

Communities Overview and Scrutiny Committee

Warwickshire Social Impact Fund

22 September 2021

Recommendation(s)

That the Committee notes and comments on the proposals for the Warwickshire Social Impact Fund to help inform final proposals being submitted to Cabinet on 14 October 2021.

1. Executive Summary

- 1.1 The Council resolved in February 2021 to bring forward proposals for a Social/Community Endowment Fund to act as a catalyst for building stronger communities.
- 1.2 In developing proposals for the fund several key questions were posed:
 - What are the required outcomes, e.g., demand management, reducing the spread of COVID, early intervention and/or prevention, cost reduction etc.?
 - What does the voluntary, community and social enterprise (VCSE) sector need by way of additional investment?
 - How do we ensure the fund engages with smaller grass-roots organisations?
 - How do we ensure sustainability around additional funding?
 - How do we measure the impact of additional funding?
- 1.3 To help address these questions, an analysis of the Council's existing VCSE sector funding streams has been undertaken. An extract of the analysis is included as Appendix 1 to this report. The analysis indicates an area of activity we do not currently support around funding to tackle exclusion, or more positively to promote inclusion, specifically around financial, digital, health, social, and cultural inclusion. A high-level review of strategic partners' funding streams indicates a similar gap.
- 1.4 A focus on promoting inclusion aligns strongly with the purposes of the Contain Outbreak Management Fund (COMF), i.e., Government funding to Local Authorities in England to help reduce the spread of coronavirus and support local public health. Referring to COMF guidance the proposal is for the social impact fund to:

- Apply targeted interventions for specific sections of the community.
- Harness capacity within local sectors.
- Extend and introduce specialist support.
- Enable community-based support for those disproportionately impacted by COVID.

In the Warwickshire context the fund will also provide:

- Extra support/community engagement in 'vaccine shy' areas
- Community-based support for people with long-COVID.

- 1.5 The fund will address several priorities of the COVID Recovery Plan, especially Priority 4, harnessing the power of communities to tackle inequality and social exclusion.
- 1.6 The fund will support current and future Council Plan outcomes, i.e., for communities and individuals to be safe, healthy, and independent, and for the economy to be vibrant and supported by the right jobs, training, skills, and infrastructure.
- 1.7 It will be important for the fund to be clearly aligned to the Council's Community Powered Warwickshire workstream, reflecting much learning from the pandemic where the role of Warwickshire's VCSE sector has been instrumental and impactful.
- 1.8 The suggestion to create an endowment has been explored in detail. The key advantage of an endowment is intrinsic sustainability through the investment of a principal sum and the ability to make awards through any dividend or interest generated. However, our exploration has concluded that, because of current low interest rates, only a small amount of funding would be made available to award and this amount, balanced against administration costs, would represent poor value for money. The creation of an endowment would also conflict with COMF criteria which would prevent the COMF funding being applied for this purpose.
- 1.9 The alternative to an endowment fund, often referred to as a "direct impact" fund, has less intrinsic sustainability, in the sense that once it's spent, it's spent. However, based on direct impact fund being able to make immediate and substantial investment, this approach is more likely to deliver the outcomes the Council is seeking, and is therefore the proposed approach that officers are recommending.
- 1.10 Options to lever-in other funding, for example through match-funding, crowdfunding, and corporate social responsibility (CSR) have also been explored. To a large extent the first two of these are dependent on the specific nature of projects and VCSE sector organisations' ability and appetite to pursue these. The Council has a role in attracting CSR contributions, using our influence through economic development activities, and bodies such as the Local Enterprise Partnership.

- 1.11 The possibility of funding being provided either as grants or loans has been considered. The Local Communities and Enterprise Pillar of the Recovery and Investment Fund appears to satisfy much of the need and appetite for loan finance, likely to originate more from social enterprises, which can repay loans, rather than charities. There would seem little advantage in having a near identical element to this fund. The award of loans would also conflict with COMF criteria. The proposal therefore is to award grants rather than loans to grass roots organisations which can demonstrate that they meet our ‘impact criteria’ which will be focused on inclusion in the context of reducing the spread of COVID and supporting local public health. An application process will be drafted to ensure applications comply with the COMF criteria and the Council’s impact criteria.
- 1.12 For several years the VCSE sector has flagged a need for additional capital investment, especially for community buildings. This fund provides an opportunity to make this investment, although proposals in this paper maintain a bias towards revenue funding, reflecting intelligence from VCSE State of the Sector reports and similar. It has been confirmed that the COMF can be utilised to fund capital expenditure. Any capital expenditure will need to be added to the Council’s Capital Programme.

