BUILDING BRIDGES
BRINGING COUNCILS, COMMUNITIES AND INDEPENDENT FUNDERS INTO DIALOGUE

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New Local Government Network (NLGN) is an independent think tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is publishing this report as part of its programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.
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We live today in some of the most uncertain times for generations. Given this, it is essential that civil society is resilient in the face of seemingly persistent social, economic and political change. To achieve this, however, the systems which underpin civil society must adapt. They must become more enabling, putting outcomes first and allowing civil society to reach its full potential creatively and sustainably.

A decade ago, when more public money was heading into civil society, funders could afford to demand the extraordinary, pushing at the boundaries of innovation. While there will always be a demand for imaginative thinking, as funding has become more scarce, it is essential that civil society is led by shared conceptions of need, determined through collaboration, and led by civil society itself. Critical to achieving this is a new relationship between independent funders and local government. As the two leading sources of support for local civil society organisations, their collaboration holds the key to establishing a more streamlined and coherent funding landscape.

This report shows what is possible when this happens. More intelligent, inclusive commissioning. More innovation at scale. Better distribution and use of assets within localities. More participation and engagement with communities. However, it also reveals some barriers to collaboration which must be overcome. Among them is a lack of a shared sense of purpose. Poor understanding of respective strengths, capabilities and operating contexts. And, to some extent, organisational egoism and a reluctance to take a step back and put civil society in the driving seat.

Today, as resources available decline and the amount of need grows, this must change. The first step in achieving this is through new dialogues. I hope that this report will encourage and fuel the conversations and debates needed within local government and civil society to achieve this change.

DAVID FARNSWORTH
Director, City Bridge Trust and Chair, London Funders
EXECUTIVE SUMMARY

OVERVIEW

Civil society is composed of highly varied, but distinct elements which work together towards a common outcome: improving people’s lives. For this reason, a healthy civil society has always been critical to resilient communities. However, as cuts to local government budgets have altered local landscapes of service delivery – with many places now characterised by growing need and shrinking provision – the importance of civil society to securing the wellbeing of communities has dramatically increased.

Like any organic system, division of labour relies on natural aptitude – making civil society very difficult to ‘design’ or ‘create’. This presents a challenge to those trying to strengthen or develop it holistically. This report looks at the role of two key players - the independent funders who are at the core of civil society and local government – and argues they need to come into much closer dialogue. Each must see their role as enablers, based on a common language and common understanding of local needs and opportunities.

Ultimately, this can ensure that the contributions of both local government and independent funders can become greater than the sum of their respective parts in supporting a healthy civil society. However, there are some challenges to be overcome.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

BARRIER 1: COUNCILS AND FUNDERS ARE UNCLEAR ABOUT WHERE THEIR RESPONSIBILITIES LIE

Councils and funders do not share a common sense of need. This is exacerbated by a poor understanding of who holds responsibility for delivering different outcomes, and a paucity of opportunities for conversations which could remedy this.
EXECUTIVE SUMMARY

**SOLUTION 1: A COMMON SENSE OF PURPOSE SHOULD BE ESTABLISHED THROUGH OPPORTUNITIES FOR NEW DIALOGUES**

Councils and funders should enter into new dialogues around the common interest of a shift from crisis to prevention. To improve opportunities for dialogues about how to achieve this:

- Local authorities should have a senior officer responsible for developing the funding ecology of the borough
- Elected members should see their role as key to supporting the bridge between their council and independent funders
- Conversations between senior officers, funders and the wider public sector should be convened by supra local bodies
- A database containing contact details for independent funders should be held and maintained by a single body
- Funders and councils should work together to increase trust and a sense of common purpose

**BARRIER 2: COUNCILS AND FUNDERS DO NOT HAVE A COMMON UNDERSTANDING OF WHAT ‘GOOD’ LOOKS LIKE**

Councils and funders do not always share a common understanding of what effective prevention looks like. However, as local service delivery shifts towards an asset-based approach, it is increasingly important that ‘what good looks like’ is determined by open and collaborative discussions with residents and local civil society.

**SOLUTION 2: A SHARED SENSE OF NEED SHOULD BE DEVELOPED COLLABORATIVELY AND BE PLACE-BASED**

To develop locally sensitive conceptions of need, councils and funders should collaborate to develop long-term strategy plans led by civil society, which are owned by all who are engaged in the process. To achieve this:
EXECUTIVE SUMMARY

- Councils and funders should develop place-based strategies for civil society by ‘leading in a room of equals’, using an approach which is ‘asset-based from the beginning’, engaging explicitly and extensively to hear many different types of evidence from many different types of voice.

