

London Funders AGM and Panel Discussion 2015

The next five years in London: What's got to change?

The key issues facing London's civil society

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The key issues facing London's civil society

The challenges ahead

London is a world class city providing huge opportunities - **but not for everyone**. There are particular issues for **young people in London**. On childcare, property and jobs, London isn't working for our children.

The social contract is changing. The role of the state is refocusing - moving away from provision, and moving towards facilitating jobs. The objective is for people to earn more, pay less tax, and draw on less welfare.

In light of this change, **local government funding** is in decline. Local authorities are responding with new approaches, some highly innovative.

Grant-funding for the third sector from government has declined in favour of **tendering contracts**. However, income from some services in London is not sufficient to sustain the service. Operating costs for areas such as children's services are too high to make it profitable, even for large private concerns.

While funding models may need to change, **the wider voluntary sector also needs to think differently**. Voluntary organisations need to welcome disruption, in particular by learning some of the lessons of technology and social entrepreneurs, and embrace change rather than have it forced on them

There is a 'scarcity culture' being felt as funding declines, but **London has an abundance of human capital** in the form of skills, energy and motivation.

Third sector **collaboration** needs to increase and improve. There is no longer a simple division of responsibilities between state, commerce and third sector. Civil society needs to collaborate better across these 'divides', and also collaborate better with itself for example between large and small organisations, and grant-makers need to collaborate more effectively with grantees.

Giving **voice** to people who are underrepresented is an essential role for the third sector.

Taking risks and innovating remains an essential contribution that independent funders can provide. Civil society has played a big part in delivering new ideas and changes, such as alternative funding models, social investment, shareholder action and coproduction.

There is a need for 'heroic philanthropy', akin to the contributions made by some of **London's great historical philanthropists**, such as Peabody, Shaftesbury, Tate and Garrick - who gave assets for ordinary people in London, giving them a stake in London's society.

Panel discussion participants:

- Karl Wilding, Director of Public Policy, NCVO
- Simon Parker, Director, New Local Government Network
- Kathy Evans, Chief Executive, Children England
- Bharat Mehta, Chief Executive, Trust for London

The panel was chaired by Kristina Glenn, Director, Cripplegate Foundation and Chair of London Funders.

Panelists' presentations

A voluntary sector perspective

Karl Wilding: The funding model is broken

Karl Wilding, Director of Public Policy at NCVO opened proceedings with some points of consensus in outlining the scale of the challenges faced in the current public funding climate.

The chancellor is warning of cuts of 25-40% for unprotected departments, but even in protected budgets, there are huge shortfalls. The NHS's efficiency requirement in order to maintain current service levels, would be beyond anything it has ever achieved before. There was agreement among all panellists that the next five years would bring significant and difficult change and civil society would have to adapt to meet it.

Karl Wilding argued that funding is failing to deliver the kind of society we aspire to - and offered some ways in which funders and voluntary organisations could address this.

As grant funding from government has reduced, the rhetoric has been that it will be replaced with contracts, and that new, more business-like practices would ensure the continuation of services. However NCVO have seen that in London for the past two years, contract income for voluntary organisations has declined.

Funders have created an environment where competition is seen as a better model than collaboration. This has led to ill-will between small and large charities and a failure to work together effectively. There is also frequently a resistance from charities to work with business.

However, these issues are not all the funders' fault. Voluntary organisations themselves need to develop a better appetite for change. For example, they must take on ideas from businesses and the social entrepreneurs that are moving into the charity space .

They must be prepared to disrupt themselves, rather than be disrupted. More efficient digital services, or new funding mechanisms like social impact models may not be right for everyone, but they could be right for some. If used in the right cases, it would leave more grant-funding available for those who need it most.

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A local government perspective

Simon Parker: Focus on addressing structural weaknesses and working together better

Simon Parker, Director of New Local Government Network, struck a more optimistic tone about the opportunities for change to local service provision in the coming years.