2. Financial Implications

- 2.1 The Council resolved in February 2021 to bring forward proposals for a Social/Community Endowment Fund to act as a catalyst for building stronger communities.
- 2.2 The COMF has been identified as the funding source for this fund. The COMF is a revenue funding stream which can be used to fund revenue or capital expenditure. The recommendation to Cabinet will be to create a fund of £1,000,000 value.
- 2.3 The capital element of the fund will need to be added to the Council’s Capital Programme.

3. Environmental Implications

- 3.1 As part of the application process, organisations will be asked how their projects respond to and help to reduce climate change.
- 3.2 As part of the determination process, projects will be subject to scoring around their environmental implications.
- 3.3 The Council will reserve the right not to award funding to any organisation or project deemed to conflict with the Council’s climate change commitments.

4. Supporting Information

- 4.1 Analysis of existing funding streams indicates that higher value revenue awards and capital awards, focused on promoting inclusion, will meet a hitherto unmet need.
- 4.2 Based on the analysis of existing funding streams, the fund value split 60% revenue and 40% capital is appropriate. Based on the same analysis, revenue awards of between £25,000 and £50,000, and capital awards of between £50,000 and £100,000, are appropriate.

The number of awards would be scalable depending on the fund value:

Fund value	Revenue	Capital	Number of revenue awards	Number of capital awards
£250,000	£150,000	£100,000	3 to 6	1 to 2
£500,000	£300,000	£200,000	6 to 12	2 to 4
£1,000,000	£600,000	£400,000	12 to 24	4 to 8

The recommendation to Cabinet will be to create a fund of £1,000,000 value.

- 4.3 With a requirement for COMF funding to be allocated by 31 March 2022 (to reflect known timescales associated with the use of COMF) a single funding round will take place, starting in November 2021, with an 8-week application window and a 6-week determination window.
- 4.4 Revenue project funding will be spent within 15 months of award, acknowledging that most projects will be 12 months' duration and allowing for 3 months' set-up. Capital project funding will be spent within 18 months, although some flexibility might need to be applied to allow for potential contractor delays and/or delays in mobilisation.
- 4.5 The application process will comprise an online application form and submission of all due diligence checks and documents (see Appendix 2).
- 4.6 The determination process will comprise 4 key stages:
- Initial eligibility check and removal of any non-eligible applications.
 - Scoring, including weighting:
 - Towards applications/projects relating to areas with higher COVID infection rates (exact criteria around this to be determined in conjunction with Public Health).
 - Towards applications/projects all or partly relating to Lower Super Output Areas in the top 10% to 30% deprivation deciles as per the 2019 Indices of Multiple Deprivation.
 - Rejection of applications not meeting the scoring threshold.

- A streamlined selection process involving elected members and senior managers, possibly along the lines of a “dragons’ den”.
- 4.7 All successful applications will be subject to final sign-off by the Strategic Director for Resources.
- 4.8 The following monitoring and reporting will apply:
- Interim reports at 6 months.
 - End of project reports for revenue projects at 15 months.
 - End of project reports for capital projects at 18 months.
- 4.9 Consideration has been given as to whether the fund should be run and operated internally by the Council or whether to commission a third party to undertake this activity on behalf of the Council. Subject to compliance with Contract Standing Orders (and securing an appropriate exemption) a recommendation is made for the operation of the fund to be commissioned for the following reasons.
- There are suppliers with a strong record of accomplishment in this field.
 - There are suppliers potentially able to lever in complementary funding, e.g., corporate social responsibility funding.
 - There are suppliers that specialise in end-to-end funding streams: designing, promoting, running, monitoring, evaluating, and reporting.
- 4.10 The cost of commissioning will vary depending on the total fund value. Indicative costs from one supplier are:

Total fund value	Cost	Percentage
£250,000	£32,115	12.8
£500,000	£46,750	9.4
£1,000,000	£67,740	6.8

These costs will be in addition to the fund value.

- 4.11 As a comparison to the cost of operating the fund internally, the Council’s Green Shoots Fund is estimated to have cost between 5% and 10% of the value of the fund when all known costs including officer time are factored in. Therefore, commissioning a third party for a fund value of £500,000 or above would appear to represent comparable value for money.
- 4.12 The risks involved with commissioning will need to be managed carefully, especially considering this is a high value fund and this is the first time the Council has commissioned the operation of a funding stream. However, officers are satisfied that suppliers are present with robust risk management arrangements in place and strong track records of working with organisations from across the sectors.

