

TITLE OF REPORT: Gateshead Innovation and Development Fund

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Purpose of the Report

1. This report outlines the principles and approach for an investment fund up to £500,000, to be funded through the Voluntary Sector Reserve. The Fund will help build a stronger, more resilient voluntary and community sector (VCS) in Gateshead, which in turn will help communities thrive and enable residents to do more for themselves.

Background

2. The majority of VCS organisations either based in or working in Gateshead are small to medium size, with an annual income of less than £100,000, a large proportion of which have an income of less than £10,000 per annum. They are mostly volunteer-led, providing a vital social capital role within neighbourhoods, helping to address social isolation and loneliness, improve the local environment and enhance overall health and wellbeing.
3. The main challenges faced by the VCS in Gateshead are:
 - Increased demand for services from residents
 - Reduced capacity within their organisations
 - Significant reduction in funding in recent years, particularly from the public sector
 - Reliance on grant funding and risk averse to exploring new funding models.
4. In July 2017 Cabinet agreed through the Medium Term Financial Strategy to create a £500,000 Voluntary Sector Reserve to support development and activity in this sector. This reserve would be used to mitigate savings in the voluntary sector where appropriate, prepare the sector for increasing demand by increasing capacity and skills and preparing the sector for the transition to any new operating arrangements.
5. The Gateshead Thrive Fund currently has two broad strands; the Local Community Fund, which provides small allocations to community organisations and projects that deliver benefits for residents within a ward. The Local Community Fund is not a competitive grants based fund, it is allocated by ward councillors to further support community based activities within the ward.
6. The larger component of the Gateshead Thrive Fund is administered by the Community Foundation on behalf of the Council. Within it there is a community grants programme aimed at grass roots groups to encourage activities that meet the needs of local residents (maximum grant £1500). The main grants fund is

focussed on building the capacity of community organisations and charities (maximum grant £10,000).

Proposal

7. It is proposed that an investment fund is established to support Gateshead's VCS organisations - in particular medium sized organisations that have experienced great change and financial challenges in recent years. The aim is to invest in such organisations looking to make a significant step change – such as help to research, develop and deliver new ways of working, implement new services, acquire new skills and make a clear impact on helping the Council's Thrive agenda.
8. The characteristics and approach for the proposed investment, to be called the "Gateshead Innovation and Development Fund", is based upon conversations and surveys carried out by both the Council and Newcastle CVS in 2016 and 2017. The proposed principles and outcomes for the Fund are set out in detail in Appendix 2.
9. It is proposed the fund, support VCS organisations in Gateshead to take a 'Step Change' and think differently about how they operate, generate income and deliver services or activities which meet the changing demands and needs of residents and neighbourhoods in greatest need.
10. The fund will help support the development and delivery of services tailored to the needs of individual communities aligned to the Council's 5 Pledges, particularly "Support our communities to support themselves and each other".
11. Given the level of ambition and innovation likely to be associated with the Programme, the Council will seek to generate interest from organisations across the sector, in particular, those who have identified opportunities to address gaps or help residents who may not have been supported by the Council previously. This may help generate a range of different perspectives and solutions to the challenges faced in the borough.
12. To help the development and building of capacity as part of the agreement for financial support, recipients will be able to access an Enhanced Leadership Programme which will be established as part of the programme.
13. The fund will be open to applications from Gateshead based voluntary and community organisations, with charitable status or objectives. Priority will be given to organisations which have an annual income of £250,000 or less. Funding will be available for a maximum of two years to support the development of innovative business ideas and approaches.
14. It is intended that there will be no minimum or maximum grant level but it is anticipated that an average grant may be around £30,000. Both revenue and capital will be supported
15. It is proposed that the Community Foundation for Tyne & Wear and Northumberland, which currently manages the Gateshead Thrive Fund, will assist the Council with promoting the new Fund, and will advise the Council on the project selection process, assessment and production of recommendations for support from the Fund, through representation on a proposed selection panel. The fee for

the Foundation's assistance will be no more than £7,500. The Neighbourhood Management and Volunteering Team and Corporate Finance will administer the Fund; capacity exists to provide this administration within existing resources.

Recommendations

16. It is recommended that Cabinet:

- (i) Agree to the establishment of the Gateshead Innovation and Development Fund
- (ii) Approve the principles and outcomes of the Fund, as set out in Appendix 2
- (iii) Approve the arrangement with the Community Foundation for Tyne & Wear and Northumberland as described in paragraph 6.

