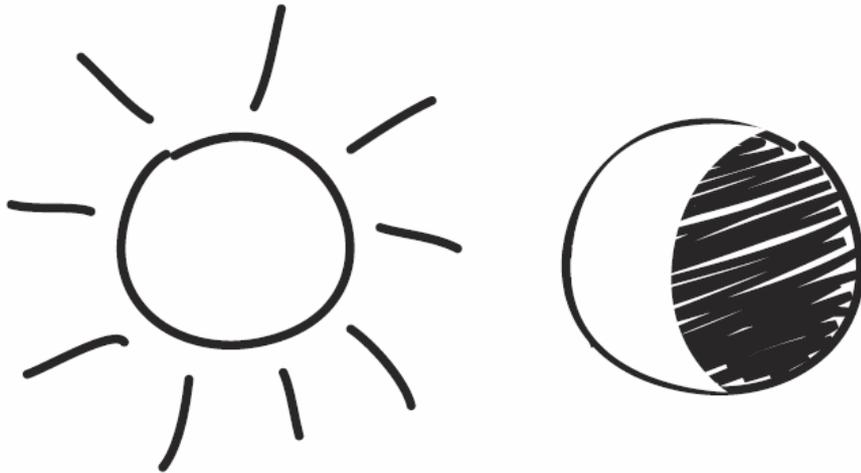




# Demonstrating the local economic and social value of grant-making with the vcs: think-piece



## INTRODUCTION

Over the course of the last five to ten years, policy making in relation to the voluntary and community sector has seen a significant and tangential shift. This move has seen a far less proportionate emphasis placed upon grant funding as one of the primary income streams for voluntary and community sector organisations alongside donations; with more of a shift towards contracting and commissioning organisations within the sector to deliver services.

The drive behind this move from 'grants to contracts' has however not necessarily been the doing of the voluntary and community sector itself. Whilst some voluntary and community organisations have sought out local authority and other public sector contracts as a way of professionalising their activities and expanding their expertise and geography of delivery; others have simply had to do so because of changes in centrally led policy. As such a number of government policy agendas have driven change including:

- 1) ***The reduction in some of the bureaucracy through local government modernisation associated with central local-relations.*** This has given localities greater flexibility in how they spend their resources, often to the detriment of grant making processes to the voluntary and community sector.
- 2) ***The increased importance placed on the role of public procurement.*** As public sector bodies have begun to be more 'strategic enablers' as opposed to 'direct service deliverers' more and more elements of services have needed to be tendered for. This has meant that voluntary and community sector organisations have had to bid for contracts competitively as a way of meeting some of the ends accounted for in the reduction in grants.
- 3) ***The drive towards place-shaping and in particular the commissioning of locally reflective delivery activities through Local Area Agreements.*** Voluntary and community sector organisations have had to become partnership and public sector literate.

The frustrating part of the shift from 'grants to contracts' for many voluntary and community sector organisations has been the lack of evaluation as to why the shift has happened. Why is delivering a service through contracting suddenly a more effective means of neighbourhood and local improvement than the provision of a grant?

It is exactly this debate and overarching question which this think-piece is seeking to address. As part of wider research activities, Voluntary Sector North West (VSNW), working in partnership with the Centre for Local Economic Strategies (CLES) is seeking to demonstrate the need for and the continued viability of grant-making for the voluntary and community sector. The think-piece will be followed up with wider primary research seeking to demonstrate the scale of grant-making in the North West region and its economic and social value.

As such the think-piece explores the following:

- Definitions of 'grant' and 'voluntary and community sector';
- The policy journey from 'grants to contracts';
- The relative merits of contracting the voluntary and community sector to deliver services;
- The theoretical economic and social values of grant-making with the voluntary and community sector.

## DEFINING THE 'VOLUNTARY AND COMMUNITY SECTOR' and 'grants'

### The 'voluntary and community sector'

The 'voluntary and community sector' is a wide ranging beast in terms of its scale, expertise, knowledge and capacity. This diversity in organisations has often been coined into the slightly awkward term of the 'third sector'. This term and the coining of organisational capabilities presents a challenge for the sector and particularly in relation to the shift from 'grants to contracts':

- ❑ For a start it tars all voluntary and community sector organisations with the same brush assuming that the sector has certain capacities and capabilities and there is no diversity in size and delivery;
- ❑ Second, this assumption of a 'third sector' suggests compatibility and collaboration between organisations. If one organisation has the capability to deliver contracts then so does a whole host of others;
- ❑ Third, it suggests that the funding needs of organisations are standard and that all organisations should have the capacity to deliver.

Whilst contracting to deliver services might be beneficial for the supra-charity or the social enterprise with tendering skills and professionalisation ambitions, it is not necessarily the best course of action for the small, neighbourhood level, thematically focused voluntary and community sector group.

These smaller groups are the ones for whom the shift from 'grants to contracts' has been particularly hard-hitting.

- ❑ They do not necessarily have the aspiration or indeed the ethos to deliver services beyond the neighbourhood in which they operate;
- ❑ They have target audiences as opposed to the totality of the population;
- ❑ They do not have the skills or capacity to prepare and write tenders, nor do they necessarily have the staff base to deliver services against contracts;
- ❑ These are the groups that continue to require grant funding as both a source of income and as a means for delivering activities to some of the most deprived and marginalised communities in society.

### Defining 'grants'

Before we consider in more detail the policy that has shaped the shift from 'grants to contracts'; it is important to outline what we mean by the term 'grant'. This definition will be used to shape the remainder of this think-piece and the wider research.

