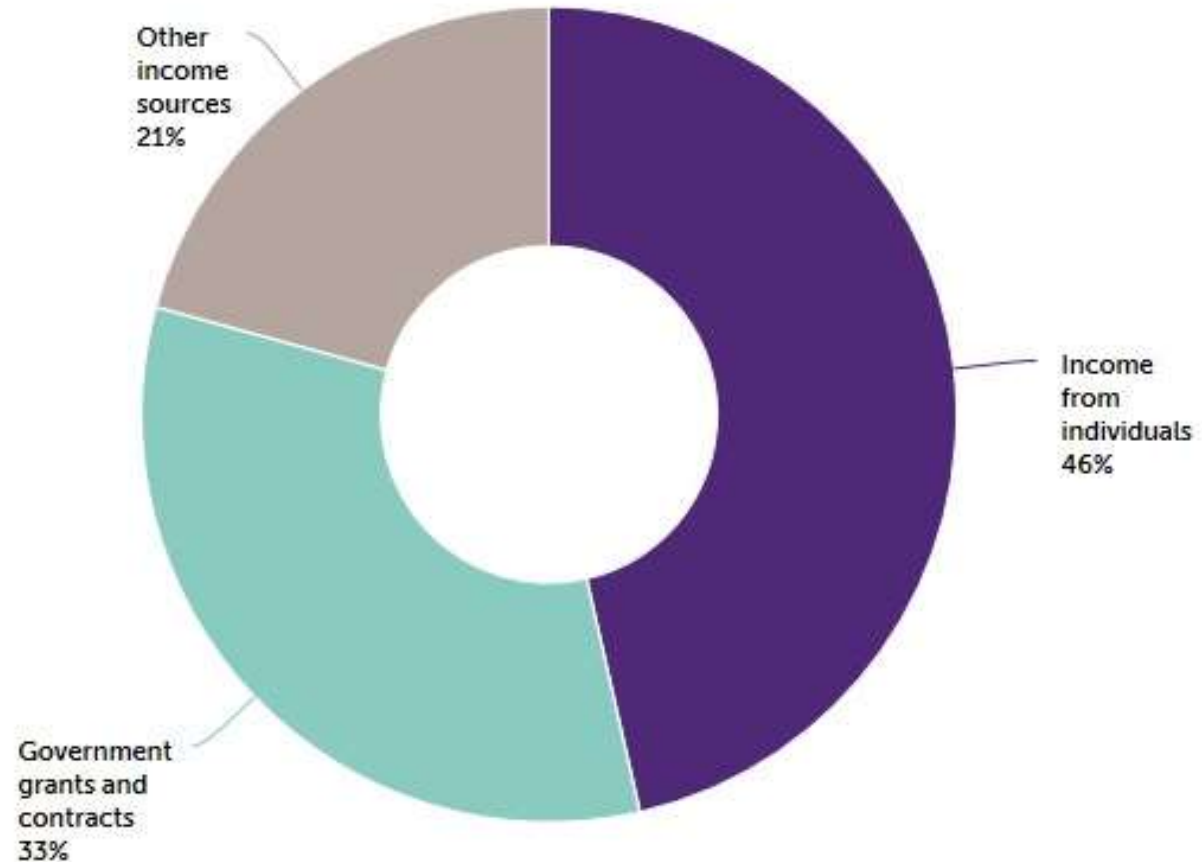
Both the sector's income and expenditure are largely stagnant

Voluntary sector total income and expenditure, 2000/01 to 2012/13 (£ billions, 2012/13 prices)

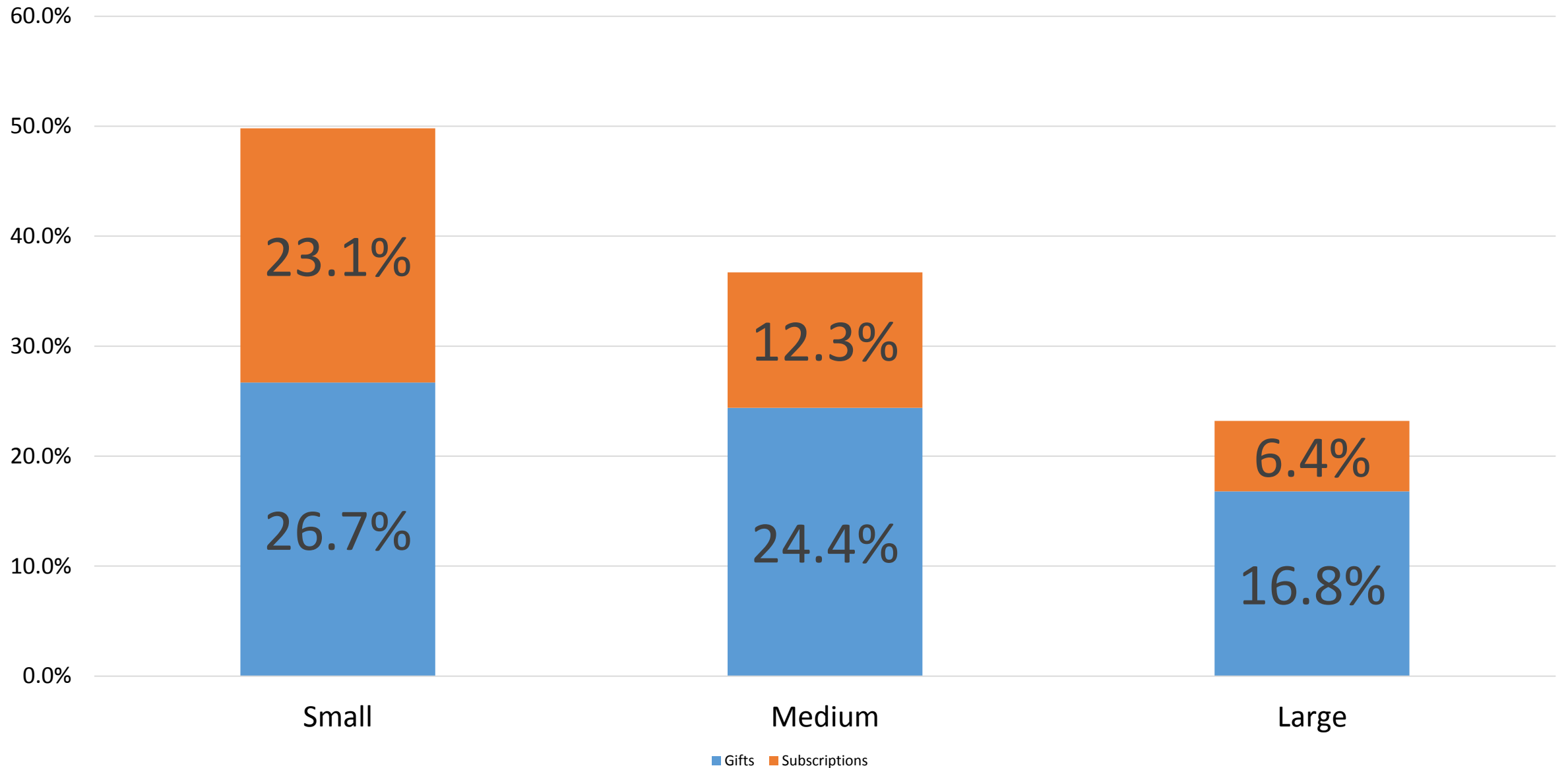


The sector receives income from two main sources nationally

Income breakdown, 2012/13 (£ billions)