For the following reason:-

- (i) To provide an innovative strategic investment programme to help establish stronger, impactful organisations at the heart of Gateshead communities and in turn delivering a greater return on investment for the Council
- (ii) Ensure the presence of an effective voluntary and community sector to help build stronger and more resilient communities as set out in 'Making Gateshead a place where everyone thrives.'

Policy Context

1. The proposed approach for the Innovation and Development Fund supports the overall vision for Gateshead as set out in the Corporate Plan and the Council's Thrive agenda.

Background

Principles of the Gateshead Innovation and Development Fund

2. The Fund has 3 main principals.
 - **Support VCS organisations in Gateshead to take a 'Step Change' and think differently about:**
 - How they operate
 - How they generate income
 - Their activity in communities - delivering creative, impactful, innovative services which meet the changing demands and needs of residents and neighbourhoods in greatest need.
 - **Support the development and delivery of services tailored to the needs of individual communities** aligned to the Council's 5 Pledges, particularly "Support our communities to support themselves and each other".
 - **Establishment of an Enhanced Leadership programme**

This would include for example funding to access strategic training / mentoring for employees and trustees. The programme will provide a valuable complementary resource to both the Innovation and Development Fund and the Gateshead Thrive Fund, and aims to establish a cohort of upskilled employees, volunteers, and trustees / board members. Discussions are currently taking place with the Council's Learningskills service to help explore the potential for creating a Gateshead VCS Leadership Academy. The programme will act as a platform and a complementary stepping stone to other courses that are available to VCS organisations, such as those offered by Gateshead College and higher education institutions such as local universities and CASS Business School. Collectively this could be promoted as a Continuing Professional Development programme for Gateshead VCS organisations. It is proposed that up to £50,000 of the Fund is ring-fenced to support the delivery of either fully funded or subsidised training packages.

A draft outline of the Leadership programme content is at Appendix 3.

Outcomes of the Innovation and Development Fund

3. Successful recipients of the Fund will be required to describe not only the anticipated impact or benefit of their proposal, but also how it will address one or more of the Gateshead Pledges as part of the Council's Thrive agenda, which form the strategic outcomes for the Programme.

4. Given the level of ambition and innovation likely to be associated with the Programme, it is quite possible that alongside examples of successful projects and activities, there may well be some projects that fail to achieve their ambitions in whole or in part. Nevertheless, the learning from both successful and unsuccessful projects is equally valuable in helping to identify what doesn't work and why, as well as the identification of new ways of working that have the potential to deliver evidenced based change, as well as approaches that could be replicated and potentially scaled up across the Borough.

Applicants will need to demonstrate, through an evidence based approach:

- The issue the application is seeking to address, and its underlying evidence base
- Detail of the proposed approach and activities, including the rational supporting this
- The anticipated associated outcomes, and how progress towards the outcomes will be monitored

Whilst each application will identify its own particular set of activities and outcomes, it is likely that by the end of the 2 year programme, the organisations supported through the programme will have delivered associated outcomes similar to the following examples:

- The development of new and/or improved VCS business ideas and approaches that reduce dependence on public sector grant funding by increasing income from
- fundraising, trading, social finance and grants from local and national charitable funders
- Delivery of services that demonstrate social impact and social value:
- In the most vulnerable neighbourhoods, and
- Are better able to demonstrate potential to investors and funders
- An enhanced level of leadership acumen within VCS organisations
- An increase in the capacity of trustees, employees and volunteers within VCS organisations
- A voluntary and community sector which works in an increasingly collaborative manner across Gateshead's communities
- Residents Increasing their level of patronage and take-up of services that deliver life changing actions by residents around wellbeing, education, employment and the environment
- An increased number of early actions which improve Gateshead residents' quality of life, and reduce the demand for public service interventions.

Summary of eligibility, level of funding, what can be supported

5. The key criteria for the Programme are:
- The Programme will be open to applications from Gateshead based voluntary and community organisations, with charitable status or objectives. Priority will be given to organisations which have an annual income of £250,000 or less
 - Funding will be available for a maximum of two years to support the development of innovative business ideas and approaches. Two year funding will be subject to an bi - annual review and payment (every 6 months for the duration of the support period) and demonstration of satisfactory progress.