Grants are one facet of the spectrum of income sources available to voluntary and community sector organisations. This spectrum varies from those that are gleaned by 'asking' (i.e. the gift economy and grant funding), to those that are gleaned by 'earning' (i.e. the structured market and open market, also known as contracting). Defining grant-making is a contested topic. The National Council for Voluntary Organisations (NCVO) offers the following definition of grants<sup>1</sup>:

*"Grants are subsidies. The grant-giving body (or 'funder') offers funding for specific activities, usually following an application process. The recipient is obliged to use the grant for the*

<sup>1</sup> Source: NVCO (no date cited), 'Introduction to Grants', accessed at: <http://www.ncvo-vol.org.uk/advice-support/funding-finance/income-sources/grants>

*purposes specified (the money is restricted). Grants are therefore different to donations, which are normally unrestricted."*

The Guardian's Society supplement<sup>2</sup> defines grants as:

*"Sums of money given to a charity, organisation or individual, usually from some kind of grant making body such as a charitable foundation or government department. A grant is different to a donation in that it is usually applied for along strict criteria drawn up by the grant maker that the applicant must adhere to in order to receive the money."*

There are challenges and criticisms with the above definitions in that: grants can come from a variety of sources; grants can be unrestricted income; and importantly grants are not vastly different to donations as suggested. As a result of these definitional tensions, CLES and VSNW will be utilising the HM Treasury definition as outlined below to shape this paper and the wider research. This definition is viewed by the sector to be the most accurate and effective portrayal of grant-funding.

*"A grant maker is not contracting for a service that forms part of its own business. It is offering financial support in an area of work designed by the third sector, which it wishes to sponsor. The work would add value to the funder's overall aims and objectives. The organisation retains considerable freedom in the way in which it carries out the work."*

## Sources of grant funding

Historically grant funding has been derived by the voluntary and community sector from either central government or the wider public sector, primarily through local authority grant giving functions. In recent years, despite reductions in the above primary grants, a new form of grant has come to the fore through the charitable function of the National Lottery. Additionally, grant funding has become an integral element of Corporate Social Responsibility (CSR) strategies amongst large business and predominantly multi-nationals in the private sector. Whilst much diminished, the following sources of grant funding are available to the voluntary and community sector:

- ❑ **Central Government** - most central government departments provide funding for voluntary and community sector organisations, for example:
  - Cabinet Office: Capacitybuilders Improving Reach Programme 2008-2011;
  - Cabinet Office: Grassroots Grants.
- ❑ **Sub-regional bodies** – sub-regional bodies, such as the Association of Greater Manchester Authorities (AGMA) channel grants to voluntary and community sector organisations, for example:
  - AGMA: Greater Manchester Grants Scheme.
- ❑ **Local Government** - council grants are often a major source of grants to VCS organisations within the local authority area, for example:
  - Lancashire County Council: Lancashire Environmental Fund.

<sup>2</sup> Accessed at: <http://society.guardian.co.uk/glossary/page/0,,646438,00.html>

- ❑ **Community Foundations** – Community Foundations are charities which are dedicated to strengthening local communities, creating opportunities and tackling issues of disadvantage and exclusion.
- ❑ **The National Lottery** - for every £1 spent on the National Lottery, 28p goes to good or charitable causes. There are a whole range of National Lottery funders that distribute this money to projects that range from small scale community projects to national charities including the Big Lottery Fund.
- ❑ **Trusts and Foundations** - trusts and foundations are a key source of grants for voluntary and community sector organisations, for example:
  - Joseph Rowntree Foundation;
  - Esmeé Fairbairn Foundation.
- ❑ **Private Companies** - voluntary and community sector organisations may also receive grants from private sector companies. This is often delivered as part of their Corporate Social Responsibility strategy and may have a particular geographical focus, for example:
  - Bank of New York Fund.

## EXPLORING THE POLICY JOURNEY FROM A GRANT TO CONTRACT CULTURE

The way in which voluntary and community sector organisations are funded by local government and other public sector bodies has changed significantly in the last 30 years. This section of the think-piece will chart and critically assess the journey from the primarily grant-based model of the 1960s and 1970s to the primarily contract culture of the present day.

### The 'Welfare State heyday'

From the 1950s to the late 1970s, the majority of public services and social welfare provisions in the UK were planned, funded, and delivered by government agencies. As Cairns et al (2005) comment, during this period the primacy of the welfare state meant that the voluntary and community sector "largely played a subordinate role to state agencies" (pp.869-870). During this time, the delivery of public services was seen as the role of government whilst voluntary and community sector organisations' raison d'être was often to campaign, lobby policy makers and provide support and advocacy for marginalised groups.

### The 1980s onwards

Up until the late 1970s, voluntary and community sector organisations and local authorities operated in largely separate spheres often driven by different aims and objectives. However, the 1979 General Election proved a turning point in the relationship between the two. From the late 1970s through the 1980s the idea of "a mixed economy of welfare" (ibid, p.870) took hold in the UK, with voluntary and community sector organisations repositioned in parallel to governmental agencies as "providers of essential public services, especially in the broad field of social welfare" (ibid). Indeed, since the late 1970s, this renewed emphasis on welfare pluralism, has meant voluntary and community sector organisations have been "afforded an increasingly prominent role in public service delivery" (Deakin, 1991, cited in Buckingham, 2009, p.235).

This shift towards voluntary and community sector organisations as service providers had a fundamental impact on the way in which the sector was funded with "'arms length' grants giving way to a variety of contractual relationships" (ibid). This change in focus placed new demands on the sector and required a step change in the way in which they operated. It also changed the relationship between local authorities and voluntary and community sector organisations. Whereas under the grant-based model local authorities were relatively 'hands off', with the emergence of the contract culture came greater involvement of public officials in the running, organisation and management of voluntary and community sector organisations leading to a rise in the bureaucratisation of the sector.

## New Labour and the voluntary and community sector

Whereas the 1980s and early 1990s were characterised by a market-driven, neo-liberal approach to the voluntary and community sector, after Labour's win in the 1997 General Election a more subtle relationship between government and the sector emerged; a relationship based on the principle of 'partnership'. Indeed, partnership was the underlying principle of the Compact which was developed following the 1996 Report of the Deakin Commission on the future of the voluntary and community sector. The development of the Compact was intended to promote "more bottom-up change via partnerships than the simple top-down deregulation associated with the 'marketisation' and contracting-out under the Conservatives" (Pollitt & Bouckart, 2000, cited in Lewis, 2005, p.122).