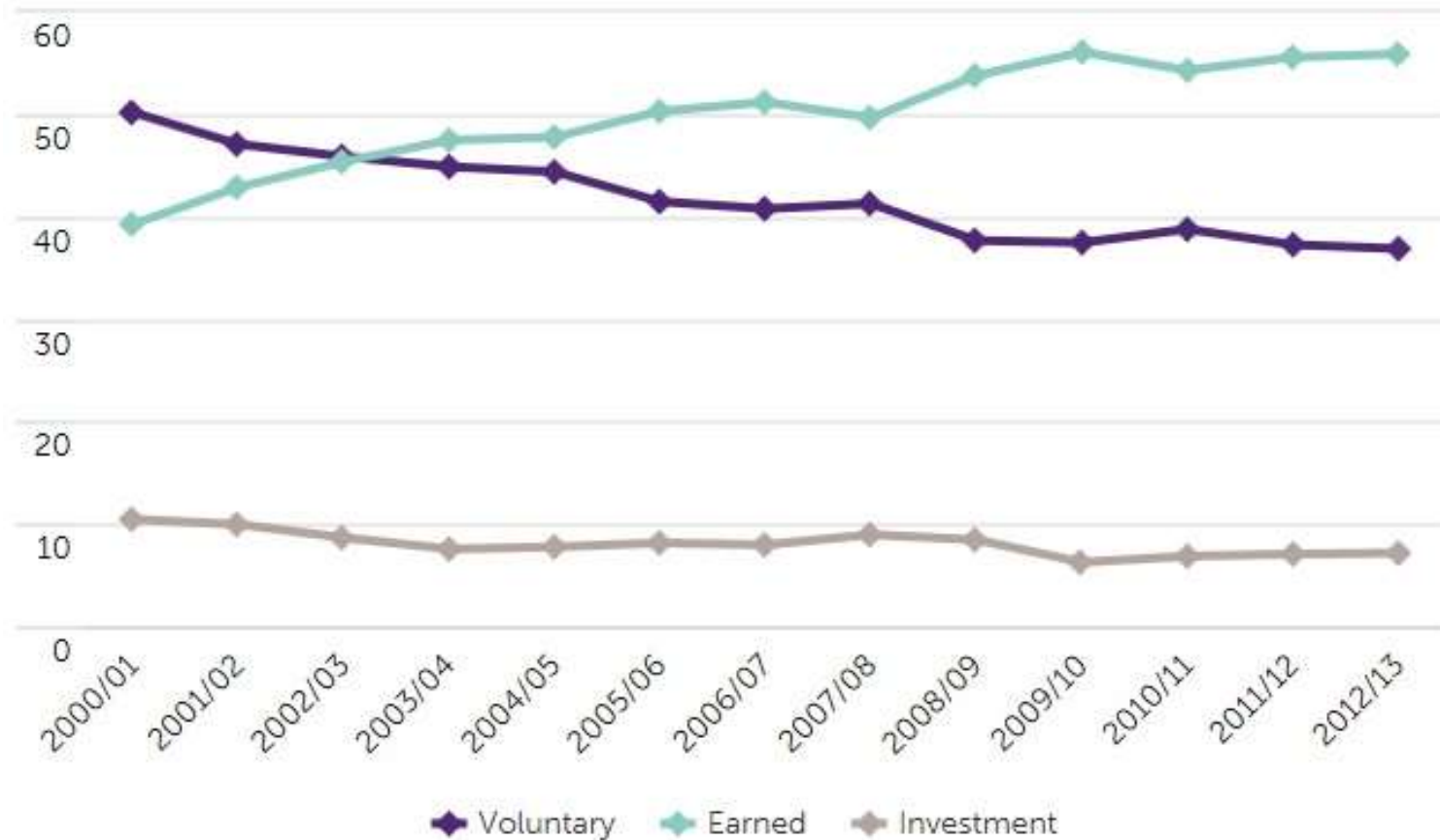


NE income from individuals



Earned income accounts for over half of the sector's income and is increasing as a proportion of income

Overall proportion of earned, voluntary and investment income, 2000/01 to 2013/14 (% total income, real terms)



Income sources vary by size of organisation

Income sources by size of organisation, 2012/13 (% of income)



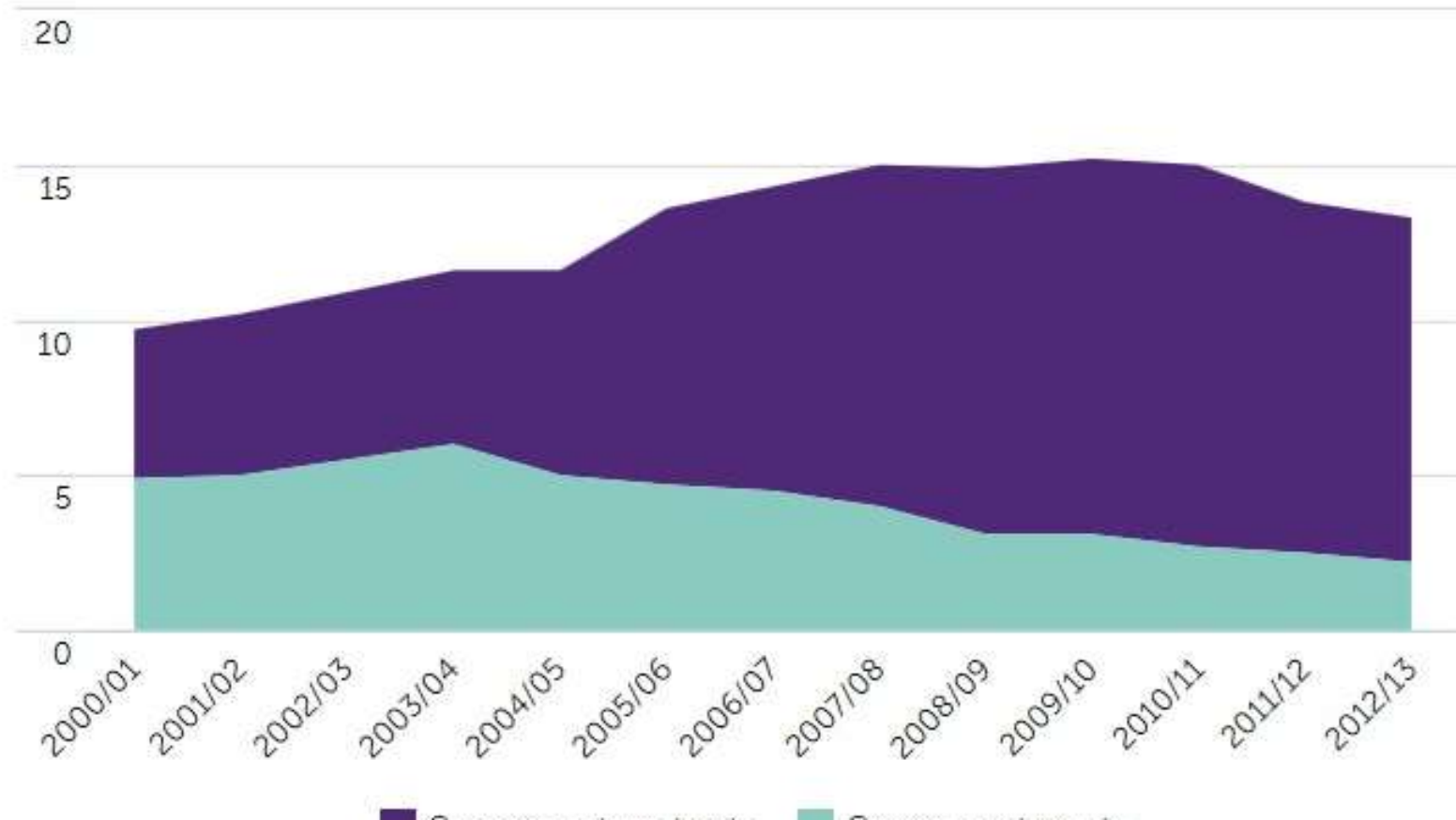
Income from Government Grants & Contracts

Local and central government spending on the voluntary sector, change from previous year, 2009/10 to 2012/13 (£ billions, 2012/13 prices)



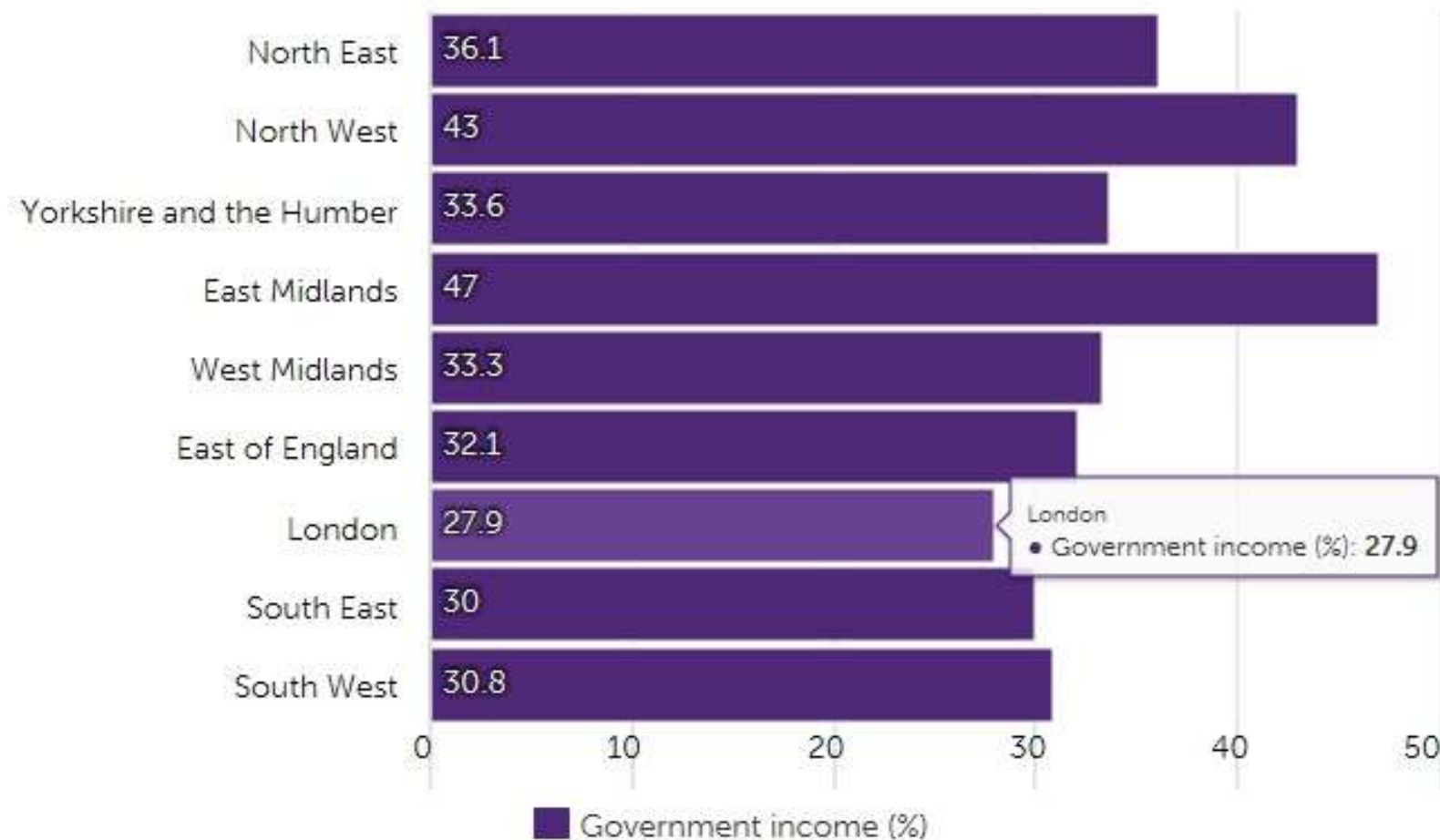
Income from Government Grants & Contracts