- Funders should consider sponsoring genuine processes of co-production.

**BARRIER 3: BOTH COUNCILS AND FUNDERS ARE KEEN TO MAINTAIN THEIR INDEPENDENCE AND REPUTATION**

Financial pressure on local authorities is shaping their behaviour which reduces the appetite of funders to make new partnerships with them explicit. Equally, the fierce scrutiny over current spending means that councils are concerned about investing in joint projects or programmes which they have little control over. Together, this prevents collaboration.

**SOLUTION 3: COUNCILS AND FUNDERS SHOULD COLLABORATE TO PUT OUTCOMES FIRST**

To ensure their ongoing relevance, both funders and councils need to find ways to collaborate which put residents, through civil society, at the forefront of their activity. This will allow both organisations to take a step back, and focus less on reputation and brand. To achieve this:

- Councils should take on the role of enablers to develop their local civil society infrastructure

- Councils and funders should work towards greater clarity about how services are funded and delivered
1 INTRODUCTION

“How can we continue to secure the dignity, wellbeing and happiness of people after nearly a decade of cuts, which are set to continue for the best part of a decade?” Trust Chief Executive, Dialogue Session Participant

At a time of both budget reductions and heightened complex demand, councils are increasingly perceiving themselves as shapers and enablers of places. This means shifting from being proud of what they have delivered, to being proud of what they helped to happen, by allowing other actors to use their creativity to find new ways to improve local outcomes.

An important dynamic within communities is civil society. This is integral to the future of place for several reasons. Firstly, civil society is playing a greater role in securing good local outcomes, often working with harder-to-reach communities with multiple and complex needs. Secondly, civil society has deep roots in local social networks, which have a highly localised, rich understanding of place identity. Finally, and perhaps most importantly, civil society is increasingly looked towards to deliver healthy, happy communities playing a role in prevention.

Civil society is financially supported in a number of ways, but its two leading sources of income are councils and independent funders – charitable trusts and foundations. A decade ago, when local government was making great investment in civil society, independent funders’ money was the ‘icing on the cake’ as one funder described to us, focusing on innovation and activities broadly peripheral to core needs. Now, as many councils have been forced to roll back their service provision to statutory at only the highest threshold of need, independent funders’ money is increasingly important and takes on a growing share of local investment.

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1 Civil society is defined as: formal organisations, informal groups and individuals who are driven by values of fairness and equality, and take action to make their community a better place to live. London Funders (2016) The Way Ahead: Civil Society at the Heart of London.
However, this change has not been accompanied by new forms of accountability or even strategic oversight of civil society investment. In fact, to date there has been little dialogue between councils and funders, as they work at different scales, do not always share a common sense of need, or even the languages to describe this need. Ultimately there is a need to better understand these barriers and develop strategies to overcome them, because the current set-up may fail to deliver long-term resilience in civil society, and therefore fail to deliver better outcomes for communities.

With this in mind, NLGN set about researching what is preventing civil society funders from working together to create place-based funding strategies. We discovered that councils and funders do have an appetite for greater collaboration, and see this as a route to developing more locally-responsive, asset-based and place-centred approaches, but that some changes to the system are needed for this behaviour to become systemic.

We argue in this report that councils and funders should engage in new dialogues to identify ways that they can collaborate. This collaboration should enable their different skills, knowledge and assets to be harnessed in ways which enable civil society to become more autonomous, financially secure and ultimately, able to deliver better outcomes for people.

This research featured 12 interviews with representatives from local authorities and independent funders, and two dialogue sessions which brought both communities into conversation. The evidence for this report focused on London. However, many of the findings and messages will be relevant to a wider audience, and we hope that local authorities across the country find it useful.

2 WHY COLLABORATE

“Balancing crisis management and prevention is where the conversation between funders and councils should begin – it’s the ultimate prize” Independent Funder, Dialogue Session Participant

As councils adjust to the pressures of budget cuts and attempt to become financially self-sustaining, there is a growing need to prevent rather than react to crises. As several interviewees explained, when someone turns up at their door it is usually as a last resort – when their need is high, and many facets of their life require support and intervention. This is ultimately unsustainable.