However, whilst the terminology changed, the belief that voluntary and community sector organisations can, and should, deliver public services under contract was maintained by the Labour government. Indeed, in the last ten years, we have witnessed a plethora of policy documents that highlight the value of voluntary and community sector organisations as public service deliverers. In 2002, for example, HM Treasury published the landmark report *'The Role of the Voluntary and Community Sector in Service Delivery'*<sup>3</sup>. The report recognised that voluntary and community sector organisations have a key role to play in the government's vision for public service investment and reform.

Running in parallel to the belief that voluntary and community sector organisations should enter into partnership with local government and deliver public services, the Labour government has also stressed the importance of "a shared 'public service ethos' between providers from different sectors" (Lewis, 2005, p.122). Indeed, in the time that the Labour government has been in power, the value of the voluntary and community sector and the role it can play in supporting other policy priorities has become an increasingly significant theme, some of which are explored below.

### Civil renewal

Speaking in 2003, the former Home Secretary David Blunkett described civil renewal as an "on-going ethos to be applied to the development of active citizenship, strengthened communities, and a partnership approach to delivering public services" (cited in Lewis, 2005, p.123). The concept of civil renewal was borne out of the concern that "the habits and social norms associated with participation and collective action are disappearing" (Jochum et al, 2005, p.3). A thriving voluntary and community sector was presented by the government as one of the ways of encouraging active citizenship, whilst the delivery of public services by voluntary and community sector organisations was seen as a way of promoting greater collaboration between government agencies and the community.

### Reconnecting citizen and state

Published in 1998, the White Paper *'Modern Local Government: In touch with the people'*<sup>4</sup> outlined the Government's aspiration to modernise local government and renew local democracy. It called for greater and more relevant accountability, responsiveness and representation and set out the newly elected Government's ideas for improving local democracy. The role of the voluntary and community sector in the process of reconnecting citizen and state has been an important theme. For example, the 2007 report, *'The future role of the third sector in social and economic regeneration: final report'*<sup>5</sup>, observed that community organisations can 'act as a bridge between individuals and the state, providing opportunities for people to express their voices, building democratic engagement' (p.32).

### Building social capital

According to Third Way ideology, building social capital and empowering citizens is a means by which social exclusion and spatial inequality can be tackled. This is underpinned by the belief that by empowering communities, individuals will become active citizens and be able to identify and alleviate social problems in

<sup>3</sup> HM Treasury (2002) *The Role of the Voluntary and Community Sector in Service Delivery* (HMSO: London) accessed at: <http://www.hm-treasury.gov.uk/d/CCRVolSec02.pdf>

<sup>4</sup> Department for Environment Transport and the Regions (1998) *'Modern Local Government: In touch with the people'* accessed at: <http://www.communities.gov.uk/documents/localgovernment/pdf/144890.pdf>

<sup>5</sup> HM Treasury & Cabinet Office (2007) *'The future role of the third sector in social and economic regeneration: final report'*, accessed at: <http://www.official-documents.gov.uk/document/cm71/7189/7189.pdf>

their area. More recently, social capital and community empowerment has been extended to take into consideration other emerging agendas, such as ‘community cohesion’ and democratic renewal. As Lewis (2005) notes, the focus of recent policy documents on the voluntary and community sector seems to be on “voluntary organisations working from the bottom up to build stronger communities, a position not so dissimilar from that adopted by the social capital theorists” (p.125).

**Promoting ‘community cohesion’**

Social capital has been joined by a number of other sociological concepts that have entered mainstream public policy rhetoric, perhaps most notably, ‘community cohesion’; a concept that has undoubtedly emerged as the defining principle of New Labour’s approach to ‘managing’ ethnic relations. Since 2001, there has been a growing appreciation of the role that the voluntary and community sector can play in promoting ‘community cohesion’, as recognised in the Commission on Integration and Cohesion’s final report, ‘Our Shared Future’<sup>6</sup>.

Joining the ‘community cohesion’ agenda is the Government’s ‘Prevent Strategy’ which has emerged in response to growing concerns that the UK is at risk of terrorist attack. The strategy sees promoting ‘community cohesion’, shared values and a sense of citizenship as crucial to preventing ‘radicalisation’. The role of voluntary and community sector organisations in implementing the Prevent Strategy has emerged as an important theme, with faith based groups in particular being seen as important players in the Government’s aim to capture the ‘hearts and minds’ of young Muslims. Interestingly, funding related to ‘community cohesion’ and preventing violent extremism has on the whole bucked the trend towards contracting, and there remain grants available for voluntary and community sector organisations delivering on these agendas. For example, the Preventing Violent Extremism Community Leadership Fund.

**Towards a future relationship with the voluntary and community sector**

This section of the think-piece has demonstrated the three key phases in the policy rhetoric and relationship between the government and the voluntary and community sector which is summarised in the below table:

**Historical policy approaches**

	1960’s and 1970’s	1980’s and early 1990’s	Late 1990’s and 2000’s
<b>Policy approach</b>	Grants funding	Service delivery	Contracting
<b>Relationship</b>	‘hands-off’	‘rolling back of state’	‘partnership’

As we move towards a general election in 2010, debate around the role of the voluntary and community sector in service delivery and communities is likely to intensify. Indeed the Conservatives have already set out their stall in relation to localism and community empowerment. The 2009 publication ‘The Ownership State’<sup>7</sup> by NESTA and ResPublica sets out the ideals for restoring excellence, innovation and ethos in the delivery of public services.

One key element of this vision is delivery by the voluntary and community sector and a new era of ‘mutualism’. In particular, the paper proposes a new model of public service delivery in which services are provided by social enterprises led by frontline workers and owned by them and the communities they serve.