- 4.13 An appropriate marketing and communications plan will be in place for the fund, including extensive social media promotion. The name of the fund for launch and marketing purposes will also be developed over coming months.
- 4.14 An online seminar for potential applicants will be organised, to outline the fund and provide advice and guidance to organisations. This would be co-organised by our VCSE sector support provider Warwickshire Community and Voluntary Action.

5 Timescales associated with the decision and next steps

5.1 The indicative timetable for the roll-out of the fund is as follows:

- Cabinet approval 14 October 2021.
- Appointment of third-party supplier by 21 October 2021 subject to approvals.
- Application window opens 4 November 2021 to coincide with the Community Powered Warwickshire Conference around the same time.
- Application window closes 30 December 2021.
- Determination window opens 3 January 2022 and closes no later than 14 February 2022.
- All successful and unsuccessful notifications, and payments made no later than 7 March 2022.
- Commencement of monitoring in September 2022.

Appendices

1. Extract from the analysis of existing funding streams.
2. Due diligence documents/checks, criteria, definitions.

Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Clarke, Chilvers, D’Arcy and Fradgley

Appendix 1

Extract from the analysis of existing funding streams

Name of Fund	Description of Fund	Amount	One off funding/rolling programme
County Councillors Grant Fund 2020/21 (Round 1)	Aimed at VCSE sector organisations. The fund provides each of the 57 Councillors with a pot of £6,000 to support small-scale projects within their divisions	£342,000	One off funding
Green Shoots Community Climate Change Fund 2020/21, Round 1	Grant funding to community projects to mitigate against, and adapt to, the impact of climate change. Aimed at VCSE sector organisations.	£1,000,000	Rolling programme for the total pot of funding
Targeted Youth Support Fund 2020/21 and 2021/22	Aimed at VCSE sector organisations that provide youth work services for 11- to 18-year-olds in Warwickshire. Its main purpose is to increase youth work capacity and capability in Warwickshire. The fund aims to support projects which tackle local and county issues and can provide long-term, sustainable, and demonstrable improvements in outcomes for young people in Warwickshire.	£800,000	Rolling programme
Mental Health and Wellbeing Resilience Fund	One-off funding aimed at VCSE sector organisations, including small to medium size businesses, that do not have access to an employee assistance programme, to respond to the mental wellbeing needs of Warwickshire residents. This includes the opportunity to bid for capital funding to make physical improvements to buildings and outdoor spaces to make environments more mental health friendly.	£750,000	One off funding
Mental Health and Wellbeing Resilience Fund	Supporting the Mental Health Curriculum in schools. Details to be confirmed.	£250,000	One off funding
Community Ownership Fund	From summer 2021 community organisations will be able to bid for up to £250,000 matched-funding to help them buy or take over local community assets at risk of being lost, to run as community-owned businesses. In exceptional cases, up to £1 million matched-funding will be available to help establish a community-owned sports club or help buy a sports ground at risk of being lost without community intervention.	£150M nationally	One off funding

Community Renewal Fund (precursor to the Shared Prosperity Fund 2022)	With express intention of enabling and supporting innovative ideas and to pilot programmes and approaches to support local economic development which can inform the longer-term UK Shared Prosperity Fund (the Government's replacement funding for the European Structural & Investment Funds). In particular, the Government wishes to test and explore greater integration of types of interventions and greater flexibility between investment themes than under the European Union Structural Funds programme.	£220M nationally	Short term funding. Applications to be made via Lead Authorities including WCC
European Social Fund	The ESF is Europe's main tool for promoting employment and social inclusion – helping people get a job (or a better job), integrating disadvantaged people into society and ensuring fairer life opportunities for all. It does this by investing in Europe's people and their skills – employed and jobless, young, and old. programme offering funding pots of between £5,000 to £20,000 to small and voluntary organisations to help unemployed people advance towards employment, education, and training.	£80B Europewide	Ongoing
Levelling up Fund	Investing in infrastructure that improves everyday life across the UK, including regenerating town centres and high streets, upgrading local transport, and investing in cultural and heritage assets. The fund brings together the Department for Transport, the Ministry for Housing, Communities and Local Government and the Treasury to invest £4.8billion in high-value local infrastructure. It also embodies the approach of the Green Book Review, focusing on the needs of individual places and the strategic case for investment. Bids can be up to £20m. While the Fund is open to every local area, it is especially intended to support investment in places where it can make the biggest difference to everyday life, including ex-industrial areas, deprived towns, and coastal communities. It is also designed to help local areas select genuine local priorities for investment by putting local stakeholder support, including the local MP where they want to be involved, at the heart of its mission. Within the competition, funding will be targeted towards places in England, Scotland, and Wales with the most significant need.	Up to £20M per District & Borough & County Council	One off funding - 3 years, projects fully delivered in third year of funding