- It is intended that there will be no minimum or maximum grant level but it is anticipated that an average grant may be around £30,000. Both revenue and capital will be supported
- Organisations will have to demonstrate how their idea meets one or more of the Fund's strategic objectives and outcomes, as set out in paragraphs 6 and 7. For example;
 - Research, consultation and planning in to new business ideas and service delivery approaches in vulnerable neighbourhoods
 - Work to make organisational structures and systems 'fit for purpose' to support the development of new business models with demonstrable impact and social value
 - The adoption of new business ideas and approaches to achieve greater financial sustainability through exploring alternative sources of finance
 - Exploring the development of an asset based approach to developing communities
 - Organisations that have secured a lease to a building from the Council or are considering the leasing of a building in accordance with the Council's Community Asset Transfer Policy.
 - Developing the capacity of people within organisations to support organisational change.

The detailed eligibility criteria is attached at Appendix 2.

Application, Assessment and Approval Process

6. Application to the Programme will be a two stage process. Stage 1 will involve the submission of an expression of interest setting out a costed proposal for the development and delivery of a business idea / approach which demonstrates change for the organisation and delivers impact and social value within the Gateshead neighbourhoods. Stage 2 will involve a detailed presentation by each shortlisted application for consideration at a project selection panel.
7. It is proposed that the project selection panel comprises the following:
 - Chair of the Gateshead Fund Advisory Group (or nominated deputy)
 - An officer from Neighbourhood Management and Volunteering
 - A representative from the Community Foundation
 - A representative of one of the local social investors
 - A representative from the business community.
8. The proposal to include representatives from the social investment and private sectors links to the findings from the Gateshead Fund Research, providing the opportunity for the Council to collaborate with other sectors and those sectors to engage and support VCS organisations and communities in Gateshead.
9. The panel's recommendations will be presented to Cabinet for final approval.

Consultation

10. In preparing this report consultations have taken place with the .

The Community Foundation have spoken to a number of Gateshead based groups and charities about the proposal which has influenced the proposal. Newcastle Council for Voluntary Service have also been involved in conversations about the fund. The fund was discussed at a Members Seminar on 06 June 2018.

Alternative Options

11. The alternative options included refocus of the current funding criteria, this option may have restricted the funding available to small organisations who may not be sufficiently developed to benefit from the Innovation and Development Fund.

The fund could have been fully managed by the Community Foundation, the arrangement proposed in the report makes best use of the resources available to cover the management fee whilst retaining the valuable knowledge and experience the Foundation will bring to the assessment process.

The Council and its partners could work with local organisations to seek funds from external sources. This option may have secured increased levels of funding in to Gateshead however, would have led to a piecemeal approach which would have relied on the success of individual groups to secure the funding. It is likely this option may not create the momentum the Council wishes to see in changes across the community and voluntary sector in Gateshead.

Implications of Recommended Option

12. **Resources:**

- a) **Financial Implications** – The Strategic Director Corporate Resources confirms that the budgetary provision is available to support the fund over the financial years 2018/19 and 2019/20. During the year 2017/18 up to £50,000 financial support to be funded by the fund was agreed for Bill Quay Farm Association to provide time to find an alternative occupier and review potential options for the site.
- b) **Human Resources Implications** – The proposal will require the Neighbourhood Management and Volunteering Team and Corporate Finance to administer the grant, capacity exists to provide this administration within existing resources.
- c) **Property Implications** – There are no property implications arising as a result of this report.

13. **Risk Management Implication** – Given the level of ambition and innovation likely to be associated with the Programme, it is quite possible that alongside examples of successful projects and activities, there may well be some projects that fail to achieve their ambitions in whole or in part. Nevertheless, the learning from both successful and unsuccessful projects is equally valuable in helping to identify what doesn't work and why, as well as the identification of new ways of working that have

the potential to deliver evidenced based change, as well as approaches that can be replicated and potentially scaled up across the Borough.

14. **Equality and Diversity** – There are no implications arising from this recommendation.
15. **Crime and Disorder Implications** – There are no implications arising from this recommendation
16. **Health Implications** – There are no implications arising from this recommendation.
17. **Sustainability Implications** – It is anticipated that support from the fund will result in a significantly more sustainable voluntary and community sector that will be less reliant or dependent on support from the Council in the future.
18. **Human Rights Implications** - There are no implications arising from this recommendation.
19. **Ward Implications** – all wards
20. **Background Information**

Appendix 2 & 3

Gateshead Innovation and Development Programme

Criteria and guidelines

- 1: **What can be done to make the biggest impact on the lives of people living in Gateshead?**
- 2: **How can increased demand for services from Gateshead residents be addressed?**
- 3: **How can organisations create sustainable finance and meet future economic challenges?**
- 4: **How can the number of volunteers be increased?**

If your organisation has an innovative idea that addresses these questions, Gateshead Council would like to hear from you. The Council's new Gateshead Innovation and Development Programme could help you develop, test and deliver your idea.