<sup>6</sup> Commission on Integration & Cohesion (2007) *Our Shared Future*, accessed at: [http://collections.europarchive.org/tna/20080726153624/http://www.integrationandcohesion.org.uk/~media/assets/www.integrationandcohesion.org.uk/our\\_shared\\_future%20pdf.ashx](http://collections.europarchive.org/tna/20080726153624/http://www.integrationandcohesion.org.uk/~media/assets/www.integrationandcohesion.org.uk/our_shared_future%20pdf.ashx)

<sup>7</sup> Blond, P 2009 *The Ownership State* ResPublica and Nesta Joint publication accessed at : [http://www.respublica.org.uk/sites/www.respublica.org.uk/files/The%20ownership%20state%20FINAL\\_0.pdf](http://www.respublica.org.uk/sites/www.respublica.org.uk/files/The%20ownership%20state%20FINAL_0.pdf)

## THE ADVANTAGES AND DISADVANTAGES OF CONTRACTING

The previous section has outlined the successive governmental approach to contracting the voluntary and community sector to deliver services and the focus upon utilising the sector in partnership to deliver strategic priorities and wider societal goals. Having charted this journey from grants to contracting, this section will go on to examine some of the perceived benefits and drawbacks of contracting.

### The advantages of contracting

Theoretically, contracting voluntary and community sector organisations to deliver public services can have a stream of advantages, both in terms of service outcomes and for the sustainability of organisations. These advantages are explored in more detail below:

#### *Improvement in services*

The trend in contracting voluntary and community organisations to deliver services may increase the choice of services available to individuals (service users as 'consumers'). According to Leach and Wilson (1998), the contracting culture, and the notion of 'partnership' upon which this culture is based, opens up the potential for local authorities "to encourage participation from voluntary groups from a community governance and/or neighbourhood perspective" (p.16). Moreover, the change in funding arrangement may also improve the services that voluntary and community sector organisations offer and increase their accountability, ensuring that funding is spent effectively.

#### *Encourages a more sustainable sector*

The shift could also be seen as a move from a paternalistic approach, where voluntary and community sector organisations survive on hand-outs, to a more sustainable sector with a raised capacity. Rather than one-off grants for particular projects or costs, contracts provide funding for longer periods of time and perhaps encourage voluntary and community sector organisations to take a longer-term view to their financial sustainability. Indeed, capacity building has been a key element of the government's policy around the third sector. For example, the Cabinet Office programmes, ChangeUp, Capacitybuilders and Futurebuilders, which all sought to provide support to the sector in raising the capacity of voluntary and community sector organisations to deliver public services.

#### *Clarify the relationship between funders and voluntary and community sector organisations*

Contracting might also, as NAVCA (2007) suggest, "provide a degree of clarity on both sides of the relationship [between voluntary and community sector organisations and government] which can be helpful to both parties" (p.3). NAVCA goes on to outline how "properly negotiated agreements can help to define the relationship, manage expectations and ensure a level of service delivery that meets mutually held objectives" (ibid).

### The disadvantages of contracting

Contracting voluntary and community sector organisations to deliver public services can also be a disadvantage for the organisation and for the sector as a whole. As such there are a number of disadvantages to contracting:

#### *Threatens the independence of VCS organisations*

Perhaps one of the most important threats posed by the move to contracting is that it risks undermining the independence of voluntary and community sector organisations. As Leach and Wilson (1998) highlight, under this funding model, voluntary and community sector organisations become "increasingly financially dependent on local authorities" (p.16) and that this can lead to "problematical ethical dilemmas" (ibid). In particular, it becomes harder for voluntary and community sector organisations "to take a critical stance towards the authority" (ibid). It also threatens the advocacy role of voluntary and community sector organisations, as for many advocacy has been a foundation of activities.

As such, it means that voluntary and community sector organisations have to 'buy into' local and central government policy agendas in order to receive public sector funding, even if they do not agree with them.

This may have the effect of undermining voluntary and community sector organisations' traditional roles of advocacy, campaigning and lobbying policy-makers leading to the erosion of their distinctiveness (Osbourne & McLaughlin, 2004, Cairns et al 2005, cited in Buckingham, 2009, p.238). This had led some commentators to argue that whilst government speaks of the 'partnership' between government and the voluntary and community sector organisations, in fact this relationship is one-way whereby the sector is utilised by government to act on policy agendas. Indeed, according to Carmel and Harlock (2008) the governance of voluntary and community sector organisations' roles and aims the government is positioning the 'third sector' as an "apparently depoliticised and desocialised, governable terrain" (p.156).

### ***Has led to the bureaucratisation of the sector***

Just as the government becomes more involved in the aims, missions and priorities of voluntary and community sector organisations, as detailed above, the move to contracting has also increased the government's involvement in the management, organisation and day-to-day running of these groups<sup>8</sup>. As Cairns et al (2005) highlight government agencies have been increasingly concerned with the "efficiency and effectiveness of the VCO services they fund" (p.870). It is argued that this has put increasing demands on voluntary and community sector organisations in terms of "monitoring and record keeping to evidence economic efficiency and the achievement and continual improvement of standards" (ibid, p.245). The plethora of form-filling, evaluation and target-setting not only increases bureaucracy in the sector but also, according to Buckingham (2009), "operates as 'technologies' for exerting government power at a distance by normalising particular preferred approaches or procedures within the voluntary sector" (p.245).

It has also been argued (see Buckingham, 2009) that the rise in bureaucracy that has emerged as a result of contracting has, ironically, undermined the voluntary and community sectors potential to fulfil the 'active citizenship' role prized by New Labour. In putting increasing bureaucratic demands on volunteers, for example CRB checks and health and safety training, individuals may in fact be deterred from volunteering.

### ***Encourages competition between groups***

The growth of the contract culture has led to an increasingly market oriented approach to funding based on the belief that encouraging the voluntary and community sector to behave more like 'businesses' will reduce costs, improve efficiency and deliver 'better' services to the public (Carmel & Harlock, 2008). This market driven approach has had the effect of increasing competition between voluntary and community sector organisations for available contracts (see Buckingham, 2009). A potential implication of this trend is that voluntary and community sector organisations become less willing to share knowledge and ideas for the fear of undermining their competitiveness in bidding for contracts.

