

# Cabinet

14 October 2021

## Social Impact Fund

### Recommendation(s)

That Cabinet:

1. Approves proceeding with the establishment of a Social Impact Fund, using source funding of no less than £1,000,000 from the Contain Outbreak Management Fund (COMF) and authorises the Strategic Director for Resources, in consultation with the Portfolio Holder Finance and Property, to increase the value of the fund drawn from the COMF if the appropriate conditions are met.
2. Approves the capital element of the fund to be added to the Capital Programme and authorises the Strategic Director for Resources, in consultation with the Portfolio Holder Finance and Property, to adjust the value of scheme in the capital programme depending on the balance of grant determinations approved.
3. Supports the operation of the fund to be delivered by a third party and authorises the Strategic Director for Resources to take all steps as he considers necessary to establish the fund.
4. Considers the feedback from the Communities Overview and Scrutiny Committee as set out at paragraph 4.15.

### Executive Summary

#### Purpose of the fund

- 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 was undertaken of the Council's existing VCSE sector funding streams. 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 is around funding 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 COMF, i.e., Government funding to Local Authorities in England to help reduce the spread of coronavirus and support local public health. Applying the COMF guidance to the proposal, the social impact fund will:
- 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 The fund will 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, and the Council's impetus to develop and embed more community-powered approaches to service delivery across the county.

### **Fund model**

- 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 and with the level of investment proposed, only a small amount of funding would be made available to award and this amount,

balanced against administration costs, would not represent good value for money. The creation of an endowment would also conflict with the COMF criteria.

- 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 scalable investment, and build longer term capacity, 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 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 more readily than charities. There would seem little advantage in having a near identical element to this fund. The award of loans would also conflict with the 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 and impact 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.
- 1.11 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 via the Council’s normal governance arrangements.
- 1.12 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 and will continue to seek to influence this.

## **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 is a revenue funding stream from the Government that can be used to fund revenue or capital expenditure in support of work to contain and

manage the impact of Covid at a local level. The recommendation to Cabinet is to create a Social Impact Fund of no less than £1,000,000 value using source funding from the COMF. It is further recommended that if the Strategic Director for Resources, in consultation with the Portfolio Holder Finance and Property, considers that more COMF funding could be allocated for this purpose without compromising competing demands on the COMF funding, and there are sufficient high-quality applications, authorisation is given to increase the funding available via the Social Impact Fund.

- 2.3 Cabinet are also recommended to add capital element of the fund to the Council's Capital Programme, funded from the COMF grant and authorise the Strategic Director for Resources, in consultation with the Portfolio Holder Finance and Property, to adjust the value of scheme in the capital programme depending on the balance of grant determinations approved. This is consistent with existing governance arrangements where the capital funding is from a revenue budget.
- 2.4 The operation of the fund will be commissioned from a third party, at a cost of £68,000. This cost will also be funded from the COMF grant.
- 2.5 COMF is a ringfenced grant with terms and conditions about how the funding can be used. The operational arrangements and determination framework put in place will ensure these conditions are met, to avoid the risk of the funding having to be repaid later. Key amongst these risks is the requirement that the funding is used by 31 March 2022.
- 2.6 To mitigate this risk, grants will be paid before 31 March 2022. The detailed rules around how any clawback of COMF funding will operate are still pending from the Government. The latest advice and guidance will continue to be monitored and operational arrangements adjusted accordingly over the coming months, prior to allocations being agreed.

### **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 (Appendix 1) 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 considered appropriate and is recommended. 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 considered appropriate.

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

<b>Fund value</b>	<b>Revenue</b>	<b>Capital</b>	<b>Number of revenue awards</b>	<b>Number of capital awards</b>
£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 is to create a fund with a value of no less than £1,000,000.

- 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 Grant recipients must spend any revenue project funding within 15 months of award, acknowledging that most projects will be 12 months' duration and allowing for 3 months' set-up. Grant recipients must spend any capital project funding 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 documentation as per Appendix 2. The process will be made as simple as possible to encourage the greatest number of applications.
- 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 a panel of elected members and senior managers.

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 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 to a third party 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:

<b>Total fund value</b>	<b>Cost</b>	<b>Percentage</b>
£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 indicated in paragraph 4.2 but will also be funded from the COMF.

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 £1,000,000 will be 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 will have 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.

4.14 An online seminar for potential applicants will be organised, to outline the fund and provide advice and guidance to organisations. This will be co-organised

by our VCSE sector support provider Warwickshire Community and Voluntary Action.

4.15 The Communities Overview and Scrutiny Committee considered the proposals for a Social Impact Fund at its meeting on 22 September 2021. The Committee expressed general support for the proposals and raised the following specific points:

- How we ensure that the scoring of applications supports allocation to higher priority areas given the broad aspirations and level of funding proposed.
- How we ensure that those under-represented communities/ those hardest to reach are encouraged to come forward and supported in the application process.
- Sought clarification that the Council will commission a single external provider to administer the fund (rather than several).
- Sought confirmation that the COMF funding has been allocated to the Council and is available but that this is finite funding so can only be awarded once.
- Sought confirmation that no area would be excluded however the proposed weighting would need to ensure COMF criteria are met and so would prioritise those areas most affected by COVID.
- Suggested that the success of the fund be evaluated at an appropriate time in the future.

## **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 25 October 2021.
- Application window opens 4 November 2021 to coincide with the Community Powered Warwickshire “Big Conversation”.
- 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:

Considered by the Communities Overview and Scrutiny Committee at its meeting on 22 September 2021.

Local Member(s): None.

Other members: None.

## 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	£150M nationally	One off funding

	establish a community-owned sports club or help buy a sports ground at risk of being lost without community intervention.		
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 Europe-wide	Ongoing

<p>Levelling up Fund</p>	<p>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.</p>	<p>Up to £20M per District &amp; Borough &amp; County Council</p>	<p>One off funding - 3 years, projects fully delivered in third year of funding</p>
<p>Reducing the impact of COVID – Grants 2021-23. Building Resilience in 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"> <li>- Reducing social isolation</li> <li>- Mental health and wellbeing</li> <li>- Unemployment</li> <li>- Physical health</li> </ul> <p>Grant application window in Sept/Oct 2021.</p>	<p>£325,000</p>	<p>TBC</p>

## 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.