Councils across the country are turning to civil society to help them shape places to better prevent people from reaching the point where council intervention is needed. This is happening directly, with some civil society organisations delivering preventative public services through commissioning. Others are delivering through social prescribing, whereby community activity is seen as a non-clinical intervention for physical and mental health problems, which has been shown to reduce demand on advice services and adult health and social care. But there is also an expectation that civil society can play another role, more indirectly, in managing future demand on services. This relies on civil society effectively increasing the social capital, resilience and wellbeing of communities.

However, we found that many dimensions of civil society support are not fit for purpose. Funders and local government could change this by collaborating to better adapt to the new financial landscape, achieve more place-based systems of financial support, and create the long-term infrastructure required for civil society to be more creative and autonomous.

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ADAPTING TO THE NEW FINANCIAL LANDSCAPE

“For every pound we had in 2010, we will have 35 pence in 2020. Further, our deprivation isn’t in pockets – it is universal. This is the context we find ourselves in” Local Government Officer, Dialogue Session Participant

All areas have suffered from budget cuts and this has had varying impacts in different places. This has a knock-on effect for civil society, as recent research has shown that civil society organisations in the poorest areas, particularly when highly reliant on public sector contracts, are most likely to struggle financially.⁸

Funders and council employees we spoke to agree that between 2009 and 2014 some necessary efficiencies were made. However, both are concerned that further cuts could entrench existing inequalities and in some places, present new social challenges.

To effectively mitigate this, more intelligence about the peculiarities of local need and the efficacy of different interventions is required. While funders may have a detailed understanding of the needs of a particular area or interest group, councillors are able to act as representatives for the diverse needs of whole communities across a ward. Participants at our dialogue sessions suggested that the most advantageous strategy would be a blended approach, allowing for shared learning and the development of a more strategic place-based approach, which maximises the collective impact of available resource.

DELIVERING MORE INTELLIGENT FINANCIAL SUPPORT AND COMMISSIONING

As funders can support more risky projects, they can enable more creative civil society organisations to grow, and subsequently be considered by council commissioning. Several funders we interviewed suggested that they could be a ‘knowledge factory’ for public service innovation, sharing information about successful projects with councils in order to inform

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future commissioning. There is also evidence that independent funders are willing to invest in creating innovation hubs, such as the Public Services Lab in Liverpool, which provides the space (and time) for commissioners, providers, service users, community members and investors to come together and think about how outcomes can be delivered differently. This is important given the institutional constraints councils face which can prevent them from making investment in risky innovations (such as political accountability and competition regulations).

But there are some tensions here. Funders’ focus on innovation may exacerbate inefficiencies at a time of limited overall resources. Recent research has demonstrated that 99 per cent of charities find the grant application process for trusts and foundations overly complex, sucking in more resources at a time of change.

“In this world, only 1 per cent of anything is new. We need to stop focusing so much on innovation and find a way to tweak things until they work perfectly” Independent Funder, Interviewee

In addition, funders focus on innovation may mean they compete for ‘original’ investments, rather than work symbiotically to protect outcomes for places overall. In a review of the ‘what we don’t fund’ section of funder websites, we often found statements to the effect – ‘nothing which is common to many parts of the UK’ (i.e. standard public service delivery). One interviewee explained the reason for this:

“In 2007/2008 all of the thinking about the third sector was in government. So foundations did the ‘icing on the cake’ innovation, arts. Then in the last 10 years, there’s been a change – now we have to entirely refocus our efforts and the way we do funding, or we will see the things we value crumble around us” Charitable Trust Director, Interviewee

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9 However, this requires better monitoring and evaluation of grant recipients, which funders may be reluctant to impose.
10 See more at: https://www.catch-22.org.uk/services/the-public-services-lab/
11 Stephen Mallinson, Chief Executive of Localgiving speaking on as yet unpublished research at the Institute of Fundraising’s Trust Fundraising Conference in London, 27.02.2017
12 Funders preference for innovative projects was also found in: London Funders (2016) The Way Ahead: Civil Society at the Heart of London.
A recognition by independent funders that standard approaches are not always the best tool to intervene in the complex and interwoven nature of local problems is important. However, as funders increasingly shift towards adopting place-based approaches as a route to innovation, which are asset-led and draw in a range of local players, they may find councils to be strong partners who can help them to rethink their investment programmes in line with place-based priorities, with rich data on local need.

**ENABLING A MORE RESILIENT CIVIL SOCIETY**

“If we worked together more, there would be less fat in the system. But there needs to be investment to save” Independent Funder, Interviewee

For civil society to continue to improve outcomes for places, the right infrastructure support is essential. Conventionally, local Councils for Voluntary Services (CVSs) help civil society organisations (CSOs) by providing advice, development and liaison and representation services. CVSs generally work at the scale of local authorities, however geography and coverage have changed. Many have shrunk in size and in some places have closed down entirely as funding has been withdrawn, driven by doubts about their efficacy and ability to genuinely empower all parts of the civil society ecosystem.