Government grant and contract income to the UK voluntary sector, 2000/01 to 2012/13 (£ billions, 2012/13 prices)



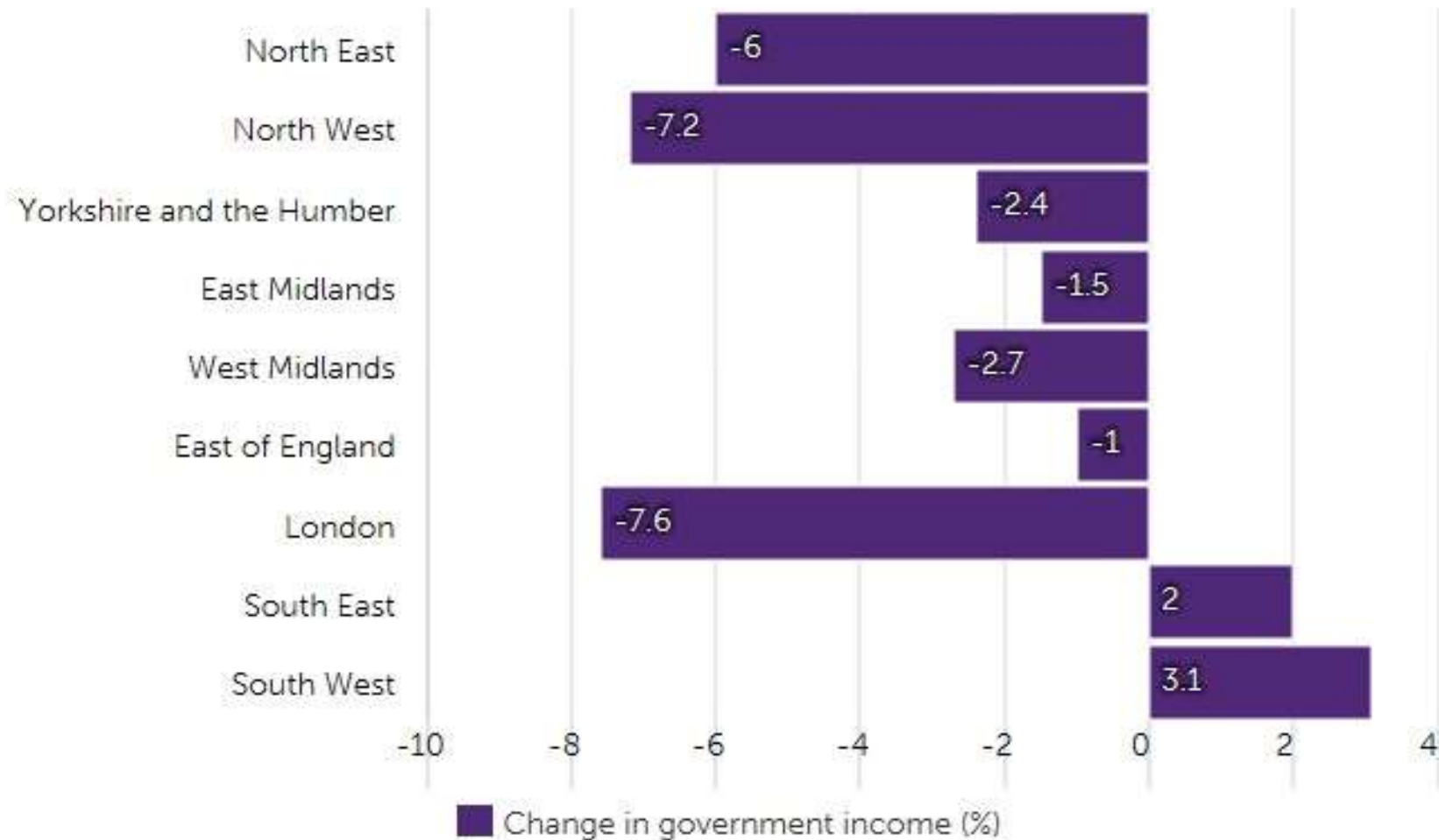
Income from Government Grants & Contracts

Proportion of income from government by region in England, 2012/13 (% of total income)



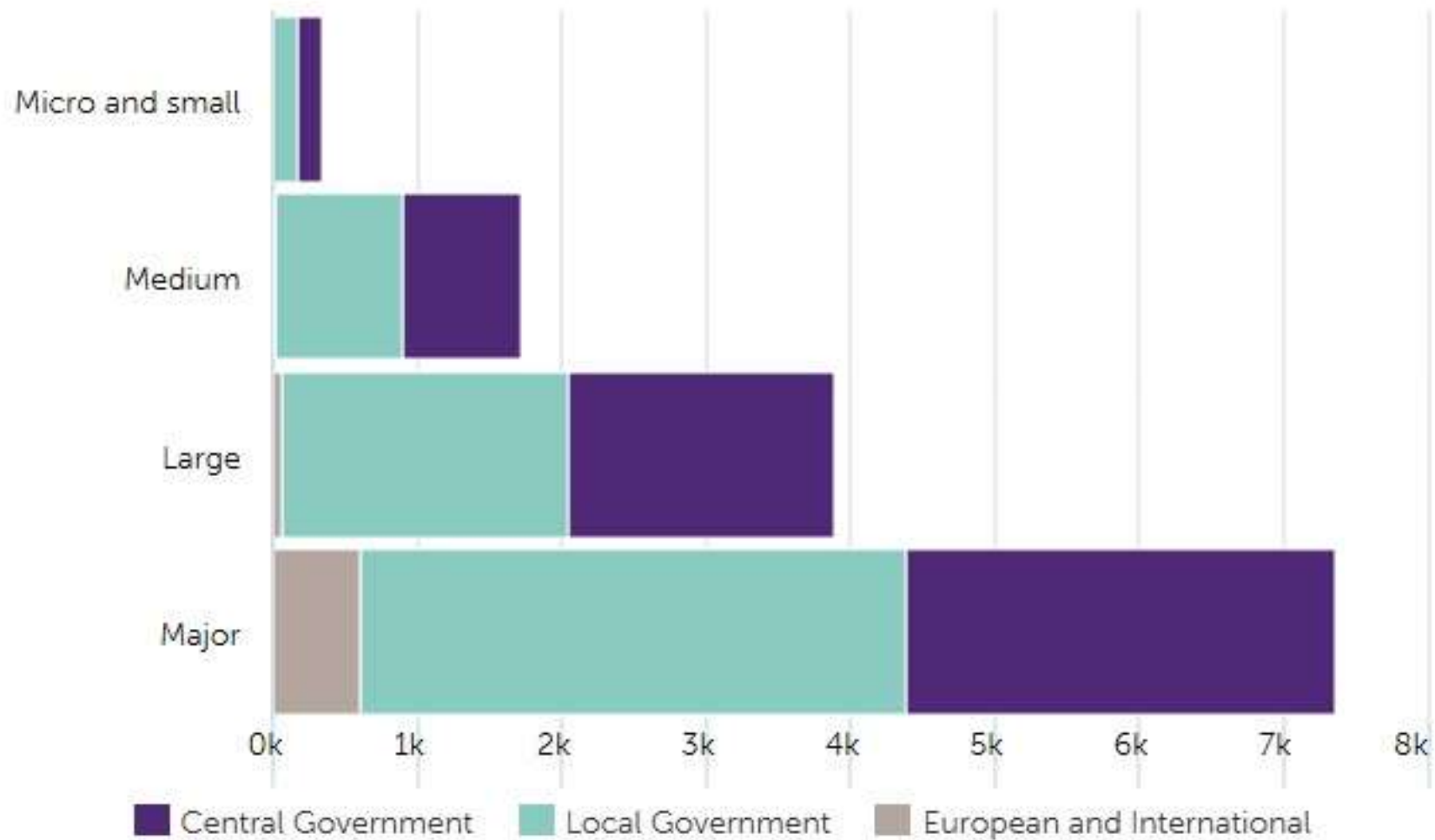
Income from Government Grants & Contracts