As the UK emerges from the economic recession, where public sector budgets will be increasingly constrained, voluntary and community sector organisations may find themselves under more pressure to demonstrate their efficiency and facing increased competition for contracts. Smaller, more informal, voluntary and community sector organisations in particular may find it increasingly difficult to muster the capacity to deal with growing bureaucratic demands and therefore may be unable to compete for contracts. There will also be the ongoing challenge of competing with large and multi-national private sector businesses.

## **THE ECONOMIC AND SOCIAL BENEFITS OF GRANT-MAKING**

Having provided an overview of contemporary policy in relation to the voluntary and community sector and having critiqued the growing trend of contracting voluntary and community sector organisations to deliver public services, this think-piece now moves on to discuss some of the benefits of the alternative to contracting which is grant-funding. As such, there are a number of operational, local economic, and local social benefits to a renewed focus upon grant making with the voluntary and community sector. Each

<sup>8</sup> this has been widely reported upon by bassac: bassac (2008) *Calling for Change: the evidence for supporting community voices to speak out*. <http://www.bassac.org.uk/dms/documents/8/calling-for-change-the-evidence-for-supporting-community-voices-to-speak-out>

benefit is highlighted with an example of where voluntary and community sector organisations have utilised grants to shape benefit.

### Operational benefits

Grant funding can benefit the operations and sustainability of voluntary and community sector organisations in a number of ways. These operational benefits can largely be drawn from two reports from the National Association for Voluntary and Community Action (NAVCA): *'Sustaining Grants: Why local grant aid is vital for a healthy voluntary and community sector and thriving local communities'*<sup>9</sup> and *'Why grants are important for a healthy local VCS: A study of four local authorities' policies'*<sup>10</sup>.

#### Grants as start-up capital

Grants can be a vital first step in developing a voluntary and community sector organisation. It has been notoriously difficult, particularly in the current economic climate, for emerging organisations in both the commercial sector and the voluntary and community sector to attract the start up capital required to enable their organisation to get off the ground. Additionally, voluntary and community sector organisations in the start-up stage are very unlikely to be able to demonstrate the capabilities and delivery nous required to bid for contracts immediately. Grants, regardless of their size, therefore present vital start up capital for emerging voluntary and community sector organisations.

#### Case Study: Black Health Agency (BHA)

Black Health Agency (formerly BHAF) was established in 1990 as a response to the lack of service provision to Black communities related to HIV/AIDS. BHA prides itself in being one of the biggest charities to tackle the issues surrounding Black sexual health in the UK and in recent years the agency has widened its remit to incorporate a broader range of health services for Black African, Caribbean, South and South East Asian and marginalised communities. Grant funding had an important role in the development of BHAF, enabling the organisation to grow from a pressure group into a regional organisation with national significance.

Source: Black Health Agency, accessed at:  
<http://www.blackhealthagency.org.uk/drupal/history>

#### Grants as stimulators of innovation

Grants allow voluntary and community sector organisations to take risks and try something new which will be of benefit for the communities in which they are based. With many voluntary and community sector organisations based in neighbourhoods, they have strong bespoke knowledge of what the needs and wants of communities in that locality are and what does and does not work in policy and delivery terms. This knowledge means that voluntary and community organisations have ideas for bespoke neighbourhood level intervention and this subsequently stimulates innovation. This innovation however needs funding and grants are a key way of funding innovation and creativity without having to guarantee on what the intervention will deliver. Innovative activities may well become the service norm in the future and entry point to contracting but grant funding is required in the first place to stimulate that innovation.

<sup>9</sup> NAVCA (2008), *Sustaining Grants: Why local grant aid is vital for a healthy voluntary and community sector and thriving local communities*, accessed at:

<http://www.navca.org.uk/NR/rdonlyres/C313D3B3-0315-417E-AD82-4DA7934B055E/0/SustainingGrantsWeb.pdf>

<sup>10</sup> NAVCA (2007), *Why grants are important for a healthy local VCS: A study of four local authorities' policies*, accessed at:

<http://www.navca.org.uk/NR/rdonlyres/CB516891-615E-4670-918B-9608AB5CF2B7/0/Whygrantsareimportant.pdf>

### Case Study: Derby Women's Centre (DWC)

DWC operate a range of programmes aimed at supporting women. Those accessing services have usually experienced some form of stress or trauma. Their Targeted Support Fund grant of £29,418 will be used to expand the 'Moving On' programme – a package of workshops, job search sessions and debt advice aimed at supporting vulnerable women back into the work place and out of financial difficulty. The grant will employ three workers to sustain and develop the project for the next seven months, and DWC will also be launching a work placement element to the scheme.

Source: Office of the Third Sector (2009), accessed at:

[http://www.cabinetoffice.gov.uk/third\\_sector/casestudies/targeted\\_support\\_fund.aspx](http://www.cabinetoffice.gov.uk/third_sector/casestudies/targeted_support_fund.aspx)

### Grants as a fosterer of partnership

As discussed earlier, the current government's approach to voluntary and community sector policy has been focused upon enabling strategic partnership working between the sector and local government and other local partners. This has largely come about through the Local Strategic Partnership, commissioning through the Local Area Agreement, and through contracting to deliver services. There is a problem with this in that partnership working and service delivery has largely been in the ether of those organisations which can shout loudest or have the delivery capability. Local government are not necessarily aware of what all voluntary and community sector organisations do in their locality and their delivery expertise. Grant funding the voluntary and community sector can enable this locality knowledge to be developed and be an alternative method of fostering partnership relations. Grants additionally have the potential to strengthen a more trusting funding relationship between voluntary and community sector organisations and government agencies.

### Case Study: Sherborne Youth Resource Centre

Sherborne Youth Resource Centre has used its £1,000 Modernisation Fund bursary to explore how partnering with its local Citizen's Advice Bureau could help the organisation become more competitive. The Centre provides advice, information, guidance and support to local young people aged 13-25. It offers a range of training opportunities, and provides support centred on the different issues that young people may be experiencing, including homelessness, debt and careers advice. The organisation wants to develop a greater partnership with its local Citizen's Advice Bureau, which would put it in a better position to bid for children's services in the area. The advisory sessions paid for by the Modernisation Fund Phase One bursary helped to explore how this collaboration opportunity could be realised.