Several of the independent funders we interviewed felt there was a need for a new type of more innovative, enabling support. Many funders are investing in new types of support, often acting as platforms to enable organisations in ways which are more open and creative. These enabling platforms may be social or technological – largely apps. Broadly, these platforms can tackle three main challenges:

**ASSET OPTIMISATION:** For CSOs to become financially resilient, it is advantageous to own or have a long-term lease on an asset. CSOs are

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13 As many funders now are, see IVAR (2016) Working in Place: A Framework for Place-Based Approaches. London Funders.
often only given short-term leases for assets,\textsuperscript{16} preventing them from borrowing against their value. This can perpetuate dependency on funders. In response, some independent funders are providing more core funding for asset purchases among disadvantaged communities, providing advice about community asset transfer, and developing apps which allow a local civil society ecology to share assets better.

**NETWORK ENHANCEMENT:** Part of the challenge of getting people more embedded into, and taking advantage of, the more formal offers of local civil society is awareness of what is available. A recent Independent Growth Commission for Barking and Dagenham emphasised the role of civil society and engagement with community to improved place prosperity.\textsuperscript{17} Now, through a partnership with Lankelly Chase, Esme Fairburn and other funders, Barking and Dagenham Council are seeking to create a more participatory culture in the borough by investing in an app. This is a ‘global demonstration site’ for a whole new philosophy of civil society, which takes an asset-based approach and pitches its success on the project’s ability to collaborate very widely to bring many fresh ideas together in an open source environment, complementing the existing civil society make up.\textsuperscript{18}

**COMMISSIONING SUPPORT:** Since 2009, there has been a shift from grants to commissioning of CSOs by local government. Combined with the increased use of competitive models of procurement, this has created challenges for small-to-medium size CSOs.\textsuperscript{19} While councils want to harness the potential of smaller organisations, it can be difficult and resource intensive to engage with and manage lots of smaller providers, leading to an increase in the use of consortia.\textsuperscript{20} Adopting an alternative approach, combining consortia benefits with opportunities for fundraising and peer-to-peer support, one independent funder we spoke to has worked in partnership with local authorities to establish place-based community

\begin{itemize}
\item \textsuperscript{16} Gilbert, A. (2016) Our Common Interest: The Role of Community Asset Transfer in Developing the Community Business Market. Power to Change
\item \textsuperscript{18} Participatory City Website, http://www.participatorycity.org/#home-1
\item \textsuperscript{20} C&E (2016) Corporate-NGO Partnerships Barometer 2016. Available at: http://www.candeadevice.com/barometer
\end{itemize}
foundations which are membership bodies. These foundations allow for collective fundraising and reduce competition between providers by allowing the foundation to bid for council contracts.

In sum, for civil society to reach its full potential, funders who resource it must shift their ways of thinking and working towards a more enabling approach. This requires them to come into dialogue with each other, and take a more place-based approach to the design and delivery of grant schemes and commissioning strategies.
3 A NEW RELATIONSHIP

Civil society is composed of highly varied, but distinct, elements which work together towards a common outcome: improving people’s lives. For this reason, civil society has always been critical to local outcomes. However, like any organic system, division of labour relies on natural aptitude – making civil society very difficult to ‘design’ or ‘create’. This presents a challenge to those seeking to strengthen or develop it holistically. The challenge is not to cut and place shapes perfectly, but to step back entirely. Ultimately, funders of local government – public, independent, and private – must become enablers.

However, providing a coherent enabling landscape for civil society demands collaboration. We revealed a number of barriers which are preventing this from happening in practice. Here the challenges and recommendations to overcome them are outlined.

BARRIER 1: COUNCILS AND FUNDERS ARE UNCLEAR ABOUT WHERE RESPONSIBILITIES LIE

A key barrier to councils and funders working together is a lack of understanding about where responsibilities lie. While funders told us they understand local government’s responsibilities through the lens of ‘statutory provision’, most we spoke to agree that popular conceptions of what this means and includes are changing.

“We are bound by additionality principles. But conceptions of what is statutory are changing” Independent Funder, Interviewee

Statutory compliance is in practice legally fixed, however, the statutes they are based on are complex and often nebulous. As one council officer suggested: “the reality is that statutory duties are chaotic, a product of decades of disjointed legislation cobbled together in a miasmic mess”.