Change in income from government by region in England, 2011/12 to 2012/13 (% change)



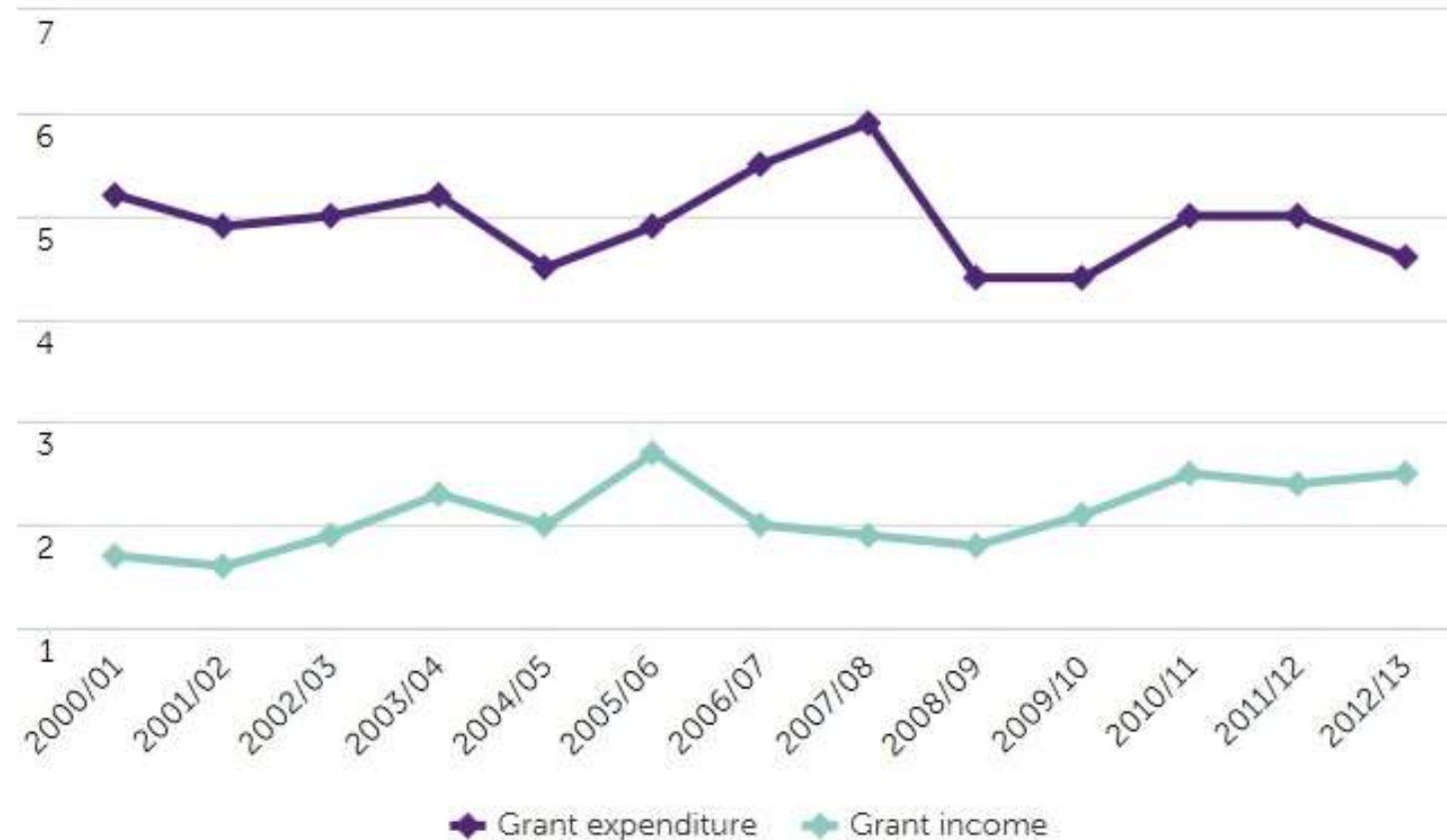
Income from Government Grants & Contracts

Income from government by source and size of organisation, 2012/13 (£ millions)



Income from voluntary sector sources has remained stable nationally since 2010/11 – thanks to grants

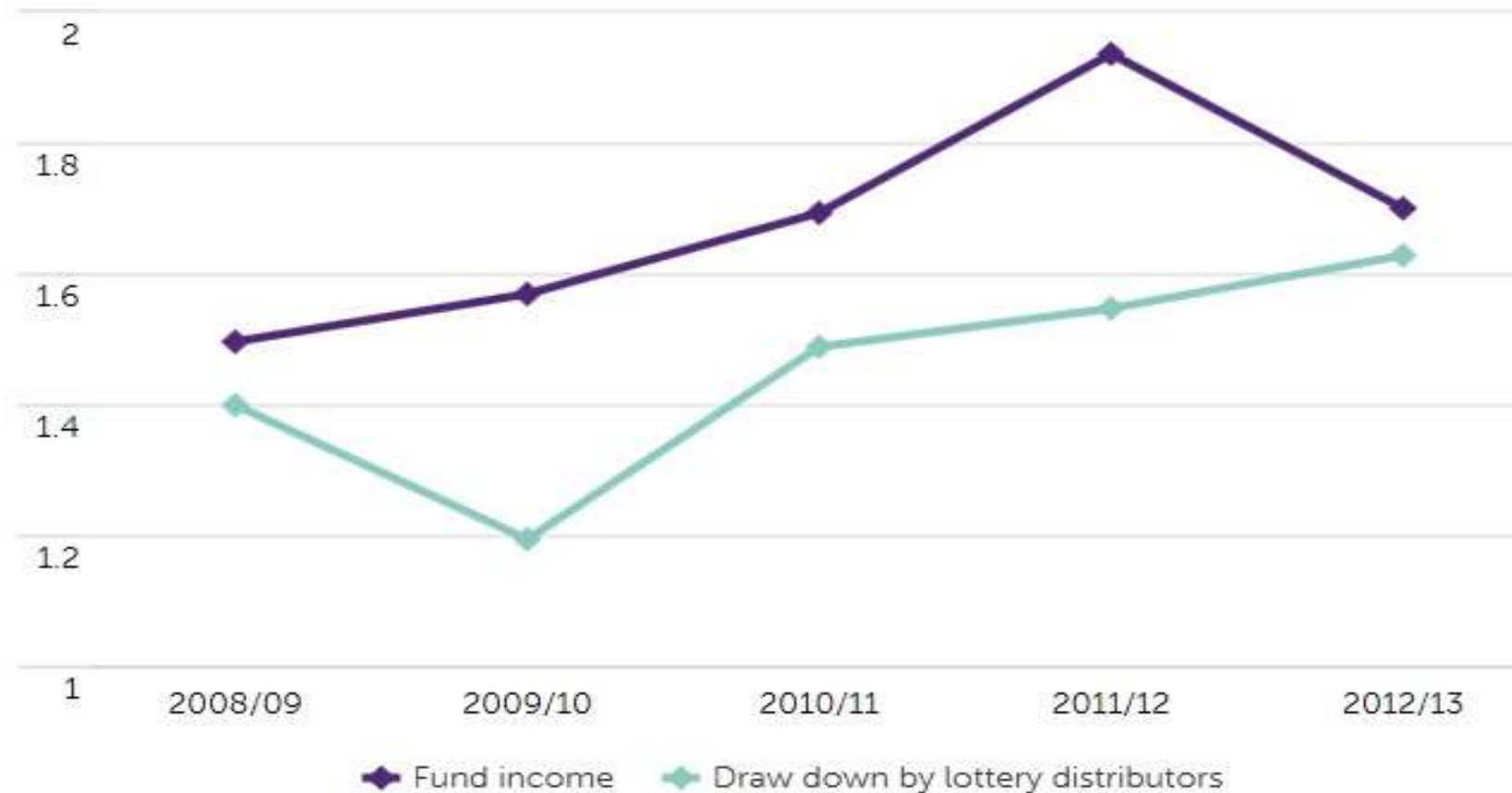
Spending on grants by voluntary organisations, grants received from voluntary organisations, 2000/01 to 2012/13 (£ billions)