Source: Office of the Third Sector (2009), accessed at:

[http://www.cabinetoffice.gov.uk/third\\_sector/casestudies/casestudy\\_5.aspx](http://www.cabinetoffice.gov.uk/third_sector/casestudies/casestudy_5.aspx)

### Grants as sustainers of organisational ethos

Contracting, it has been argued, can lead to voluntary and community sector organisations losing their ethos and geographical remit as they bend their delivery activities more towards the objectives of the commissioner, rather than their traditional service user. Grant funding allows voluntary and community sector organisations to remain close to their values and remit, not adapt them to fit the demands and agenda of contractors, thus preserving the independence of the sector. It also enables voluntary and community sector organisations to retain their neighbourhood or community focus thus meeting their own objectives.

### Case Study: Stockport Refugee Support Group

Stockport Refugee Support Group (SRS) is a voluntary organisation providing meals, children's play sessions, trips, informal English language classes and advice to refugees and asylum seekers living in Stockport at its weekly drop-in sessions. Whilst in receipt of some donations, the majority of the group's funding comes from grants, the largest of which comes from the Community Foundation for Greater Manchester. Whilst any grants SRS receive are ring-fenced for particular purposes, SRS feel satisfied that they are able to set their own agenda, seeking grant providers that support their activities. Furthermore, as a small organisation led by volunteers, grant funding is considered more appropriate for this type of group than a contract-based funding relationship, which is often aimed at groups that are, or are willing to become, organisations led by paid staff.

Source: Personal correspondence

### Grants as enablers of economic viability

The forthcoming period of economic recovery and the projected cuts in public spending presents both a challenge and an opportunity for the voluntary and community sector. There is the challenge that public spending cuts will lead to reductions in the spending available to the sector through public sector contracts as they come to a close in March 2010, thus threatening the financial viability of voluntary and community sector organisations targeting contracts as their main income stream. There is the opportunity that recession will have left millions of people in the UK in need of debt, employment and other forms of support and advice at locality levels. Grants are a key potential mechanism for funding this type of support and subsequently enabling the economic vitality of voluntary and community sector organisations with specific specialisms. Grants can additionally help voluntary and community sector organisations when they are in trouble, providing short term funding for short term problems, or they can be used strategically over a number of years to achieve long term outcomes.

### Case Study: DIAL (Disability Information Advice Line) Southend

DIAL provide free impartial information, practical advice and services to those who are disabled and/or disadvantaged on a range of issues, enabling them, their carers and families to make more informed choices and empowered decisions concerning their life and future. DIAL Southend has been awarded a grant to expand their outreach surgeries from 3 half days a week to 4 full days a week – an increase of 62.5%. This will significantly impact on the increase in the volume of referrals they are receiving as a direct result of the recession and this will also help in reducing waiting times.

Source: Office of the Third Sector (2009), accessed at:  
[http://www.cabinetoffice.gov.uk/third\\_sector/casestudies/targeted\\_support\\_fund.aspx](http://www.cabinetoffice.gov.uk/third_sector/casestudies/targeted_support_fund.aspx)

### Local economic benefits

Grant funding is not just about operationally supporting the sustainability of voluntary and community sector organisations. It is far more about the benefits delivering activities through grant funding can accrue for neighbourhoods, communities and individuals. As such there are a range of local economic benefits which grant funding can lead to. Grants can also act as the basis for which voluntary and community sector organisations can prime other sources of funding from the public and private sectors.

### **Grants as stimulators of local employment and volunteering**

Many deprived communities in the UK face challenges in relation to unemployment, low skills and health related worklessness. Whilst contracting can provide the finance to enable short-term employment opportunity within communities, grant funding can provide a more solid base for sustainability in that opportunities will not just be hard employment but also in relation to volunteering and part time working. This makes opportunities far more accessible to individuals who face significant barriers to the labour market such as childcare. Given the neighbourhood focus of voluntary and community organisations, grant funding can also enable people to work or volunteer in the neighbourhood in which they live.

#### **Case Study: Greater Manchester Youth Network**

Greater Manchester Youth Network (GMYN) is a not-for-profit social enterprise that aims to engage and empower young people to improve their situation in life and their social and economic integration. GMYN works with a large number of voluntary organisations that would be able to offer volunteering opportunities for disabled volunteers if they had additional support, for example with travel, specialised equipment, premise upgrades and marketing.

GMYN were awarded a £5,000 Access to Volunteering grant to enable them to allocate grants to other organisations, such as inspired youth volunteering projects, to help them provide such support. This will address an identified need in the Greater Manchester area, creating new volunteering opportunities, developing organisations and making a positive difference in the community.

Source: Access to Volunteering, accessed at:  
<http://www.accesstovolunteering.org/awards>

#### **Case study: Learning Links (Southern Ltd)**

Learning Links (Southern) Ltd is a regional educational charity based in Portsmouth and currently working primarily in Hampshire and the Isle of Wight. It encourages lifelong learning through providing flexible opportunities in accessible locations for people who would not otherwise access learning through mainstream providers. Learning Links was founded in 1997 from a £16,000 Single Regeneration Budget grant project which was applied for by the Portsea Community Day Nursery to broker a range of community-based learning opportunities with local providers. In 1998, a separate charity and company, Learning Links (Southern Ltd), which offered the legal protection needed when applying for larger sums of money. At this time, Learning Links was 100% grant funded. Since then, Learning Links has grown rapidly and has won contracts with the Learning and Skills Council, the Primary Care Trust, as well as European Social Fund grants, and has adopted a social enterprise model.