1. About the Programme

The Gateshead Innovation and Development programme will be investing in vulnerable communities through innovative ways of delivery. It is a one off funding programme aimed at voluntary organisations which want to make a difference and have ideas which can demonstrate impact and social value in the most vulnerable neighbourhoods in Gateshead.

The Council is not prescriptive regarding which areas in Gateshead are in most need. We would like to hear evidence from organisations as to why intervention is needed in particular neighbourhoods or with particular groups of residents.

Organisations wishing to apply to the Programme may find it helpful to look at the following documents which provide an overview on Gateshead's Approach to tackling inequality, vulnerability and disadvantage:

Making Gateshead a place where everyone thrives -
<http://www.gateshead.gov.uk/iplodge/Home.aspx>

Joint Strategic Needs Assessment –
<http://www.gateshead.gov.uk/Health-and-Social-Care/JSNA/home.aspx>

The Gateshead Innovation and Development Programme will fund projects that:

- Support VCS organisations based in Gateshead to take a 'Step Change' and think differently about how they operate, generate income and are active in communities, delivering creative, impactful, innovative services which meet the changing demands and needs of residents and neighbourhoods in greatest need
- Support the development and delivery of services according to the needs of individual communities aligned to the Council's 5 pledges within the 5 year strategic approach '*Making Gateshead A Place Where Everyone Thrives*':
 - Put people and families at the heart of everything we do

- Tackle inequality so people have a fair chance
- Support our communities to support themselves and each other
- Invest in our economy to provide sustainable opportunities for employment, innovation and growth across the borough
- Work together and fight for a better future for Gateshead.

It is intended that by the end of the Programme it will have contributed to the following outcomes for both organisations and neighbourhoods:

Successful recipients of the fund will be required to describe not only the anticipated impact or benefit of their proposal, but also how it will address one or more of the Gateshead Pledges as part of its Thrive agenda which form the strategic outcomes for the Programme.

Given the level of ambition and innovation likely to be associated with the Programme it is quite possible that alongside examples of successful projects and activities, there may well be some projects that fail to achieve their ambitions in whole or in part. The learning from both successful and unsuccessful projects is equally valuable in helping to identify what doesn't work and why, as well as new ways of working that have the potential to deliver evidenced based change and approaches that can be replicated and scaled up across the Borough.

Applicants will need to demonstrate, through an evidence based approach:

- The issue the application is seeking to address, and its underlying evidence base
- Detail of the proposed approach and activities, including the rationale supporting this
- The anticipated associated outcomes, and the means by which progress towards the outcomes will be monitored

Whilst each application will identify its own particular set of activities and outcomes, it is likely that by the end of the 2 year programme, the organisations supported through the programme will have delivered associated outcomes similar to the following examples:

- The development of new and/or improved VCS business ideas and approaches that reduce dependence on public sector grant funding by increasing income from fundraising, trading, social finance and grants from local and national charitable funders
- Delivery of services that demonstrate social impact and social value:
 - In the most vulnerable neighbourhoods, and
 - Are better able to demonstrate potential to investors and funders
- An enhanced level of leadership acumen within VCS organisations
- An increase in the capacity of trustees, employees and volunteers within VCS organisations
- A voluntary and community sector which works in an increasingly collaborative manner across Gateshead's communities

- Residents Increasing their level of patronage and take-up of services that deliver life changing actions by residents around wellbeing, education, employment and the environment
- An increased number of early actions which improve Gateshead residents' quality of life, and reduce the demand for public service interventions.

2. What funding is available?

This is a two-year up to £500,000 funding programme to support organisational change in VCS organisations, based in Gateshead, to enable them to deliver innovative services within Gateshead neighbourhoods.

There is no minimum or maximum grant level although it is anticipated that an average grant may be around £30,000, for projects of up to two-year's duration (subject to annual review). Each application will be assessed on its own merit.

3. Who can apply?

Voluntary sector organisations which have charitable status or objectives, and are based in Gateshead are eligible to apply. As the Fund has been established to support and grow a strong Gateshead voluntary and community sector, priority will be given to applications from organisations which have an average annual income of £250,000 or less. Average income will be assessed on the basis of the applicant's last three sets of audited accounts.