National Lottery Funding

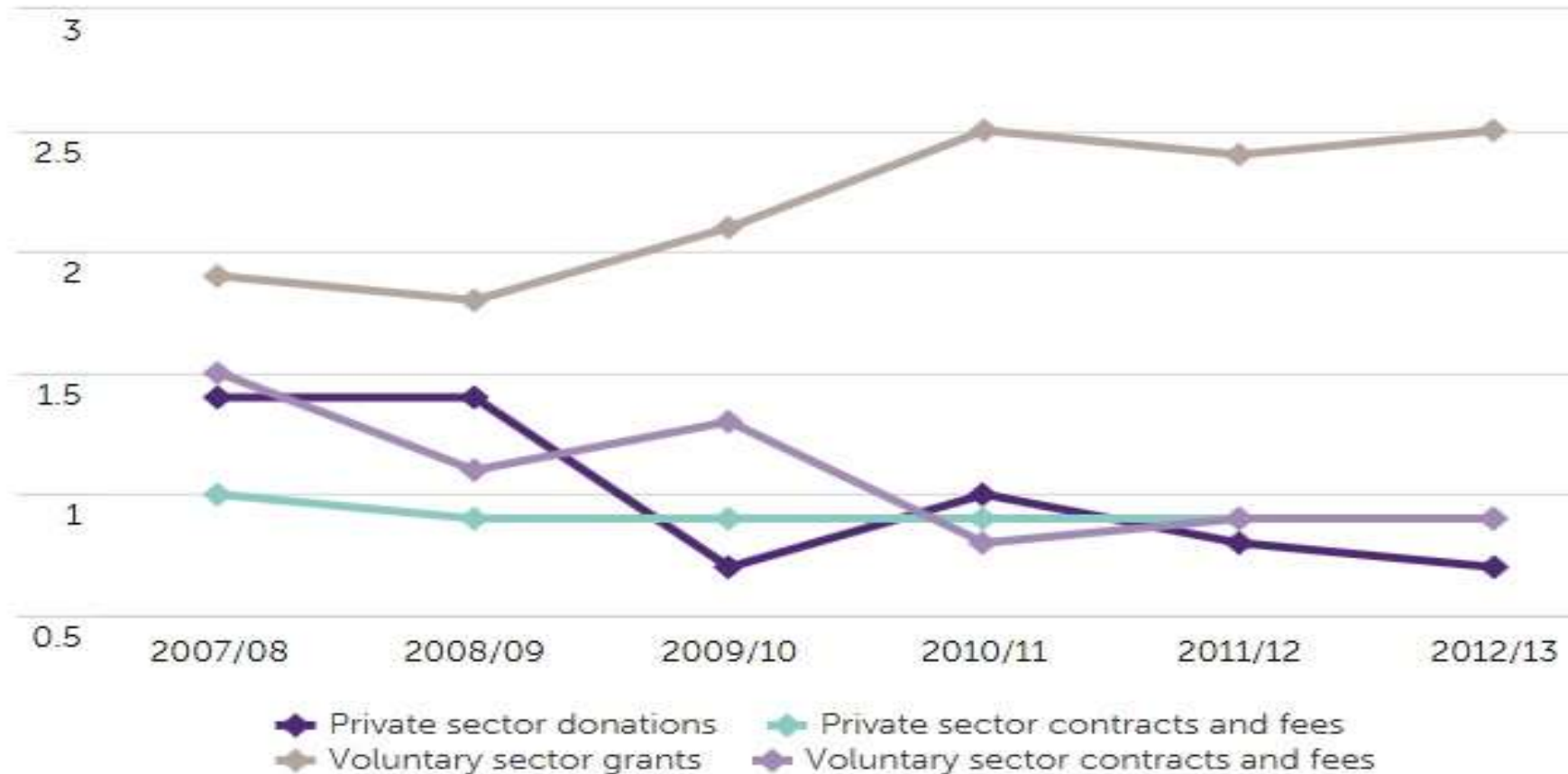
Continues to increase but largest share to major organisations

National Lottery income and funds distributed to good causes, 2009/10 to 2013/14 (£ billions, real terms)



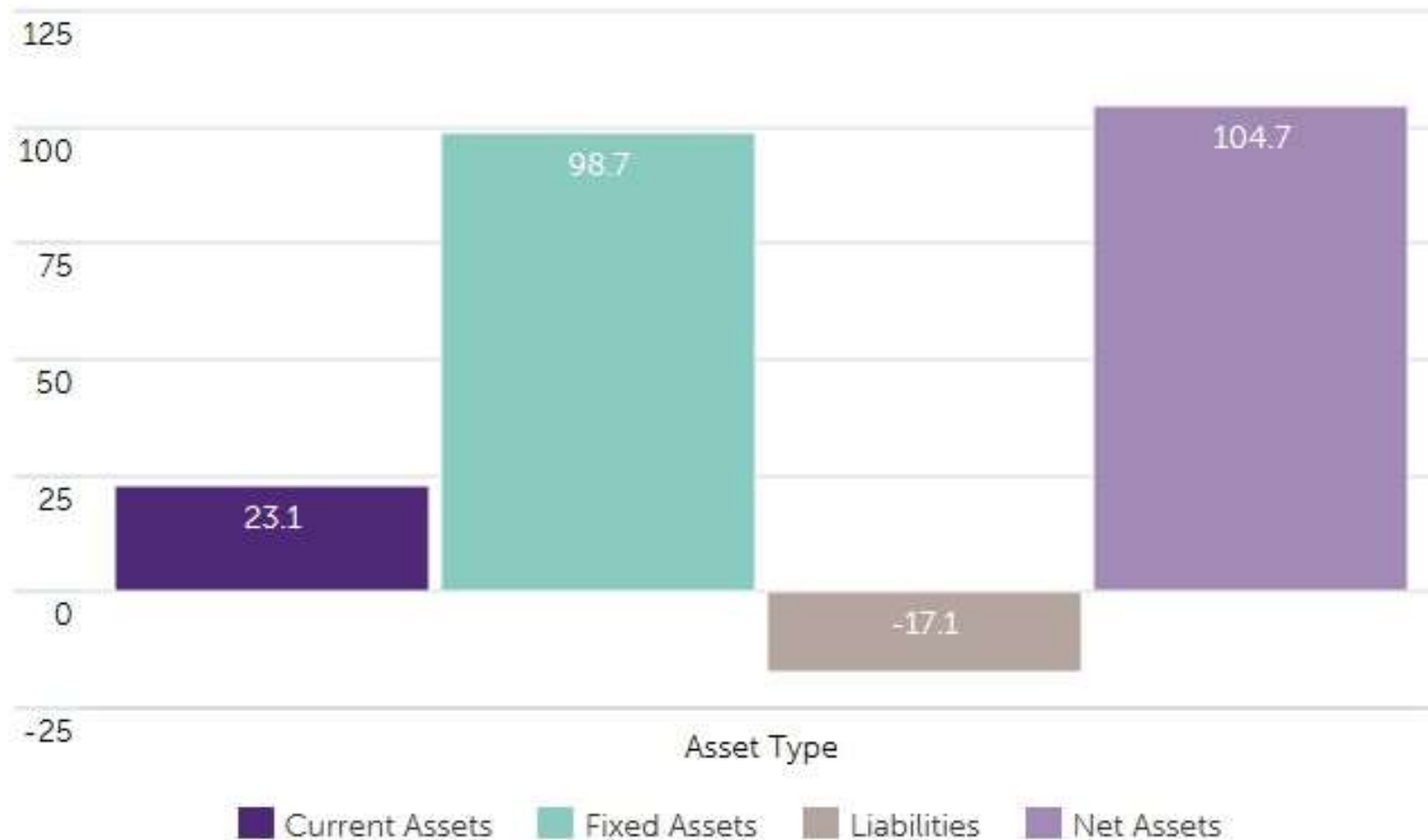
Income from corporates

Source of income to voluntary organisations from the private sector and the voluntary sector, 2012/13 (£ billions)



