



Working together to strengthen London's voluntary and community sector

## WORKING MONEY HARDER

28 March 2008, at the Diana Fund, County Hall, London  
A London Funders members' meeting



Participants' names and speakers' biographies are at the end of this report

### WELCOME AND INTRODUCTIONS

Sara Llewellyn, Chair, London Funders

Sara welcomed everyone to the meeting. London Funders' meetings were always about aspects of funders using their resources wisely, for good value: this meeting was very squarely focused on financial awareness and astuteness, and ways of maximising resources.

In this meeting London Funders aimed to offer something relevant to all kinds of funders - public sector and independent, large and small, commissioners and grantmakers - hoping to encourage funders to think wide-rangingly, beyond their own normal funding methods. She hoped the meeting exemplified London Funders' core value of encouraging mutual understanding and collaboration between funders.

Sara expressed London Funders' thanks to Lisa Greensill (Government Office for London), Susan Humphries (London Borough of Haringey) and Andrew Robinson (CCLA Investment Management Ltd) for helping to plan the event; to CCLA for financial support of the meeting; and to the Diana, Princess of Wales Memorial Fund for use of the meeting rooms.

### INTRODUCTION TO THE SUBJECT

Andrew Robinson, CCLA

Andrew talked about some of the buzz created by new trends in funding for the voluntary and community sector and asked whether the excitement was justified. He found more talk than action in some areas: venture philanthropists talk about giving "beyond the cheque" but he was more interested in what he believed voluntary and community organisations needed most - money, carefully given. He listed many research reports and collections of trend data but felt that many of these delay or deflect action. They also ignore the myriad of small and informal groups doing vital local work but well below the radar screen of formal and demanding funders. Some new thinking is based on transferring private sector practices to the voluntary and community sector but often this is very superficial. Cross-sector lessons can be valuable but they need full knowledge and experience of both sectors involved.

He singled out as an example of an excellent and practical piece of work the report done by Hilary Norman when she was at the Bank of England about sources of money for social enterprise but felt that he could recommend relatively little else.

He believes that public sector funders are maintaining an indefensible double-standard. Contracts with the private sector allow for profits to be made, a reward for innovation and

efficiency. Yet voluntary organisations and social enterprises tendering for contracts have to provide minute detail about how their services are costed, and any surpluses may be clawed back instead of being permitted for use to further mission or boost organisational capacity and strength. In Andrew's view there is not enough experimentation with subsidy to ensure the creation of "good, better and best value".

He referred to the potential of hybrid, mission-driven financial institutions working in collaboration with foundations and public sector funders to provide funding for affordable housing, micro-credit and capital for social innovation as part of their mission. He illustrated his point using his own organisation, CCLA, which has no external shareholders and is owned by its charity clients. CCLA's deposit fund for charities has been established to enable any charitable organisation have access to the sort of interest rates on its cash that are usually only available to larger organisations.

He quoted the strap-line of Community Links, "driven by dreams; judged on delivery" and encouraged funders to think this way too. If local authorities, for example, could break free of rigid funding cycles and work across departmental silos, he thought they could support initiatives to create significant change. Freed-up thinking, a willingness to look at evidence and not just make assumptions based on prejudice, custom and practice, an ability to create progressive partnerships with other tiers of government or with independent funders - all these would create healthier communities and liberate the real potential of voluntary and community organisations.

"driven by dreams,  
judged on delivery"

## POLICY COMMENTARY: THE GOVERNMENT PERSPECTIVE

Hilary Norman, Deputy Director, Social Enterprise and Finance Team, Office of the Third Sector

Hilary has been in this role since the OTS was created in 2006 and her presentation about the OTS is on the [London Funders' website](#)

She believes that the creation of the OTS was significant in that it combined Department of Trade and Industry and Home Office functions in relation to the voluntary sector, located them in the Cabinet Office and gave the sector a Minister for the first time.