[End of file]
A NEW RELATIONSHIP

As a result, there is limited understanding of statutory responsibility outside of councils, and a lack of dialogue between councils and other actors to resolve this has created challenges. For instance, funders often make ‘additionality’ – benefit over and above what is considered to be the core business of government – a key criteria of their funding. However, what is and is not additional is political rather than practical, and largely misunderstood when it comes to clarifying what is and is not legally statutory provision. Several funders suggested that they do not fund work which they believe should be funded from statutory sources, or which has been in the recent past.\textsuperscript{21} This is less the case with corporate foundations, who may be “far less concerned about independence”.\textsuperscript{22}

Yet at the same time, most funders challenged the concept of additionality, arguing that making something additional relies on the idea that there can be a single, universal solution to any particular need which the state can and should provide, and that everything else is additional to that. This view was also expressed by local government interviewee:

“I have a problem with referring to the third sector as offering ‘additionality’ to the state. This puts public services at the centre. It makes everything else ‘additional’ to it. It’s a bit like telling history from the perspective of the western world – a colonial mind set, as if others exist to fit in with us” Local Government Officer, Interviewee

With this in mind, many funders felt that civil society led projects would always offer something more than in-house public service provision, and in that sense ‘additional’ benefit. Understandings of additionality – and the value of interventions within this – are shaped by the views of trustees. As one interviewee told us, their family-run trust would never consider sacrificing their independence by collaborating with local government. In a time of limited resources, whether this is the most fair, transparent, or democratic way for resources to be allocated is questionable.

In order to understand need differently and begin a new conversation about responsibilities, councils and funders must come into dialogue. Yet our

\textsuperscript{21} Wording of this kind can be found on ‘what we don’t fund’ sections of several independent funder websites.

\textsuperscript{22} Corporate Foundation, Interviewee
research reveals several reasons why councils and funders have not come into dialogue about their responsibilities and respective capabilities.

Lack of common understanding can lead to a lack of respect. For instance, one interviewee explained that everything they fund is an ‘implied critique’ of the local government approach. Another suggested that public perceptions of what the state should provide have been ‘warped’ by the 1945 spirit, representing only a “flicker in the nation’s great history of philanthropy”. In contrast, some councils felt that funders had the privilege of being able to ‘pick and choose’ their causes – while local government are reliable and consistent. For new dialogues to lead to more constructive partnerships, councils and funders must learn more about each other and trust that each is working as best they can within their own operating context.

Power imbalances can also be a barrier to effective engagement. Both council and funder interviewees frequently referred to their organisational size and budget, as if this were a key indicator of their worthiness to be engaged with or by other organisations. As one council interviewee suggested “funders need to interact with councils to make structural change, but lots of them are very secure, this creates a power dynamic – the big guys feel like they have more leverage”.

National funders we interviewed explained that working with councils is important to make meaningful change, but acknowledged that currently, where they work collaboratively reflects where people are already engaged, implying that they feel the onus is on councils to make contact. In contrast, funders who are place-based and smaller are likely to think that engaging with councils is a necessity and their responsibility:

“As we are a place-based organisation, and we have a lens that aligns with the local authority, it makes sense to coordinate. Not just with the local authority but also with the CCG [Clinical Commissioning Group]. We only have a budget of £2 million - why wouldn't we? Networks are where change is made. We engage with politicians, leaders, the chief executive; we are part of the ecology of the borough” Independent Funder, Interviewee

23 Independent Funder, Interviewee
This approach can work well when the funder, CCG and council are all coterminous. However, this is rarely the case. Alternative strategies are needed to start conversations which work across different boundaries – within the space and institutional remit. This is pertinent as service delivery becomes increasingly integrated, but also because funders often have a thematic rather than spatial focus.

This suggests that preferences for collaborative place-based behaviours are strongly shaped by one particular kind of influence – spending power. This will inevitably limit, if not entirely stymie, collaborative innovations which capture other forms of organisational value – such as creativity, insight, skills, connections, and other non-financial assets. For more creative civil society investment to arise, funders need to find ways to overcome these differences.

Yet according to one funder who has sought to engage many councils, the size of a council’s budget or extent of their ‘need over-reach’ was not considered the main precursor of their willingness to engage:

“It’s not so much how financially screwed they are as the way they see themselves that determines their likelihood to engage with us – if they see themselves as innovative, they will engage. If they see themselves as in control, they won’t” Trust Executive, Interviewee

In summary, barriers to new dialogues which can resolve issues about responsibility include: finding the right scale, knowing who to talk to within local government, and overcoming power dynamics.