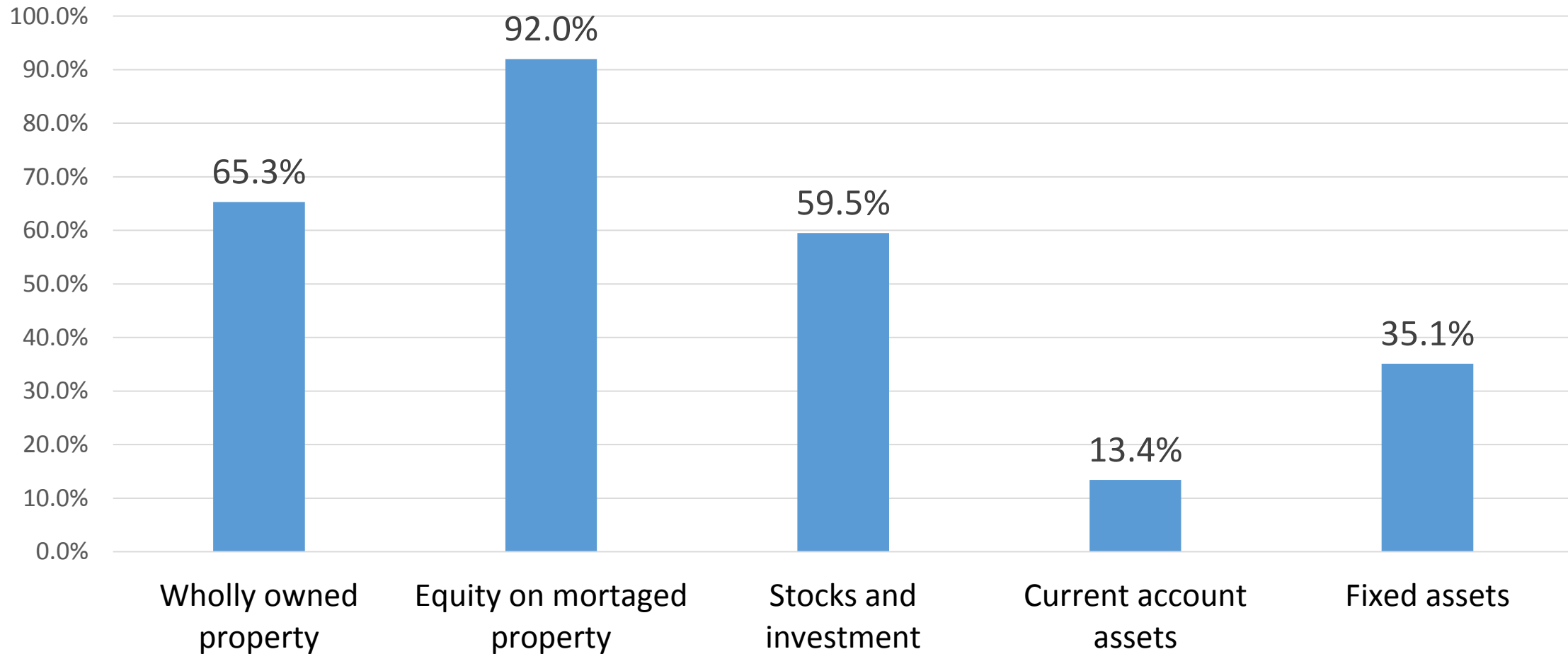
Assets

**Assets and liabilities of voluntary organisations, 2012/13
(£ billions)**



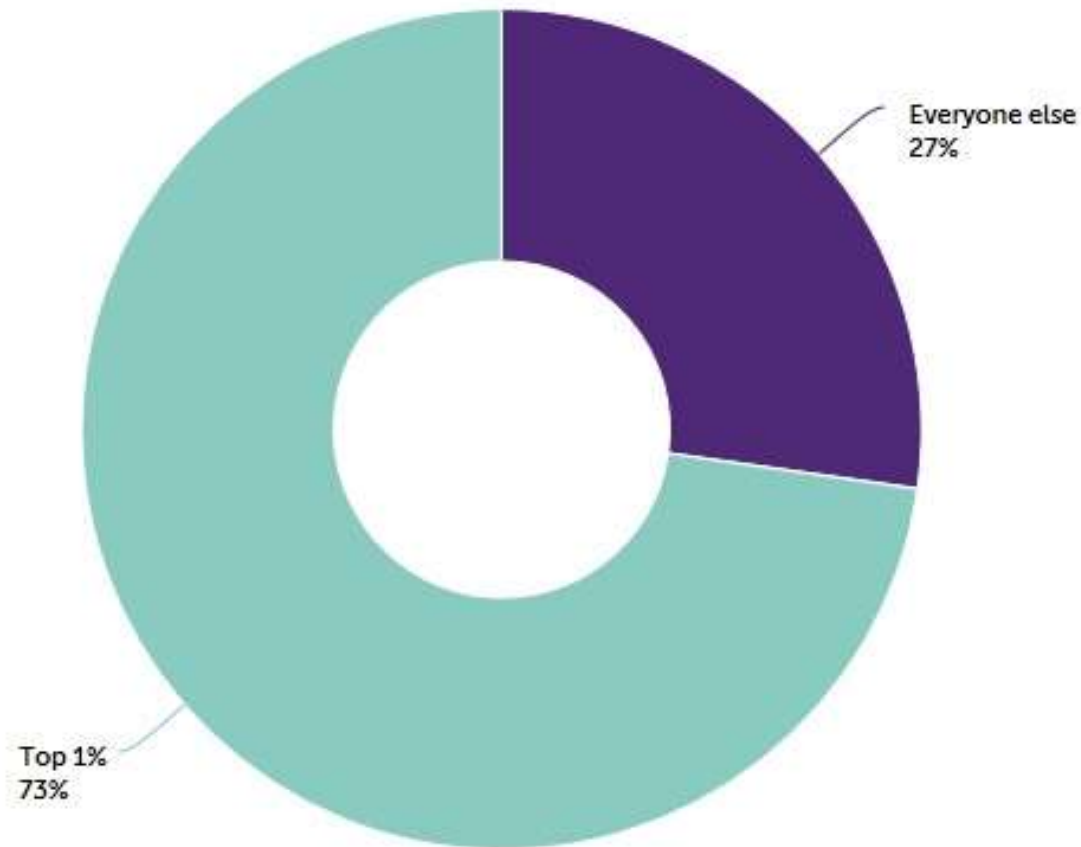
Funding and income trends North East

Percentage of VCSE organisations which have **none** of the following assets



The major organisations are asset rich nationally

Assets held by the top 1% of asset holders, 2012/13 (% of total assets)



Issues

- Increased competition to win both grants and contracts as pot gets smaller
- Larger contracts, EU & grant programmes requiring larger VCSE organisations as leads
- Many organisations not yet of the size to be able to cash flow new contracting models e.g. payment by results
- Organisations based in less affluent areas suffering most
- Many boards averse to risk and therefore averse to social investment/
borrowing

Challenges

- Lack collective lobbying/ campaigning around funding issues
- Competing with large, major national organisations for individual supporters /donors
- Increasing amount of bad press re. charities
- Lack of capacity for income generation – less expertise in region – ‘squeezed middle’ getting left behind – lack of business skills -Trustees & Managers

Opportunities

The Conservative Manifesto included:

- Devolved budgets and power to cities with elected mayor and local commissioners
- Innovation in public services including through the voluntary sector
- Target one third of government spend on SMEs
- Expand the use of Payment by Results contracts to ‘harness the talent and energy of charities’ and halve the disability employment gap
- Strengthen the Community Right to Buy

Recent strategy & legislation:

- NHS Five Year Forward Plan & Care Act –‘VCSE vital partner in Health & Care system’ Alistair Burt, Minister of State Community & Social Care
- Social Value Act

Opportunities

Other opportunities

- Decreasing public appetite for support for large national charities (due to recent bad press)
- Better, more meaningful collaboration - driven by policy makers/ commissioners/ funders
- How can we increase support from individuals in the NE?
- Strong culture of philanthropy in NE
- National Trusts & Foundations wanting to do more in North East

The Future

Toby Lowe, Senior Research Associate, Newcastle University Business School

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Overview

- Politics
- Trends in how funders think
- What else can organisations do?

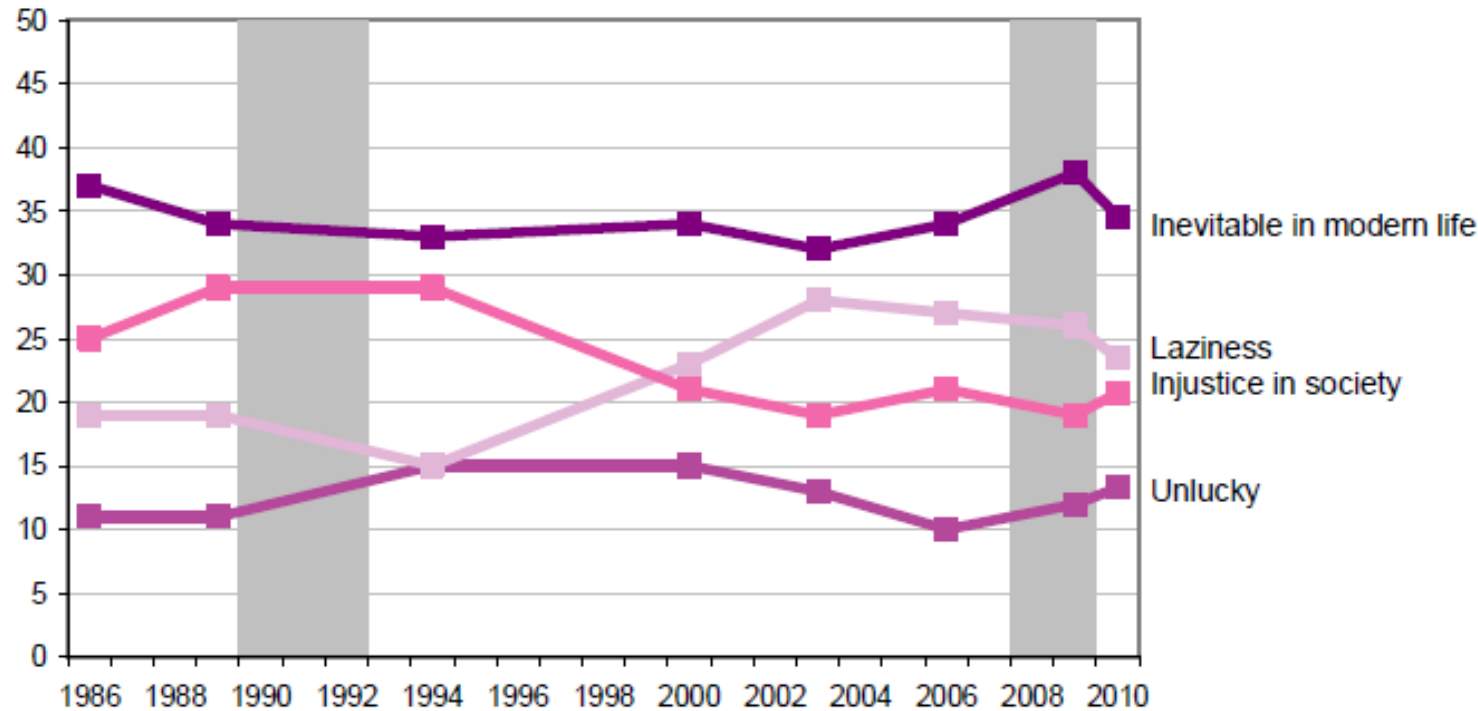
How will social change
be funded in 2022?