As the reality of reduced funding for local authorities kicks in, the shortages are prompting some to proactively address structural weaknesses in the provision of some services.

The nature of local government is changing. It can no longer be seen as a distinct entity from civil society, with proscribed functions. Instead, the future of local government is in working across places in partnership with civil society.

Local authorities are going to roughly halve in size in cash terms over the next five years. This will manifest in the delivery of services being driven down to providing only the statutory minimum.

Central government wants Local Authorities to think of themselves less as providers of services and more as facilitators of growth and prosperity. Their role is to create the conditions for better jobs, creating a virtuous cycle: more and better jobs lead to some increase in council income, but more significantly, lower demand on council services. The shortcoming of this analysis is that local authorities tend not to see much of the financial benefit of the work they do. For example, the work of local government in getting someone off Job Seekers' Allowance and into work delivers most value to central government in the form of lower welfare.

With greater local devolution come opportunities for improvement. In Manchester, for example, they are redesigning health and social care services to be integrated, creating a much more efficient service.

Local authorities are innovating fast. They are looking more at prevention in areas such as services for learning disabilities and older people. Services are being redesigned around the individual and helping them maintain independence, driving down the costs of their support

Public money is shrinking but there is still a lot of money in absolute terms. What isn't scarce is human capital. Public services weren't very good: the troubled families programme, for example, addressed a situation in which professionals were spending 70% of their time filling in forms; the division of health and social care wasted £2bn a year. Shortages are forcing us to address structural problems.

We need to move to local government that is more about enabling than providing. Civil society must respond to this by thinking about redesigning services around individuals.

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A front-line perspective

Kathy Evans: London through the eyes of a child

Kathy Evans, Chief Executive of Children England, observed that London is becoming a city unable to care for its children, and proposed a radical solution.

London is a great city for all sorts of economic, social and cultural reasons, but it is not working for our children. A child born in London, who grows up in London, is more likely to be unemployed as an adult than other young people in London or the rest of the UK.

Children are disappearing as part of the community in Zone 1. Working parents are moving out to outer boroughs, so councils in outer London are receiving poor children and facilities and bearing the cost of supporting them. We need to think about London as a whole. The property market will turn London into a childless place.

Councils are trying to meet more need with less resource. Civil society is not 'wrapping around' and adding to children's and families' services in the way that is needed.

The market model is unsustainable in London. It costs more here than anywhere else to run public services. Market analysis for the residential care sector shows that in London no service providers (state or private) can see how they can provide for children on available resources

All parties - public sector, charities, funders and business community - must come together to think about how better to look after London's children. Men like George Peabody, Lord Shaftesbury and Henry Tate, shaped London for its people by giving assets in the heart of London for all to enjoy. We need to take visionary steps now to lock children and families into London's economy and not push them out - and we need big heroic philanthropists to be part of this.

A solution that civil society should work towards is a system of universal childcare in London. By moving away from a fragmented, poorly subsidised system that doesn't pay childcare workers enough, pooling the money people are privately having to spend, and combining with contributions from business and philanthropy, we could provide universal childcare for all London's families.

A grant-maker's perspective

Bharat Mehta: The social contract has changed

Bharat Mehta, Chief Executive of Trust for London, responded to each of the other panellists before making his case for change in the next five years.

In defence of grant-makers, against the charge that funding models are broken, Bharat Mehta said that independent funders have delivered innovations such as social impact bonds.

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We need to take visionary steps now to lock children and families into London's economy and not push them out.

In response to the need to for the transformation of services, he agreed that transformation is required, rather than transfer. Coproduction is again a voluntary sector agenda and is often funded by independent foundations.

On London as a city failing children, he noted that Kathy Evans's arguments about the movement of people in London could have a big impact on how we assess return on investment. Big investments have been made in education by the voluntary sector, but if those children are not staying in the areas where the work is happening, then calculations of local impact will not be accurate.