Much of the OTS's work is concerned with improving government and third sector partnership working, eg the Compact, but they do run their own funding programmes, notably Capacitybuilders and Futurebuilders, both concerned with improving sector development. Despite Andrew's biting comments on the surfeit of paper about the sector, they believe that there is too much anecdote and not enough evidence and are involved in commissioning research, especially to help government be a more supportive funder.

She ran through some of the facts and figures about government funding of the sector. She challenged the widely held belief that grants from government are reducing in favour of contracts: it is true that contract income for the voluntary sector is growing but she contends that grants from the public sector have remained constant in real terms in recent years.

Hilary drew on Julia Unwin's "The Grantmaking Tango" and typified funding as being either

- giving - ie simple grantmaking, whose value to smaller organisations in particular is not to be underestimated - see recent National Audit Office confirmation of the effectiveness of small grants, locally administered
- shopping - inviting tenders and awarding contracts, and
- investing - funding concerned with long term outcomes, including policy change.

She acknowledged the accuracy of Andrew's criticism about clawback of underspend in third sector contracts and hoped government practice was gradually improving. The OTS is interested in sharing practice across government departments on better commissioning and introducing improvements such as social clauses. They are also looking at "investing", for example, via new products modelled on interventions in the small business market. They are looking at setting up a social enterprise risk capital fund. They have a conference, "Good Deals", on 6 May to explore social investment, loans, blended investment and more.

Hilary acknowledged that although government financial support of a project can be effective in encouraging other donors to come forward, there are also constraints. If government funding is seen as "state aid" it falls foul of EU rules about subsidy and unfair competition: this gave rise to concerned questions from the floor. Andrew Robinson quoted an Irish example where Irish banks collectively wrote to confirm that they did not view public sector support for the Irish credit union movement as giving it a competitive edge over them. The same has also happened in England. Amanda Little (London Development Agency) confirmed that there is an exemption from State Aid rules for regeneration projects.

Hilary felt there were still challenges for all funders:

- to be more effective in assessing the worth of their investment, eg through Social Return on Investment
- to do more than just talk about future sustainability, and really encourage organisations to build their financial capability and diversify income streams
- to get up to speed on the community interest company and other forms which some funders have been slow to recognise as legitimate approaches and which, like charities, have an asset lock.

### VIEWPOINT: FIRST, THE BANKER Malcolm Hayday, CEO of Charity Bank

Malcolm was clear: "We need to think smarter". His focus is on working money harder, maximising its impact. He challenged foundations to do more than use 5-6% of dividend income to support their mission and local authorities to find leverage so that they could use more than 100% of their money.

"Charity Bank uses its money at least to 105% of its value"

He is disappointed by funders which could be fostering sustainability but which focus only on time-limited projects. The Office of the Third Sector funds for a maximum of three years and sometimes less. He quoted Roger Northcott (of the Tudor Trust) who believes that to make a difference takes a good 15 years. His three examples were intended to show that Charity Bank uses its money at least to 105% of its value.

Wigmore Hall: over recent years the Wigmore Hall has been a very successful fundraiser, using all its resources and good will but it was faced with an emergency when it had the opportunity to buy the head lease of its building and secure it for the long term as a concert venue. NatWest offered a loan but was not convinced the purchase could be achieved and offered £500,000 too little. With five days to go Charity Bank offered mezzanine support - taking on a second charge but paying first. A whole, viable package was put together successfully within three weeks and the purchase was made.

An anonymous example - a new build resource centre which had successfully raised capital but found that its architect had undercosted (or overspent) and needed to raise more to complete the work. Charity Bank arranged a standby facility but the organisation went over the limit. Fundraising helped but further overspend proved necessary because of unexpected complications with the site itself. While Charity Bank was “reading the riot act” to try to ensure that the organisation got sound building expertise before they went any further, a charitable foundation came in with a “no strings” grant towards the building costs. Charity Bank persuaded them to review this: the organisation could, with good advice, get by with capital funding and loans but what it would need from foundation support was some long term help in funding a manager’s post once the building was open: this the foundation agreed to cover. The charity sold another surplus asset to repay the loan. The biggest lesson from this was learned by the funders - they now know to talk to each other before making commitments.