4. What can be funded?

Funding is available for a maximum of two years to support the development and delivery of innovative business ideas and approaches which can demonstrate to one or more of the fund's strategic objectives and outcomes.

Priority will be given to applications that are focused on:

- Research, consultation and planning into new business ideas and service delivery approaches in vulnerable neighbourhoods. Priority will be given to those that demonstrate involvement of residents in the design and delivery of services and activities which are bespoke to specific communities
- Work to make organisational structures and systems "fit for purpose" to support the development of new business models and services with demonstrable impact; for example:
 - Reviewing governance and trusteeship
 - Improving policies and procedures
 - Monitoring and evaluation processes to support impact and social value measurement
 - Working practices.
- The adoption of new business ideas and approaches to achieve greater financial sustainability through activities such as trading, income generation and social investment and social impact bonds
- Developing a social enterprise or community business

- Taking on the management of a council building (asset transfer) or securing a lease to run a building. Organisations which have already secured a lease from the Council will also be considered.
- Developing increased community ownership through, for example, the creation of community shares
- Working collaboratively with other organisations to expand services and work in different neighbourhoods through exploring the development of consortia, partnerships or mergers to achieve the best results for Gateshead communities
- Exploring the development of an asset based approach to developing communities
- Innovation in both the delivery of services and measurement of the impact and social value that they make on residents
- Developing the capacity of people within organisations to support organisational development and effective service delivery through strong leadership amongst trustees, staff and volunteers
- An independent evaluation of the impact and outcomes of the project.

5. What will not be funded

- Applications which do not demonstrate that the funding will provide a 'Step Change' or innovative way of working for the organisation
- Applications which focus on 'business as usual' funding
- Organisations that are not voluntary or community organisations with charitable status or objectives based in Gateshead
- Educational institutions
- The costs of employing third parties to write business plans on behalf of the applicant.

6. General terms and conditions

Funding is available for up to two years. Successful applicants applying for more than one year's project delivery will receive 6 monthly grant payments. Payment will be subject to submission of a satisfactory progress report.

Under the terms and conditions of the funding it is required that applicants commit to undertaking and completing the Gateshead Enhanced Leadership programme during the lifetime of the grant.

Support to organisations via the Gateshead Innovation and Development Programme represents a significant investment and demonstration of the value the Council places on strong VCS organisations. As a result there is an expectation that organisations, supported by the Programme will, in the future, be in a stronger position to secure sustainable sources of finance through their new business approach and increased leadership skills and capacity. Therefore organisations should be better placed to no longer be reliant on public sector grant funding.

As part of the new delivery approach, organisations may find it beneficial to explore apprenticeship schemes to support their work.

Applicants are welcome to seek pro-bono support from the private sector to assist with the development and delivery of business ideas / approaches.

Successful applicants will be expected to share learning with others through action learning sets, case studies, workshops, seminars and on line platforms and an end of programme event

Successful organisations are welcome to participate in any Council review of services, where appropriate to them, to help define and refine the delivery of services for the benefit of Gateshead residents.

7. How to apply

The application process has two-stages.

Stage 1 – Applicants are required to submit of an expression of interest of no more than 4 sides of A4 setting out a costed proposal for the development and delivery of a business idea / approach which demonstrates change as an organisation and delivers impact and social value within Gateshead neighbourhoods. Applicants must include a minimum of 3 milestones against which the success of the project can be measured.

If successful at Stage 1 applicants will be invited to apply to Stage 2.

Stage 2 – Applicants will need to develop a detailed presentation of their Stage 1 application for consideration at a project selection panel.

Gateshead VCS Enhanced Leadership programme

The programme will provide a valuable complementary resource to both the Innovation and Development Programme and the Gateshead Fund and will be specifically designed to establish a pool of upskilled staff, and trustees / board members.

The training programme will be designed to meet the specific requirements of the funded projects. Elements will include:

- Change management
- Becoming self-sufficient through trading and income generation
- Sustainable business / investment planning to develop or scale up services
- Better organisational governance
- Strengthening managerial / financial capability
- Financial planning, forecasting and projections (cash flow)
- Understanding and researching the market
- Defining a USP
- Marketing / promotion tools and techniques
- Negotiation
- SWOTS/ PESTs
- Helping trustees to become less risk averse
- Leadership skills
- Developing and creating vehicles for social investment
- Understanding social impact measurement
- Building Social Value
- Investment readiness
- Commission readiness
- Tender / bid writing.

Satisfactory completion of the programme may be required as a condition of grant.