Bharat Mehta argued that there was a watershed moment in 2008 that triggered a reevaluation of the social contract in the UK.

The crash in 2008 marked a new era in terms of the funding landscape and how much money is available. It is an issue all political parties have to deal with. The outcome of the last two general elections are not the cause of this change.

We are moving from a low wage, high tax, high welfare society to its opposite: high wage, low tax, low welfare. This is now the pattern. It is a big shift and it may be permanent.

Some regional changes could occur through devolution to alter the impact of this. But even in London, only 4% of the tax revenues generated locally go to the city's own coffers. London is a net exporter of cash. Were the amount of retained money to increase, issues of transport, childcare and housing would likely be the main areas of focus for additional spending in London.

The new social contract means that big changes are coming. The voluntary sector has risen to such challenges before and can do so again - but "there will be blood on the carpet". Funders need to focus on a few areas:

1. Collaborate better, including between civil society and the private sector.
2. Keep funding risky projects. This is the vital contribution of independent grant-makers. We should also consider new ways of working, including taking up some slack from local authorities in order to guarantee the continuation of some services.
3. The sector needs to be better at making a case for itself, building on evidence. Interventions by grant-makers in areas such as Alzheimer's or female genital mutilation could save huge amounts for the nation's finances if adopted more widely, but must be properly evaluated to show their impact to others.
4. The sector needs to focus on research and the ability to provide detailed evidence of what works and what needs to be addressed.
5. The sector should also think about investments and assets. As investors, endowed foundations could be active shareholders on issues such as the living wage. This is an underused weapon.
6. We must encourage greater philanthropy. Social responsibility from businesses needs to be the norm, so it is not seen as a 'philanthropic act' but as normal practice.

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Social responsibility from businesses needs to be the norm.

Contributions from the floor

1) Matthew Patten (Mayor's Fund for London)

Matthew Patten made the meeting's most contentious comment when he argued that the speakers were not addressing the issue of the third sector being 'bloated' and unsustainable. He said that the 160,000 charities in the UK have significant duplication of purpose and back office, and that in the new financial climate there would be an essential thinning out process as funders and deliverers of services came to view their operations more commercially.

Karl Wilding responded that there has always been duplication, but that this is not evidence of bloat. He described how many charities have seen their cash reserves decline through the shift towards competing for contracts - not the sign of a bloated sector. He also argued that people often want their services to be local and small, though recognised that people don't necessarily want to incur the cost for this through taxation.

Kathy Evans said that she doesn't recognise evidence of bloat. Of the 60,000 charities working in children and young people's issues, 50% have no full time members of staff and turnover of less than £10,000. She also argued that it is the purpose of the sector to try things, in a way that government and the commercial world do not. Many organisations are working very hard to adjust to the new financial arrangements, but they should not be forced into a mindset that moves them away from the space the third sector occupies. Civil society must remain vocal and courageous in thinking differently.

2) Ben Hughes (Community Development Finance Association)

Ben Hughes commented on the speakers' sense of inevitability about the change that was coming. He argued for a defence of civil society based on its USP - the ability to effect change by representing the voices of disadvantaged people. Why should the sector dance to others' tune?

Karl Wilding commented that funders are not making money available for policy or research work, often because the outcomes are difficult to measure.

Simon Parker commented that, on the question of inevitability, there is a generational shift in the view of the state. The post 1945 welfare state, based on working people in a full employment economy paying in for a short retirement, was not designed for today's young people. The move now is to a low tax, high wage, low welfare model. The state's role now is to empower. How the voluntary sector responds to these changes is not inevitable.

Bharat Mehta agreed that voice is essential, but argued that it cannot be achieved without being underpinned by evidence.

3) Andy Greg (Metropolitan Migration Foundation)

Andy Greg also argued for 'voice rather than choice'. The choice agenda, he said, is handing billions to companies such as Serco and Capita. The Third Sector's voice as representatives of disadvantaged people is being undermined in a government attack on civil society.