“to make a difference takes a good 15 years”

A third example was a project currently in danger of failing: a community centre in a disadvantaged area, doing “phenomenal” work but given bad advice by Customs and Excise and finding itself with a debt for VAT it could not support. Charity Bank convened a meeting of all their funders. Their key message was that this unsophisticated group needed to import some management skills. The original funders had clearly not been concerned to identify and support the skills that would produce long term value from the project. They had been simply disappointed: their money had been used, there was not enough to show for it and they were not interested in the next stages.

Signs of hope came when one donor offered support for the management post. Charity Bank offered to match any grant support with a loan. The Big Lottery Fund agreed to waive its priority right to reclaim money if the project closed. The local authority turned its loan into a grant. But other funders either pulled out or could not make decisions quickly enough to rescue the project, which still hangs in the balance.

“Why don’t funders work intelligently?”

Why don’t funders work intelligently? How much do funders plan for contingencies? How many funders consider the long-term running costs of projects rather than just the bricks and mortar? How often do funders look closely enough at project costing to spot when it may be under-estimated and that viability will need more support than is being requested?

Malcolm wants funders to recognise we live in a world that needs additionality and complementarity. Both Yorkshire Forward and the Welsh Assembly have agreed to route some of their funding through Charity Bank to create greater leverage. Some funders are very willing to think about support alongside lenders like Charity Bank, to take some of the risk out of a project. The Big Lottery Fund has shown that it is willing to “do deals” where projects and other funders have good strategies.

74% of Charity Bank’s clients believe that they have been helped towards sustainability - and these are mainly small and medium charities which had no reserves.

A question to Malcolm pressed further on the point about how organisations like his can act as brokers to get funders better coordinated. He is very aware of the value of trying to do this - different objectives between funders, their varying timescales, and formal decision-making processes can all conspire to delay or confuse.

## VIEWPOINT: NEXT, THE JUGGLER

Knox Daniel, Centre Manager, Ealing Resource Centre

Knox manages a major multi-functional resource centre for Ealing Council for Voluntary Service. It took nine or ten years to plan, and was eventually developed on the third site that they explored. It is a success story in terms of the number of large and small organisations which are tenants, the development of shared resources to reduce their costs, the very large numbers of people using the building, and the effectiveness with which it was funded and built, including planning for long term income through a housing development in part of the building.

What came over most strongly from [Knox's presentation](#) was the complexity of the funding package that was put together for the capital work (and Knox paid tribute to the patience of the Home Office which awarded a large grant from its Capitalisation Fund but had to wait a long time before the CVS was ready to draw it down). There is now an unfeasibly large number of funders involved in keeping the building and its services afloat. Knox juggles their inputs and is grateful to all of them but the audience of funders at this meeting all recognised the onus on him of reporting on and monitoring such a wide range of contributions and the constant state of insecurity as short term grants stop and start.

Knox is now looking at:

- how feasible it could be to acquire the lease to guarantee the building as a long-term community asset, and
- how to exploit cause-related marketing (CRM), starting with giving their builders an opportunity to showcase the project in exchange for financial support.

At several points discussion came back to the time commitment voluntary organisations have to make in raising and managing funds from multiple sources. Knox was encouraged to build up earned income by make more of his and his organisations' special areas of knowledge, eg on project development, using the lessons learned from this venture. They have expertise to sell on property management and diversity issues and will be building up experience of CRM also.

Discussion found many agreeing that Knox let funders off too lightly over the level of complexity in reporting on funds, which must take a big proportion of his time, and the short term funding which means constant searching for new and renewed sources. David Gold commented that his ideal would be to see one funder assisting generously with the staffing needs of the Resource Centre, working with Knox on options for sustainability including earned income and good marketing but also funding staff, meanwhile, at a level that strengthened the organisation rather than setting it new challenges - full-time not part-time, long-term not uncertain short term contracts, and so on.