Source: NCVO (2008), 'Sustainable Funding Project: Case study: Learning Links (Southern Ltd), accessed at:  
[http://www.ncvo-vol.org.uk/uploadedFiles/NCVO/What\\_we\\_do/Sustainable\\_Funding/SFP\\_Resources/SFP\\_case\\_studies/SFP%20Learn%20Links%20case%20study.pdf](http://www.ncvo-vol.org.uk/uploadedFiles/NCVO/What_we_do/Sustainable_Funding/SFP_Resources/SFP_case_studies/SFP%20Learn%20Links%20case%20study.pdf)

### Case study: Pride Media Association

Pride Media Association is an established Community Media Training & Activity Provider. They work across the Rochdale Borough providing a range of media and related training. Over the past 12 months there has been an increase in demand for adult learning activities. In response to this, Pride Media will use their Targeted Support Fund Grant to offer a weekly programme of I.T. support sessions for people affected by short term unemployment in Rochdale Borough, and who may not have access to the internet, or may not have the relevant skills to take advantage of the internet as a tool for employment.

Source: Office of the Third Sector (2009), accessed at:

[http://www.cabinetoffice.gov.uk/third\\_sector/casestudies/targeted\\_support\\_fund.aspx](http://www.cabinetoffice.gov.uk/third_sector/casestudies/targeted_support_fund.aspx)

### *Grants as fosterers of entrepreneurship*

Unlike many of the United Kingdom's competitors there is a lack of entrepreneurship in many communities. Whilst this lack of entrepreneurship is very real in data terms, there are a range of barriers which restrict its development and growth. Entrepreneurial culture and lack of access to support and finance are two of the commonest barriers. The shift from 'grants to contracts' has further stifled this entrepreneurship. Grants can provide the stimulus for voluntary and community sector development and the translation of ideas into tangible activities.

### *Grants as value adders to mainstream delivery*

Services are increasingly delivered on a local authority boundary, sub-regional or regional geographical scale. This means, and despite rhetoric from the Government around personalised and tailored services suggesting otherwise, that services are not always neighbourhood or target group specific thus leading to gaps in provision. Voluntary and community sector organisations understand inherently the needs and wants of the communities in the neighbourhoods in which they are based and are thus well placed to fill these gaps. Grant funding should be the mechanism for enabling this neighbourhood level activity and therefore add value to mainstream provision.

### Case Study: Lincoln Community Larder

Lincoln Community Larder aims to relieve poverty in Lincoln by providing basic nutritious food. Based in an area of deprivation, the Larder has many clients with addiction or mental health issues, and some have recently been released from prison. The group supports over 60 people with food for over 500 families, and since the recession numbers have dramatically increased. The £5,000 Grassroots Grant will go towards the increased cost of providing food parcels.

Source: Source: Office of the Third Sector (2009), accessed at:

[http://www.cabinetoffice.gov.uk/third\\_sector/casestudies/casestudy\\_2.aspx](http://www.cabinetoffice.gov.uk/third_sector/casestudies/casestudy_2.aspx)

### Case Study: Positive Steps, Oldham

Kickstart exists as an educational arm of Positive Steps Oldham. It is a scheme that targets 14-16 year olds who are not successfully engaging in mainstream school activities in the Manchester area. Futurebuilders invested £275,014 in Positive Steps Oldham to aid the development of its motor vehicle and educational service – Kickstart – for excluded young people or those at risk of exclusion from mainstream education provision. The majority of this investment comprised a £149,828 loan to provide working capital for business development and expansion management for the new Rochdale site and to purchase a new minibus. The remainder of the investment consisted of a £52,900 revenue grant and a £42,120 capital grant to fund set up/relocation costs; and a £30,166 capacity building grant to improve IT and Quality Assurance systems and undertake a review of full cost recovery methodology.

Source: Futurebuilders England (2008), accessed at:

<http://www.futurebuilders-england.org.uk/investments-made/case-studies/positive-steps-oldham/>

### Local social benefits

Grant funding is not just about operationally supporting the sustainability of voluntary and community sector organisations. It is far more about the benefits delivering activities through grant funding can accrue for neighbourhoods, communities and individuals. As such there are a range of local social benefits which grant funding can lead to.

#### *Grants as facilitators of social interaction*

Looking back at the 'Bowling Alone' publication of Robert Putnam, a significant degree of emphasis was placed upon the notion of social capital as a mechanism for tackling deprivation. Voluntary and community sector organisations were viewed as one of the key actors in facilitating this social interaction and bottom up approach. One of the core critiques of the notion of social capital is that it places too much emphasis upon the community as the driver of change. There needs to be a balancing of the bottom up and the top down which is where grants come in. Grants can provide the further stimulus for change and become a driver of social interaction.

### Case Study: The Roby

The Roby was founded in 1985; existing to improve mental health, to promote general well-being and to encourage social inclusion in Longsight and surrounding areas in Manchester. The Roby delivers a range of person-centred services, act as a resource for a variety of community groups, campaign on issues relevant to their core approach, offer opportunities for volunteering and work in partnership with other agencies. The Roby received funding of £35,000 as part of the Government's £5.5 million Generations Together programme. The funding programme aims to: bring together young people and other members of the community to build trust and understanding; develop community solutions to issues which concern both groups; promote health and wellbeing; and resolve tensions by helping to address negative perceptions of young and older people alike. The funding has made provision for three new mental health projects at the Roby. These projects include: training courses aimed to equip groups of older and younger people with advocacy skills; understanding of mental well-being and illness; and the confidence to support others with mental health issues within their communities.

Source: Office of the Third Sector, accessed at:

[http://www.cabinetoffice.gov.uk/third\\_sector/news/news\\_stories/090417\\_generations.aspx](http://www.cabinetoffice.gov.uk/third_sector/news/news_stories/090417_generations.aspx)

### Case Study: Peacemaker

Peacemaker was created by a group of young British Asians in 1997 who perceived that their hometown of Oldham was becoming increasingly segregated and prejudiced. As such, Peacemaker came into existence to ease tensions and promote understanding between divided groups, a concern that was heightened following the civic disturbances of 2001. The group runs a number of projects and programmes that promote the understanding of different faiths and value systems in primary and secondary schools, striving to fill the gaps in provision left by government. The Peer Education programme is funded with £15,000 from the Barrow Cadbury Trust's Habits of Solidarity pot. The programme aims to support the integration of young people from seven secondary schools in the area, which are in the process of amalgamating into three city academies, by training young people from different communities to become mentors.