Karl Wilding pointed out that even Serco is losing money on contract income, restating that the funding model is broken.

Bharat Mehta said that we need to consider the roles of other players such as business. He drew a distinction between social investment returns, which consider both financial and social returns, with private equity, which measured only financial yields. No-one measures the social impact of private equity, but the state picks up the tab for the social consequences. Social responsibility needs to be shared more equally across the board.

4) Rohan Martyres (CAN)

Rohan Martyres made some further points about comparisons with the private sector. Back-office efficiencies are often drivers of mergers and acquisitions in the commercial world. There may be instances where this could happen in the charity sector without affecting the delivery of charities' missions. Duplication, he pointed out, is essential in the private sector as it is necessary for competition. This is why competition is resisted in healthcare - competition for a local hospital would require a second hospital in an area, which would be inefficient.

Rohan Martyres asked how trustees of independent trusts and foundations should be thinking in light of the retreat of state.

Simon Parker responded by describing the distinction between old and new power. Old power is the power of governments and hierarchies, but new power is the ability to influence behaviour through networks. The third sector needs to start exerting the power of its networks to achieve more. The state cannot achieve this because it isn't 'authentic' enough but charities are well networked and linked up. Under New Labour the voluntary sector made a 'Faustian pact' with old power - allowing themselves to be funded by the state to deliver contracts - but in doing so compromised on their independence and became vulnerable to the withdrawal of state money. He cited an example in Cincinnati, where disparate children's services, even with lots of funding, failed to work together, leading to poor outcomes. Modest investment in a small organisation, 'Strive Together' to develop a route map for pupils' journey from through school to university, led to the various agencies working together in a coordinated way, with very good results.

5) Linda Butcher (Sheila McKechnie Foundation)

Linda Butcher questioned the notion of 'commercial' and 'professional' being linked, and noted that many people in the third sector are highly professional.

She also pointed out that funders don't have the resources to fill gaps in state provision.

But, in reference to Karl Wilding's argument, she said that it isn't true that the whole model is broken. The government model is broken but independent funders have some good models, for example to help people invest in innovation and voice. Voice is part of solution and we mustn't forget individual's and communities' voices.

6) Chris White (ZING)

On the question of third sector 'bloat', Chris White argued that the point isn't whether there are too many charities but their mindset. They need to borrow vocabulary from the new tech companies, such as 'agile', 'lean', 'co-creation' and 'open source'.

7) David Parish

David Parish, former chair of the Hampton Fuel Allotment Charity, argued that we should not lose sight of what local activists have historically achieved, for example David Garrick in 1760s in Richmond.

8) Heather Petch (independent consultant)

Heather Petch said that we are always talking of collaboration, but asked what needs to change in order to achieve it.

Karl Wilding commented on poor collaboration - which can add cost. Collaboration can be done in a lean way, and we can learn from the private sector on how to do this. The third sector has some outdated notions of collaboration, such as an old agreement that volunteers shouldn't do anything that would threaten a job in the public sector. He also argued that funders need to think radically about how they fund. This might mean core costs, or technology infrastructure - an area where private sector efficiencies are being made.

Kathy Evans talked about Children England's 'declaration of interdependence' between local authorities and children's services. She argued that competitive tendering is damaging collaboration as charities are competing. We should instead remember our duty of care as a society for children's issues. However, she argued that charitable funds should not be used to subsidise shortage of state-funded children's services - as this would normalise the situation at cost to future generations. The voluntary sector should instead be supporting and wrapping around public sector provision.

Bharat Mehta pointed out that the power dynamic between funders and those receiving funds is sometimes not recognised. Funders can be guilty of exerting their power and not having truly equal relationships with grantees.