## VIEWPOINT: THE POUND STRETCHER

Sandra Jones, Head of the Community Sector Unit, London Borough of Lewisham

Sandra talked about a very special small grants programme being piloted in several wards in her borough. She showed an informative five-minute DVD about it and gave [a presentation](#).

Lewisham's grants programme is referred to as "investing in the community sector" and this informs the way they work in making grants and in managing and making available community premises also.

"investing in the community sector"

She has been leading the pilot development of participatory budgeting (PB) (also being trialled in Harrow). It is a method of grantmaking which brings local communities closer to the decision-making process. It was first developed in Brazil where it is now in wide use. Funds (from the Neighbourhood Renewal Fund and ward locality budgets) were made available as small grants and groups putting forward proposals did so at public meetings in short presentations, with all applicant groups scoring each other and deciding together on which should be supported. Before the end of each meeting, many groups offered to give back a little of their grant so that more groups could be funded. A group comprising voluntary sector, local authority, PCT and local community representatives had steered the whole process.

Local feedback had been good: the groups involved felt it was a fair and open process, where their voices were heard. People liked getting quick decisions. Having the chance to meet and hear direct about each others' plans opened opportunities for collaboration and linkages that did not exist before. New ideas were funded and a greater degree of trust now exists within the community as well as with the statutory bodies.

David Gold asked for reassurance about Lewisham's PB which sounded to him like a combination of Dragon's Den and speed dating - would the best presenters not automatically get the most votes regardless of the strength of the project? Sandra defended it strongly - the presentations were a challenge but most people did well. Scoring was not just based on the quality of the presentation but on the value of the proposal and real community-building was evident in the process.

## POLICY COMMENTARY: THE FUNDERS' PERSPECTIVE

David Gold, Chair, A Glimmer of Hope

David's professional background has been in the city and the voluntary sector and he now runs his own business, ProspectUs Ltd, which works in the not for profit sector in the areas of executive search and selection, recruitment, temps, advertising and design. He speaks regularly on philanthropy as Chair of the Advisory Board of Philanthropy UK and is well known for straight talking and asking tough questions which is why London Funders thought he would be ideal to challenge us all on the basis of what he heard during the event. We got more than we bargained for with some funders' tender spots found and pressed hard!

He held up some of the morning's comments and input for quite savage criticism but he also drew out the elements he had heard that added up for him to "intelligent funding".

He agreed with a lot Andrew had said - too much talk about new ways of funding and not enough action. 'The bright, white light of venture philanthropy' seems to be continually touted as the 'new funding' without enough examination of its impact. On the other hand, more traditional funders may hide behind their procedures and set up barriers. Where's the willingness to use experience and intuition? Andrew talked about funding as the means by which dreams can be turned into delivery, but how often do people running voluntary and community organisations fail to articulate their dreams well, and miscalculate what is

"the killer question: In three years' time, what will success look like for you?"

involved in making them operational. Fine to encourage funders to use experience and intuition in looking at proposals, but important also to press groups until it is quite clear they know what they are doing and to plan ahead for future funding cycles. For him the killer

question is likely to be - "In three years' time, what will success look like for you?"

The double standard which makes people less judgmental and demanding of the private sector than of the VCS was a recurring theme. Somehow the private sector is always trusted (in spite of bonuses, profits, directors' shareholdings, etc) yet when we fund the voluntary sector we investigate every last detail of their costs, rather than looking at the price they should charge. It seems that this approach carries over from grantmaking into commissioning.

David regretted that the Office of the Third Sector has insufficient resources to make a major difference for the voluntary sector. He also feels they need to build more trust with the sector. While government talks about risk capital it tries to analyse away the risk itself, hiding behind accountability to taxpayers.