**SOLUTION 1: A COMMON SENSE OF PURPOSE SHOULD BE ESTABLISHED THROUGH OPPORTUNITIES FOR NEW DIALOGUES**

To respond to the challenge of councils and funders not sharing the same spatial or subject boundaries, opportunities for new dialogues between councils and funders should be thematic and supra-local. For change to materialise there need to be clear points of contact, and councils and funders need to take an asset-based approach to each other, recognising

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24 Independent Funder, Interviewee
the strengths and resources each organisation has and developing a strategy from that point, rather than focusing on respective weaknesses or deficits.

This can happen spontaneously, for instance Lambeth’s Funders Forum, which has brought together over a dozen funders to discuss strategic needs in the borough, was hosted by Battersea Power Foundation in partnership with Lambeth Council and instigated by an enthusiastic local councillor.25

However, our research suggests that councillors are not always the most accessible contacts in local government. As members who hold responsibility for civil society can change every four years, electoral realities can rub up against the need for more long-term, strategic alliance-making. In relation to officers, staff churn has also affected community development teams, which have been subject to change over the last four years due to cuts. Our research suggests that where officers are engaged, they have the greatest confidence to create strategic relationships with funders when there is a favourable attitude by members. This “gives them a sense of freedom to take risks, try new avenues”.26

RECOMMENDATIONS

Local authorities should have a senior officer responsible for developing the funding ecology of the borough

- This senior officer should be directly engaged in organisational systems change
- Information about who these individuals are should be held and kept up to date by a city regional body, for example, London Councils, in the case of London

Elected members should see their role as key to supporting the bridge between their council and independent funders

- Members should actively promote the development of strategic relationships between their council and funders

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25 Interview, Funder
26 Local Government Officer, Dialogue Session Participant
Where opportunities for collaboration are identified by officers, members should be supportive of this and bring their links with the wider local civil society ecosystem to discussions.

**Conversations between senior officers, funders and the wider public sector should be convened by supra local bodies**

- Thematic meetings, focused on areas such as Youth, Crime, Health and Wellbeing, Skills and Empowerment, Cohesion and Citizen Integration, should be convened at a city regional scale, such as at a pan-London scale by London Councils.

- Where sub-regional thematic and issue-based meetings are in place, such as in London by London Councils, funders should be invited to these events to discuss place-focused strategies which work across the borders of clinical commissioning groups.

**A database containing contact details for independent funders should be held and maintained by a single body**

- A database of points of contact for all independent funders should be created and held by the most relevant central government department, which can be filtered by region. Should the Minister for Civil Society remain in the Department for Culture, Media and Sport, this would be the preferred location.

- A database of contact details would also help CSOs, as requested by forthcoming research.

**Funders and councils should work together to increase trust and a sense of common purpose**

- Funders and councils should facilitate secondments between themselves and CSOs to better understand the non-financial assets of places and work towards a common sense of purpose.

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27 Stephen Mallinson, chief executive of Localgiving speaking on as yet unpublished research at the Institute of Fundraising’s Trust Fundraising Conference in London, 27.02.2017
BARRIER 2: COUNCILLS AND FUNDERS DO NOT HAVE A COMMON UNDERSTANDING OF WHAT ‘GOOD’ LOOKS LIKE

We have identified that the need to shift towards prevention creates a new impetus for a closer working relationship between funders and councils. However, they do not always share the same ideals of what ‘good’ looks like in this respect.

In recent years, funders and local government have both made a shift to focus on outcomes in their investment decision-making. Yet there are important differences of emphasis: funders we spoke to felt that their focus within outcomes was more about quality of life, while councils tend to be more interested in employment. This tension was drawn out in our second dialogue session during a debate about the need for a shift in commissioning conversations. One funder highlighted an example of a charity they support which provides people with showers and a postal address. While this is essential, it would not meet any life improvement outcomes criteria as the council had defined them. This conflict again points to the need for more ‘outside-in’ approaches to commissioning design.