<p>Building Resilience in Ethnically Diverse Communities (Formerly known as Mitigating the impact of COVID 19 on Ethnically Diverse Communities)</p>	<p>Aimed at ethnically diverse communities across Warwickshire. Funding will be available for community organisations to develop projects relating to the following four themes:</p> <ul style="list-style-type: none"> - Reducing social isolation - Mental health and wellbeing - Unemployment - Physical health <p>One grants process will run in Aug/Sept 2021 with a second round held in March/April 2022.</p>	<p>Circa £250,000</p>	<p>One off funding (Two funding rounds within one year)</p>
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Appendix 2

Due diligence documents/checks, criteria, definitions

Appropriate due diligence will be carried out on all project applications, including, but not exclusive to the following checks and/or document requests:

	Revenue applications	Capital applications
Business plan	No	Yes
Project proposal	Yes	No
Risk assessment describing any identified risks in delivery of the project	Yes	No (expected to be covered in full business plan)
Cost breakdown, including evidence of where any other funding is coming from, and any in-kind contributions	Yes	Yes
Timelines	Yes	Yes
Details of building ownership	Not applicable	Yes
Details of building rental terms	Not applicable	Yes
Details of current building usage	Not applicable	Yes
Evidence of relevant permissions, e.g., planning permission, permission from building owner to make changes.	Not applicable	Yes
Details of any partners, contractors, and sub-contractors	Yes	Yes
Governing document, e.g., articles of association or constitution	Yes	Yes
Latest financial statements or other accounts	Yes	Yes
Subsidy control declaration	Yes	Yes
Safeguarding policy for projects involving children, vulnerable adults, or regulated activity of any type	Yes	Yes
Confirmation of a bank account in the organisation's name	Yes	Yes

In addition to the above the following will also be required:

- A description of how projects will be sustainable beyond the term covered by the initial funding. In the case of capital projects, how any ongoing service costs and overheads will be met.
- A description of any non-financial resources required and/or secured to deliver the project, e.g., volunteer time.

The following criteria will apply:

- Applications will be welcome from all VCSE sector organisations, including town and parish councils.
- The following will be ineligible to apply:
 - Statutory organisations, except town and parish councils.
 - Individuals.
 - Organisations that have failed to meet the criteria of previous funding awards.
- Schools will be ineligible to apply directly, although "Friends Of" organisations and PTAs etc. will be eligible.
- The following project types will be ineligible:

- Projects promoting religious or party-political beliefs.
- Any activity deemed to be lobbying.
- Projects for personal profit or the benefit of an individual.
- Projects where costs relate to items or work already carried out or purchased before an award is made, and loan or debt repayments.
- Applications from religious organisations will be eligible if wider inclusive community benefit is demonstrated.
- Projects will focus on at least one of the following: financial, digital, health, social, and cultural inclusion.
- Projects will align with:
 - At least one of the COMF/local criteria specified in 1.4
 - At least one of the Council Plan outcomes.
 - At least one of the 6 core themes of the Voluntary and Community Sector Strategy 2020-25.
- Applications will describe how the project relates to the Community Powered Warwickshire vision and offer.
- Applications will describe how the project responds to and help to reduce climate change.

The following definitions will be applied:

Financial exclusion

“Whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.” European Commission, 2008. *Financial inclusion* is defined as services and activities to tackle and/or address financial exclusion.

Digital exclusion

“Where a section of the population has continuing unequal access and capacity to use Information and Communications Technologies (ICT) that are essential to fully participate in society.” Schejter, 2015. Warren, 2007. *Digital inclusion* is defined as services and activities to tackle and/or address digital exclusion.

Health exclusion

“An overarching term relating to provision of health and care services for all, recognising that some groups can experience barriers to take up of traditional services, particularly marginalised groups and those who experience a number of overlapping risk factors for worse health outcomes, such as discrimination, poverty, trauma.” Public Health Warwickshire. *Health inclusion* is defined as services and activities to tackle and/or address health exclusion.

Social exclusion

“The lack, or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities, available to the majority of people in a society, whether in economic, social, cultural or political arenas.” Levitas et al, 2007. *Social inclusion* is defined as services and activities to tackle and/or address social exclusion.

Cultural exclusion

“A specific form of social exclusion, namely that which takes place every time people are discriminated against because of their perceived cultural differences with the culturally dominant group.” Lapeyronnie, 2008. *Cultural inclusion* is defined as services and activities to tackle and/or address cultural exclusion.