A political question

***What are you doing to
create the political context
for funding social change?***

Attitudes to inequality

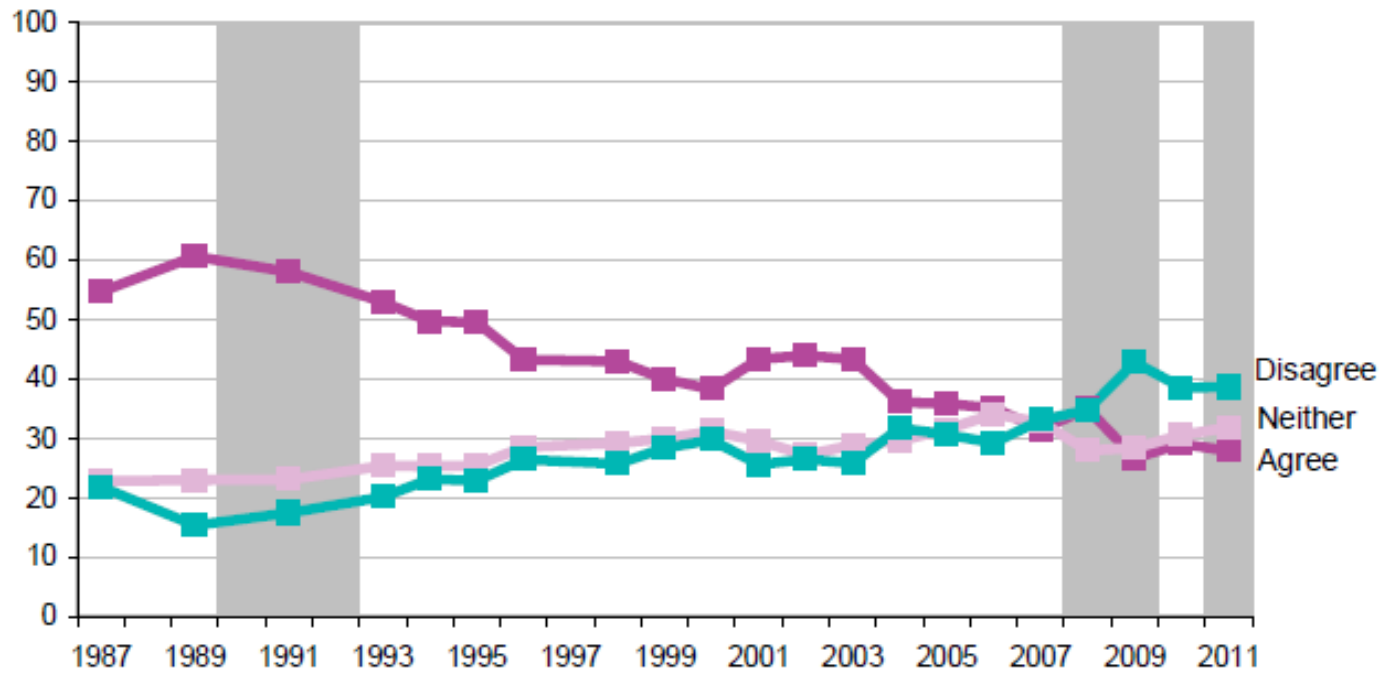
Figure 2.8 Views on causes of people living in need by UK experience of recession, 1986-2010



Joseph Rowntree Foundation, 2013

Attitudes to inequality

Figure 4.4 Views on whether the government should spend more on welfare benefits for the poor, by UK recessions, 1983-2011



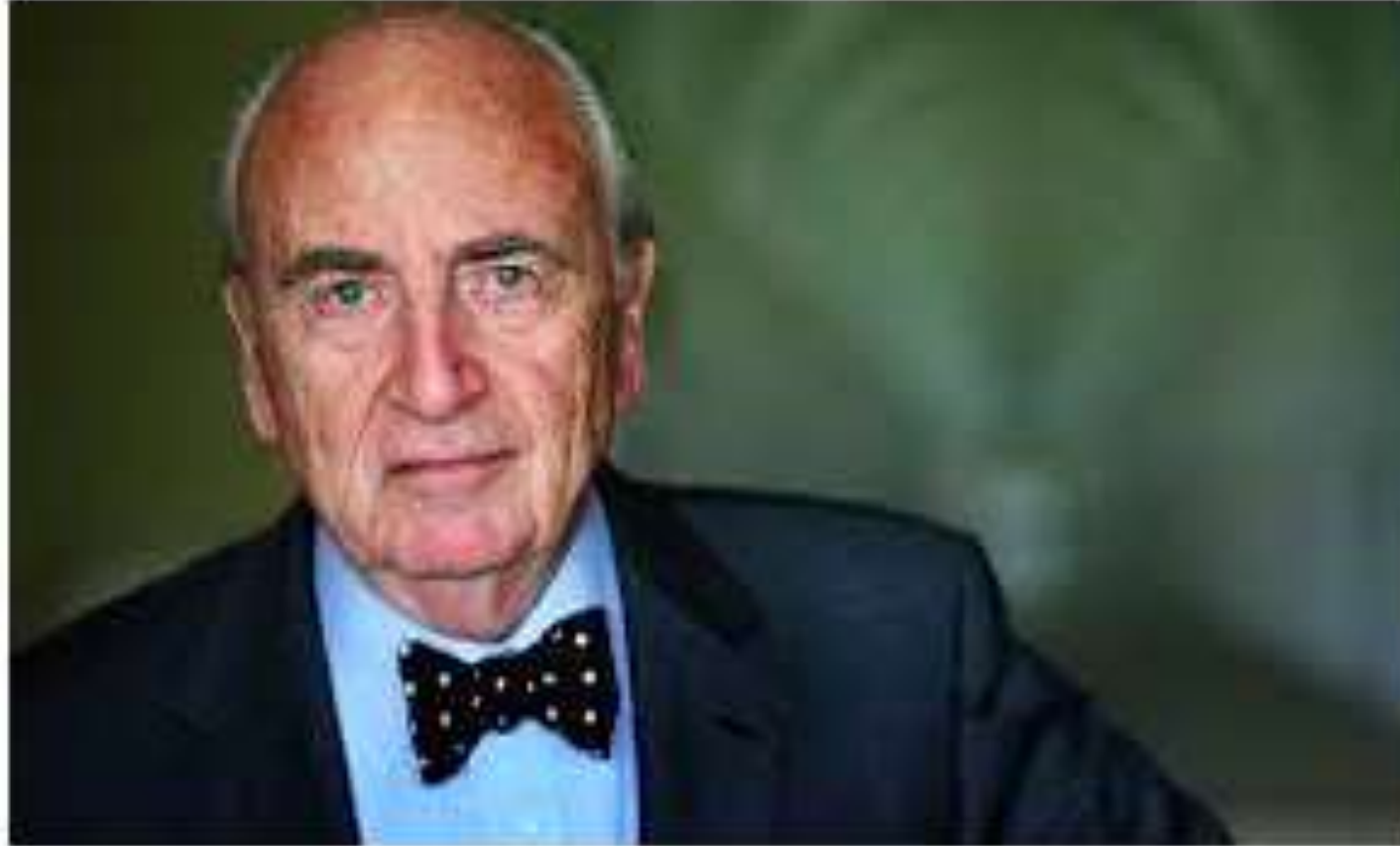
Attitudes to inequality

How can you help change the
narrative on poverty and
inequality?

Two trends in funding social change

- 1) New Public Management
- 2) Complex Systems

New Public Management Approach



Lord Young, Social Value Act review, 2014

Social Value

Social Earnings Ratio – “one number to rule them all”

<http://socialvalueportal.org>

<http://socialvalueportal.com>

Social Impact Bonds

How to calculate savings:

http://data.gov.uk/sib_knowledge_box/toolkit

<http://www.sibtool.co.uk/>

Social Impact Bonds

What do we know?

- They help commissioners accept risk
- They force people to analyse data
- They're expensive to set up
- They're vulnerable to external changes
- They impact on practice

Payment by Results

National Audit Office Report: 2015

“Outcome-based payment schemes:
government’s use of payment by results”

Questions

How are you going to measure what your social value is?

How are you going to scale what you do?

Complex systems

Trust

Outcomes funding...


Big thinking



Not outcomes funding...