In some places, as commissioners work according to an ‘inside-out’ model — commissioning can lock out meaningful participation by getting ‘horribly complex’:

“...it has become a new specialism in the world of local government. Activities that begin as organic or spontaneous become regularised, professionalised – expert, technocratic, didactic, resistant” Local Government Officer, Interviewee

This approach, by making a system which is varied and complex cohere to standardised expectations, is reducing the diversity, and therefore resilience of civil society. As one council interviewee explained: “We can corrupt the ecosystem of the third sector in ways which aren’t in the interest of our residents. A bit like iron fillings, we invite them to coordinate with [or] align with us – which makes them vulnerable”. This is because their

operating model becomes dependent on a single source of income, and their approaches become homogenised to fit within commissioning criteria. These kinds of challenges resulting from civil society organisations relying on council funding are receiving increased attention within the sector.

However, grant funding from independent funders can also be unreliable. Trustee interests can change, leaving organisations without a sustainable long-term view. There is also little scrutiny over philanthropy.

“Trustees interests wax and wane, they aren’t always consistent. We need to enter partnerships to make our work sustainable” Independent Funder, Interviewee

Beyond council commissioning being seen as didactic, funders also acknowledged that their grant programmes need to change – moving away from the prescriptive and hierarchical approach to one which is more responsive and community-led, allowing grassroots solutions to be found. This reflects the demands of CSOs, as revealed in upcoming research which found that 99 per cent of charities want grant programmes to be simpler.

SOLUTION 2: A SHARED SENSE OF NEED SHOULD BE DEVELOPED COLLABORATIVELY AND BE PLACE-BASED

“There is a lot of mistrust, and no sense of shared endeavour... There is no shared sense of need – this creates a battlefield.” Independent Funder, Interviewee

While not impossible, it is difficult to certify that three hours a week of knitting in a social group will prevent depression or dementia, or increase an individual’s sense of self in ways which ultimately prepare them for the labour market after a period of worklessness. These needs are subjective and fluid, changing between individuals and communities. This makes agreeing on definitions of what ‘good’ looks like difficult, and agreeing what should and should not be measured within this very important.

To overcome this, commissioning and grant programmes should be informed through deliberative processes which engage civil society, including both service deliverers and service users. Elected members can be central to ensuring this takes place.

Our research emphasised the importance of a shared language, to develop a shared sense of need. This demands more collaborative commissioning processes. Ultimately both funders and councils need to develop a system which allows civil society to be more self-determining. There is increasing insight into the need to move towards a system which allows for greater creativity and develops a sense of need which is led from a grassroots level, and supported by data which can situate this information within a broader context of need.

**RECOMMENDATIONS**

Councils and funders should develop place-based strategies for civil society from ‘the outside in’ according to the following principles

- **Start with a blank sheet**: One participant described this as ‘leading in a room of equals’. Councils can lead conversations and come to the table being ready to hold the pen, but accept that they cannot steer outcomes.

- **Explicit and extensive process of engagement**: Processes of engagement should be ‘obvious, early, and accessible’ with clear information on ‘where and when to interject’

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30 The need for a shared sense of need and common language was also revealed as critical to the future of civil society in: London Funders (2016) The Way Ahead: Civil Society at the Heart of London.


33 Since 2012, local authorities have been required to produce a Joint Strategic Needs Assessment (JSNA) through their local Health and Wellbeing board. The JSNA is refreshed every three years, and brings together a range of evidence to inform commissioners and policy makers about the needs of an area. However, our research suggests that CSOs feel that they need more opportunity to challenge conceptions of need arising from these assessments, and discuss priorities in a way which is more reflective of community assets. As a shift is made towards more place-based policy, finding ways to balance this kind of evidence with traditional public health content will be important.
Hear many different types of evidence, from ‘many different types of voice’: Funders hold a lot of qualitative evidence on the social value of CSOs and their preventative benefits. They can also hold information about the social value and preventative benefits of CSOs.

An approach which is asset-based from the very beginning: The advantage of place-based approaches is that they allow for better recognition of the specific assets of a place and its people. What ‘prevention’ is should not be defined by councils or funders but rather build on the assets of a place, informed by quantitative data, and more qualitative, localised interpretations and reflections from residents and civil society to challenge and refine this.

Long-term strategies developed out of processes which lead to this should not have boundaries around types of service delivery, or be developed separately from economic place plans. These plans should then be used as a basis to inform conversations about investment by and between funders and councils.

Collectively developed measures of social value and impact: While there are real constraints on pricing which inevitably affect the ability of councils to weight other aspects in procurement, councils should use available evidence on the preventative benefits of civil society interventions in order to demonstrate the return on investment of placing more weight on social value in their commissioning strategies. Where possible, evaluations of social value should be developed in conversation with civil society, and kept open to re-evaluation.