Source: Barrow Cadbury Trust, accessed at:  
<http://www.bctrust.org.uk/casestudies/detail.php?csid=16>

### Grants as tacklers of worklessness and deprivation

Public authorities are increasingly beginning to recognise the impact decisions made through procurement has upon wider economic and social issues. Procurement spending can have knock-on effects for local employment; local business; the environment; and tackling the 'wicked issues' of worklessness and deprivation. It should not be forgotten, however, that grant funding can also directly and indirectly have an impact upon these issues. Directly, grant funding can lead to very localised employment and volunteering and the many benefits this can bring. Indirectly, engagement in bespoke and focused activities can become a route out of deprivation for some individuals and communities.

### Case Study: Springboard

Springboard is a small employment service based in Chandlers Ford in Eastleigh. What makes Springboard different is it offers an holistic approach to employment, looking at the emotional aspects of being unemployed and helping build confidence. Springboard offers one-to-one coaching and counselling, a drop-in centre and resources. It is run entirely by about eight volunteers and two part time members of staff. Springboard was awarded a £5,000 Grassroots Grant over 3 years to cover its basic running costs. For a small organisation that in the past has struggled to secure funding, Grassroots Grants has been a 'lifeline'. It has removed immediate financial worries and enabled Springboard to access more funding and grow as more people in the area seek employment support.

Source: Office of the Third Sector (2009), accessed at:  
[http://www.cabinetoffice.gov.uk/third\\_sector/casestudies/casestudy\\_2.aspx](http://www.cabinetoffice.gov.uk/third_sector/casestudies/casestudy_2.aspx)

### Grants as area and environmental improvers

Public authorities through Public Service Agreements (PSAs) and Local Area Agreement (LAA) indicators have an increasing duty to consider environmental issues. This is also filtering through into the procurement process through community benefit activities and environmental clauses. It is however voluntary and community sector organisations which have instigated the majority of area and environmental improvements through grant programmes such as Neighbourhood Renewal Fund. In recent year carbon trusts have sprung to the fore and grant funding is required to aide their sustainability and delivery activity.

### Case Study: Friends of Ladybrook Valley

Friends of Ladybrook Valley is a small community group dedicated to protecting and conserving the wildlife and environment of Happy Valley for the use of the whole public. Happy Valley is a local nature reserve in Stockport and an important area for biodiversity, containing a complex mix of habitats along a riverine corridor, including ponds, streams, grasslands, hedgerows and ancient woodland. The group applied for funding from the Community Foundation for Greater Manchester to provide better access and safety for visitors, including improving the paved area and building to make it safer for people visiting the valley.

Source: Community Foundation for Greater Manchester (2010), 'Changing Lives: Stakeholder Impact report 2010'

### Case Study: Barr Hill Residents' Association

Barr Hill Residents' Association was established in 2006 with the aim of improving and developing areas within the local community. The Salford-based association applied for funding from the Community Foundation for Greater Manchester to help plan and run a project that was organised between two gated alleyways. The grant helped towards the running costs of maintaining an alleyway with organic vegetation. This not only raised awareness about healthy eating, it also boosted community spirit.

Source: Community Foundation for Greater Manchester (2010), 'Changing Lives: Stakeholder Impact report 2010'

### *Grants as providers of needed and bespoke support services*

In the recent period of economic recession and the contemporary drive for economic recovery, communities will require a range of support. These activities cannot always be delivered through mainstream provision and contracting and will often be more neighbourhood based in their focus. Grants are a mechanism through which this very neighbourhood level support can be activated.

### Case Study: Sahara in Preston

Sahara in Preston is a drop-in centre providing counselling, advice, support and information for Preston's community of Asian, African and Afro-Caribbean women. The drop-in also provides training, volunteering and employment opportunities as well as enterprise support for women seeking self-employment. In 2008, Sahara in Preston was awarded a grant of £30,000 from the Esmée Fairbairn Foundation towards the salary of a project worker over two years to support a range of support services to BME women who are victims of domestic violence and forced marriage.

Source: Esmée Fairbairn Foundation, accessed at:  
<http://www.esmeefairbairn.org.uk/grants2008/main.html>

### Case Study: South Manchester Down's Syndrome Support Group

The South Manchester Down's Syndrome Support Group is a parent-led support group which aims to support families and carers and all those with an interest in Down's Syndrome in South Manchester and the surrounding area. The group was the first recipient of the Nine Lives Community Fund, a charitable fund maintained by the Chambers of Charles Garside QC, and were awarded £1,850. The group used the fund to run their 'Chatterbox Club' where children can take part in speech therapy sessions, 'sing and sign' classes and craft activities.

Source: Community Foundation for Greater Manchester (2010), 'Changing Lives: Stakeholder Impact report 2010'

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***This think-piece was written by Matthew Jackson, Senior Policy Researcher and Jessica Smith, Policy Researcher at the Centre for Local Economic Strategies (CLES).***

#### About Voluntary Sector North West (VSNW)

Voluntary Sector North West (VSNW) is the regional voluntary sector network for the North West. Our purpose is to support a connected and influential voluntary and community sector (VCS). Besides working for a well represented sector, current areas of work include supporting VCS health and social care networking and policy, influencing regional strategy and funding on behalf of the VCS, and supporting increased VCS influence over European policy and funding. For further information about VSNW, contact: Richard Caulfield, Chief Executive, 0161 276 9302, [richard.caulfield@vsnw.org.uk](mailto:richard.caulfield@vsnw.org.uk)

#### About the Centre for Local Economic Strategies (CLES)

The Centre for Local Economic Strategies (CLES) is the leading organisation dedicated to economic development, regeneration and local governance. Founded in 1986, CLES is a unique independent think and doing organisation with charitable status. CLES combines a thinking policy research element alongside a doing consultancy trading arm. In all of CLES' work, the challenge of delivering local economic development alongside progressive environmental and social benefits is a common theme. For further information about CLES contact: Neil McInroy, Chief Executive, 0161 236 7036, [neilmcinroy@cles.org.uk](mailto:neilmcinroy@cles.org.uk)