Our Strategic Framework 2015-21



Our vision: People in the lead

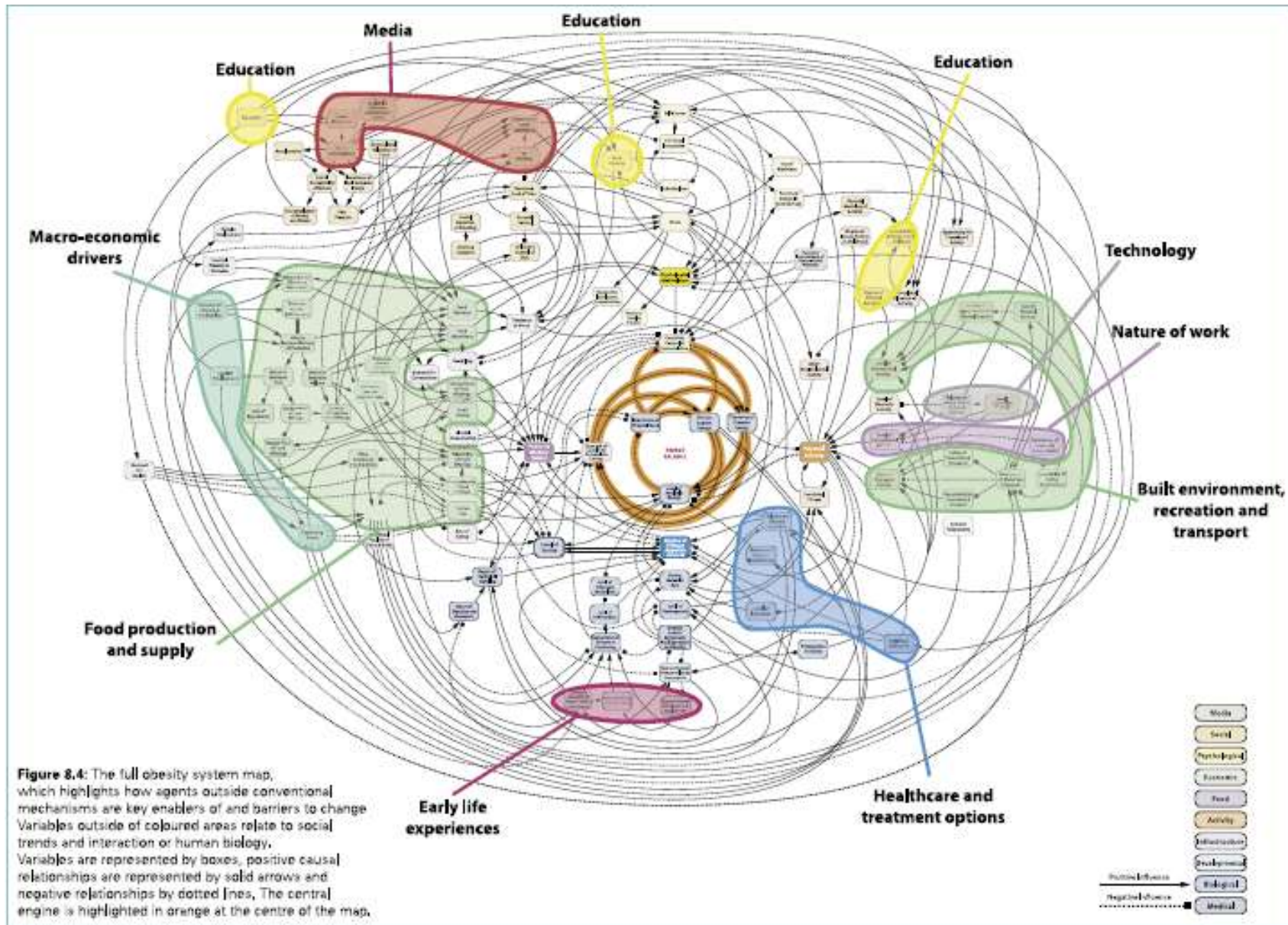
We believe people should be in the lead in improving their lives and communities. Our approach will focus on the skills, assets and energy that people can draw upon and the potential in their ideas.

We feel that strong, vibrant communities can be built and renewed by the people living in them – making them ready for anything in the face of future opportunities and challenges.

Confidence, not control

**We trust in people's ability to make great things happen -
our funding should enable rather than control**

The strengths people bring



More efficient funding

Complex systems questions:

Who are you seeking to create change with/for?

Which social systems create the outcomes that these people experience?

What's your role in those systems?

How will you bring about change in those systems?

Trust

What are the reasons that a funder should trust you?

What is it:

About you/your organisation?

About your project?

How do you gain trust?

How do you maintain it?

How do you foster innovation and encourage challenge?

How do you prevent those trusted from becoming a clique?

How are you accountable for your work?

**Offer
transparency
for trust**



**Be accountable to
your peers**

Asset-based models

Case studies:

Live Theatre

Mushroom Works/Brickworks/Brighton

Road artist studios

Asset-based models

Model:

- Viable business plan
- Grants for initial capital
- Loans to expand
- Long term revenue streams
- Strong balance sheet for the organisation

**What assets could your organisation use
to generate long-term revenue?**

Thanks for listening

Toby Lowe

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Twitter: [@tobyjlowe](https://twitter.com/tobyjlowe)

Q&As

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Open Space sessions

11.30-12.15 Open Space I
12.15-13.00 Open Space II
13.00 Lunch
14.00-14.45 Open Space III

Open Space Principles

- Whoever come are the right people.
- Whatever happens is the only thing that could have.
- Whenever it starts is the right time.
- When it's over, it's over.

and The Law of Two Feet states that:

“If, during the course of the gathering, any person finds themselves in a situation where they are neither learning nor contributing, they must use their feet and go to some more productive place.”

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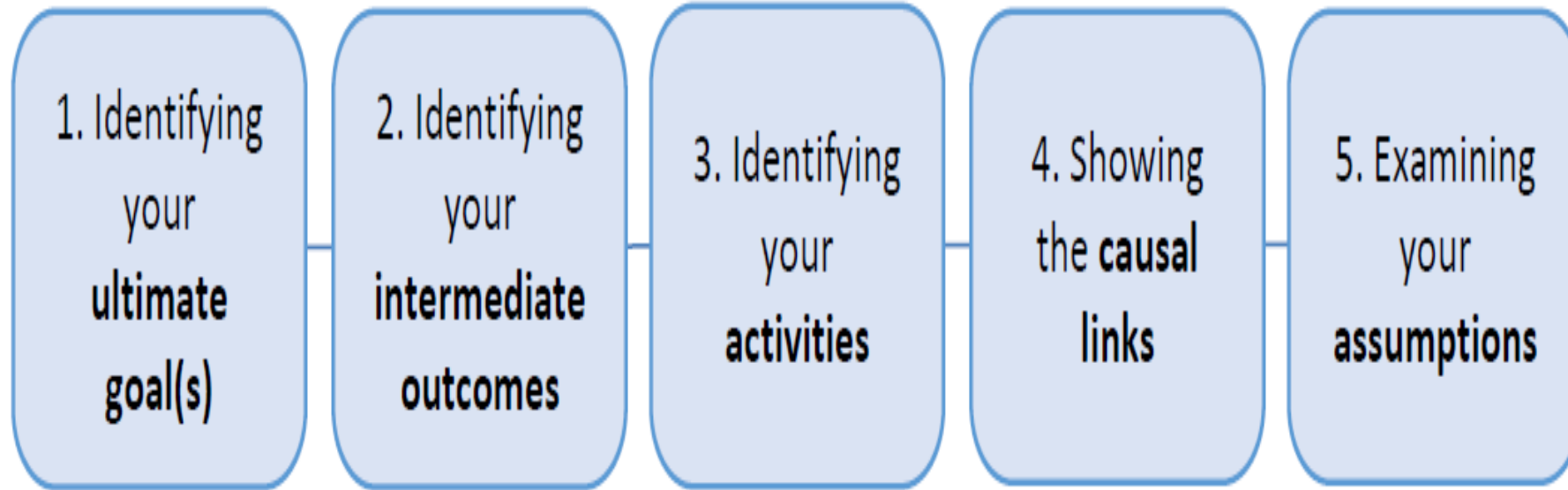
Ideas into action

The purpose of this session is to identify the actions required between now and 2022/23 to make our envisaged future funding models a reality.

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Ideas into Action

Theory of Change



Template – points to consider

Identifying your ultimate goal	Identifying your intermediate outcomes aka milestones	Identifying your activities	Showing the causal links	Examining your assumptions
<p>This section will already be filled in as the ultimate goal is the funding model which was identified through the open space / newsroom.</p>	<ul style="list-style-type: none">• What will have been achieved by the end of year five?• What will have been achieved by the end of year three?• What will have been achieved by the end of year one?	<ul style="list-style-type: none">• What do you need to do to achieve your intermediate outcomes/milestones?• Who needs to be involved?	<ul style="list-style-type: none">• What is the purpose of the activities?• How do they help to achieve the outcomes?	<ul style="list-style-type: none">• What assumptions have you based your outcomes and activities on?• What are the risks?

Template

Identifying your ultimate goal	Identifying your intermediate outcomes aka milestones	Identifying your activities	Showing the causal links	Examining your assumptions

Closing remarks and next steps

Alex Blake, Keda Consulting

Lead Contact for Funding for Social Change Working Group

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