Much of what Malcolm said made sense to David. He seems to go first on instinct about the competence and skills of organisations asking for support - "you just had to look at it - you knew it was brilliant," he had said of one prospective client. Perhaps experienced funders should trust their instincts more as they approach new proposals. But Malcolm's approach goes deep as well. In looking at projects to support he would be asking what their sustainability would look like and what help they need to achieve it. This is a practice employed by A Glimmer of Hope, David's own grantmaking charity.

David expressed deep concern for Knox with all the various posts at the Ealing Resource Centre being funded by different grantmakers, thus requiring vast amounts of fundraising and evaluation work. 'How do you work like that?' asked David. From a private sector perspective this sort of arrangement would be seen as crazy. Is it really so unrealistic to find one funder to support all the posts?

What did we learn? Can funders and funded both learn from the private sector? Commercial ventures don't ask for support - they offer a deal. That might be the offer of goods and services for sale: unlike the voluntary sector they don't analyse and explain their costs (or their profit margin) but rely on their offer to speak for its own value; or they make a proposition for funding for a new venture. Voluntary organisations, by contrast, act "ever so 'umble" and ask for support.

"Can funders and funded both learn from the private sector?"

Funders too could do with a change of attitude. As David said, a private investor would see his investment succeeding and put in more - yet how often do funders just walk away from a good project without checking that its future is assured, or give up on a slow or apparently failing development without bringing sharp skills to the analysis of its difficulties. Funders need to think about positive risk as well as negative risk.

David also applauded the way Charity Bank had brought funders together so that a coordinated package of support maximised everyone's different contribution and aimed for long term solutions for the support of projects and services. How constructive it would be if other coordination could follow such as a single common accountability to all those funders too, rather than the multiple reporting and monitoring activities usually demanded.

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## LIST OF PARTICIPANTS

Speakers in bold type

First name	Last name	Organisation
Karlene	Akindede	London Borough of Hackney
Amy	Best	CCLA Investment Management Ltd
Sue	Bowers	Heritage Lottery Fund
Chris	Butcher	Big Lottery Fund
Andrew	Carter	Rocket Science
<b>Knox</b>	<b>Daniel</b>	<b>Ealing Community Resource Centre</b>
Jenny	Field	The City Bridge Trust
<b>David</b>	<b>Gold</b>	<b>A Glimmer of Hope</b>
Gilly	Green	Comic Relief
Martin	Hall	The City Bridge Trust
Hannah	Ham	The City Bridge Trust
<b>Malcolm</b>	<b>Hayday</b>	<b>Charity Bank</b>
Bob	Holt	London Borough of Hounslow
Barnaby	Hopson	Royal Borough of Kingston upon Thames
Susan	Humphries	London Borough of Haringey
<b>Sandra</b>	<b>Jones</b>	<b>London Borough of Lewisham</b>
Amanda	Little	London Development Agency
<b>Sara</b>	<b>Llewelin</b>	<b>The City Bridge Trust and Chair, London Funders</b>
Andy	Matheson	London Borough of Southwark
Monica	Needs	London Borough of Barking and Dagenham
<b>Hilary</b>	<b>Norman</b>	Office of the Third Sector
Sue	Nyfield	Joseph Levy Foundation
Katherine	Payne	Mercers' Company
Debbie	Pippard	Big Lottery Fund
Kerry	Riley	BBC Children in Need
<b>Andrew</b>	<b>Robinson</b>	<b>CCLA Investment Management Ltd</b>
Inga	Spencer	London Borough of Hillingdon
Carole	Stewart	London Borough of Hackney
Jo	Taylor	Ethical Property Foundation
Andy	Turner	Church Urban Fund
Nalini	Varma	Big Lottery Fund
Enid	Watts	London Borough of Hounslow
Ann	Wynne	London Borough of Camden
Belinda	Birch	London Funders Secretariat
Gaynor	Humphreys	London Funders Secretariat

## SPEAKERS' BIOGRAPHIES

**Sara Llewellyn** is the Chair of London Funders and Deputy Chief Grants Officer of The City Bridge Trust, where she has worked since 1995. Prior to that she was the Director of a homelessness charity for five years and in the domestic violence movement before that. Sara is a member of the London Regional Consortium for ChangeUp and on the Investment Committee of Futurebuilders England. She was a previous Vice Chair of the Community Fund in London and Chair of Awards for All. She is Treasurer of a childcare social enterprise in Lewisham, a Director of the European Reminiscence Network and one of the initiators of 'Unboxed', developing human rights and leadership work with young people.