London Funders would like to thank all the panelists for their time and contributions, and the attendees for their contribution to what has been described as *"a really engaging debate, with a good mix of contributions from the floor and thoughts from the panel - very well chosen panel members, and well brought together by your chair. I was cross, excited, optimistic and challenged in equal measure - surely a sign of a good discussion!"*

We will be finding a number of ways and opportunities to continue these discussions over the months ahead.

Participants

David	Emerson	Association of Charitable Foundations
Helen	Morton	BBC Children in Need
Sufina	Ahmad	Big Lottery Fund
Stephen	Hart	Buzzacott
Ben	Jowitt	Buzzacott
Rohan	Martyres	CAN
Jaishree	Mistry	Charity Bank
Kathy	Evans	Children England
David	Farnsworth	The City Bridge Trust
Jenny	Field	The City Bridge Trust
Sarah	Bennett-Jones	City of Westminster
Clare	Kiely	Comic Relief
Ben	Hughes	Community Development Finance Association
Cathryn	Perrin	The Cranfield Trust
Amanda	Tincknell	The Cranfield Trust
Kristina	Glenn	Cripplegate Foundation
Lisa	Taylor	Future Of London
Daisy	Greenaway	Greater London Authority
James	Banks	Greater London Volunteering
Clive	Beaumont	Hampton Fuel Allotment Charity
David	White	Hampton Fuel Allotment Charity
Daisy	Boehm	John Lyon's Charity
Megan	Falck	John Lyon's Charity
Alicia	Lippiatt	John Lyon's Charity
Erik	Mesel	John Lyon's Charity
Monica	Needs	London Borough of Barking and Dagenham
Augusta	Morton	London Borough of Brent
Bola	Olatunde	London Borough of Brent
Jessica	Farrand	London Borough of Camden
Mohammed	Lais	London Borough of Enfield
Malcolm	John	London Borough of Harrow
Cedric	D'Amico	London Borough of Islington
Steven	Suggate-Francis	London Borough of Islington
Winston	Castello	London Borough of Lewisham
Katherine	Pitt	London Borough of Southwark
Victoria	Lawson	London Borough of Sutton
Abigail	Macklin	London Borough of Sutton
Victor	Willmott	London Catalyst
Gabrielle	Sturrock	London Community Foundation
Sarah	Ridley	London Marathon Charitable Trust
Holly	Middleditch	London Youth
Eithne	Rynne	LVSC
Matthew	Patten	The Mayor's Fund For London
Caroline	Diehl	Media Trust
Mimi	Phung	The Mercers' Company

Andy	Gregg	Metropolitan Migration Foundation
Holly	Howells	Museum Of London
Karl	Wilding	NCVO
Simon	Parker	New Local Government Network
Katie	Boswell	New Philanthropy Capital
Eileen	O'Sullivan	Oak Philanthropy (UK) Limited
David	Parish	
Jonathan	Sandall	Peabody
Heather	Petch OBE	
Stephen	Cox	Peter Cruddas Foundation
Tanzeem	Ahmed	Poplar HARCA
Ana Mae	Contreras- Ramirez	Poplar HARCA
Sally	Daghlin	Praxis
Georgie	Parry-Crooke	Project Oracle
Yvonne	Doyle	Public Health England
Maggie	Elliott	Richard Cloudesley's Charity
Melanie	Griffiths	Richard Cloudesley's Charity
Jake	Butterworth	Royal Borough of Kensington & Chelsea
Helen	Fagan	Royal Borough of Kensington & Chelsea
Michelle	Gillan	Save the Children
Jonathan	Hoare	Share Action
Linda	Butcher	Sheila McKechnie Foundation
Christopher	Dadson	The Social Investment Business
Jeffrey	Hayes	Trust for London
Bharat	Mehta	Trust for London
Dan	Watson	
Edward	Wild	Wild Search
Shane	Ryan	Working With Men
Chris	White	ZING

In attendance

Becky	Green	London Funders
David	Warner	London Funders

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