**Andrew Robinson** is a Director of CCLA Investment Management Ltd and a member of London Funders Executive Committee. Before joining CCLA, he was Head of Community Development Banking for RBS/NatWest. He is a trustee of Community Development Foundation, Lankelly Chase Foundation and bassac. He is also Special Adviser to the Development Trusts Association and a member of the DCLG's Review of the Community Management and Ownership of Assets. He has chaired the UK Social Investment Forum, was a Founding Director of the UK Social Enterprise Coalition and Executive Director of the Local Investment Fund. His MBE is for services to social and community enterprise.

**Hilary Norman**, Deputy Director, Social Enterprise and Finance Team, Office of the Third Sector (OTS). She joined the DTI as Social Enterprise Director in 2004, transferring with her Unit to the new OTS in the Cabinet Office in 2006. She led the implementation of the Government's strategy for social enterprise, including launching its most recent action plan. Before joining the DTI, Hilary worked at HM Treasury on the Graham Review of the Small Firms Loan Guarantee. Prior to this, at the Bank of England, she specialised in small firms' finance, in particular as it affected disadvantaged communities. In 2003 she led the Bank of England's review of finance for social enterprise, culminating in an independent report to the DTI which has since provided the basis for policy in this area.

**Malcolm Hayday** is the CEO of Charity Bank. He was previously the Director of Community Finance at Charities Aid Foundation (CAF) and Director of CAF's social investment loan fund, Investors in Society. He is a founding Director of the Community Development Finance Association and a Trustee of The Big Issue Foundation. He was a board member of INAISE, the international Association of Investors in the social economy, a global network of social investment institutions and its president 1997 -2001. Malcolm is on the advisory group for NCVO's sustainable funding project and is a member of an advisory group of foundations to the World Economic Forum.

**Knox Daniel** is the Centre Manager at Ealing Resource Centre which provides desk and office space to 18 local community organisations. He has worked in government, education and in publishing. Previous posts in the voluntary sector include management of Waltham Forest Co-operative Development Agency and Southwark Black Workers Group. He has worked at Redbridge Equality Council and the Council for Ethnic Minority Voluntary Sector Organisations. Knox is a management consultant and lecturer. He is also a regular radio and television interviewer on health-related issues.

**Sandra Jones** is Head of the Community Sector Unit in the London Borough of Lewisham. Sandra has 30 years' experience in or with the voluntary and community sector, much of it based in London. She had a period of work with the Lottery distributor, the New Opportunities Fund, and has worked in recent years in local government in several different settings. A great deal of her experience has been in setting up and managing funding programmes. She is leading the pilot development of participatory budgeting in London, establishing the process through which people running local projects and services become directly involved in decisions on some local public spending priorities. Sandra sits on several voluntary sector boards, including that of London Funders.

**David Gold** is Chair of A Glimmer of Hope, a grant-making foundation. After following a City Career at UBS Asset Management, David joined Business in the Community (BITC) as head of its London Division. At BITC, David learned much about the voluntary sector, especially about homelessness, diversity and volunteering. In 2000 he bought and became CEO of ProspectUs Ltd, an organisation that works exclusively in the not for profit sector in the areas of recruitment, temps, advertising and design. David is the Chair of the Advisory Panel of Philanthropy UK, a board member of Streetshine (social enterprise) and Greenhouse Schools. David serves on the Think Tank at the Ethiopian Embassy, has some mentoring roles in the voluntary sector and speaks regularly on philanthropy.