Funders should consider sponsoring genuine processes of co-production:

- Funders should cooperatively enable councils to deliver place-based strategies.
- This should enable honest conversations about the challenges councils and other parts of the local public sector face.
BARRIER 3: BOTH COUNCILS AND FUNDERS ARE KEEN TO MAINTAIN THEIR INDEPENDENCE AND REPUTATION

Despite all of the benefits of closer working, there are some attitudinal barriers to closer working between funders and councils. From the perspective of funders, brand is particularly important. Funders who support advocacy are reluctant to work more closely with local authorities because of issues surrounding independence.34

Others felt that the local authority brand ‘can be toxic’35 and expressed particular concern about subsidising council contracts which undermine their principles, such as being living wage organisations. As a recent report36 has revealed, this is a growing challenge in the social care market where nine out of ten councils have, as a result of cuts, been forced to lower contract costs.

Council concerns about public scrutiny of their spending choices also affects their willingness to engage in partnerships with funders. As working collaboratively with independent funders can mean making investments they do not have complete control over, these can be harder to defend. Given growing scrutiny over fundraising practices in the UK, several interviewees also expressed concerns about public trust being lost when it is revealed that they are paying for services ‘twice’, once through donations and then again through taxation.

“The charity sector is going to have to work much harder to justify why it is charitable in the future [as they receive more contract funding]. People won’t understand what is currently delivered with taxpayer money or not” Independent Funder, Interviewee

So, current financial pressures on local authorities are affecting both the way they are viewed by funders, and the appetite of funders to make new partnerships with them explicit. Equally, the fierce scrutiny over current spending means that councils are concerned about investing in major projects they have little control over.

34 Independent Funder, Interviewee  
35 Independent Funder, Interviewee  
SOLUTION 3: COUNCILS AND FUNDERS SHOULD COLLABORATE TO PUT OUTCOMES FIRST

‘How do you take human trust, and start institutionalising it?’
Independent Funder, Dialogue Session Participant

To ensure their ongoing relevance, both funders and councils need to find ways to collaborate which put residents, through civil society, at the forefront of their activity. This will allow both organisations to take a step back, and focus less on reputation and brand.

In this vein, some councils are working with funders to develop new community or place-based foundations, which are independent of both funders and councils, but receive financial support from them. This can allow organisational histories to be left at the door, in favour of more collaborative forms of oversight which prioritise local assets, through a structure which removes reliance on individual relationships. This can be seen in the different applications of the London Giving model.

Working at a borough scale, these new institutional vehicles are supported in part by the local authority, and in part by an independent funder. They seek to increase and channel philanthropic giving in a place and allow for different, possibly more open and collaborative, decision-making as to how that money is spent. The London Giving model has also followed a place-based asset-led approach. While Southwark have corporate head office presence, Islington have a well-established local charitable trust. This has determined the way that the model has and is developing in each borough.

Creating a new body to channel investment and allocate spending can also overcome some of the power imbalances between different parties. For instance, the foundations set up by John Lyons for youth services are paid for jointly by the local authority and John Lyons Charitable Trust. Councillors and trustees can also be represented on the boards of these organisations. This allows for a degree of political oversight and accountability over spend, without putting any one organisation or individual in the driving seat.
As demonstrated by recent research,\textsuperscript{37} and our own findings, crowdfunding is another possible route to enabling a more grassroots approach, in a shift away from command and control style commissioning models. Such approaches allow communities to propose and select successful projects themselves, and can also be used to advertise projects and lever in significant private sector investment. This removes the funder ‘brand’ from being connected to projects, allowing them to be a passive enabler while also being clear and transparent about what and how resources are allocated.

“We created a crowdfunding platform, which allows the community to raise 50 per cent then if it meets our priorities we match fund it. We don’t own it, we just enable it. We persuade other organisations to put their money into it too, like developers and housing associations. This approach gets around ‘shouldn’t council tax be paying for that’ attitudes” Local Government Officer, Dialogue Session Participant

For more innovative partnerships between councils and funders, political support is essential. Political buy-in shifts culture towards one where ‘you no longer ask if you can, and instead ask how to make it happen’, allowing for greater creativity in civil society engagement and development. The best way for councils to allow ‘many flowers to bloom’\textsuperscript{38} without taking on greater risk for failures is by accepting where they can no longer design or deliver and taking a back seat, adopting a more enabling role in partnership with the wider funding community.

“There is and will always be risk in the system. Let’s accept that, and put people in the driving seat of change” Independent Funder, Dialogue Session Participant

Ultimately, in the future local government must become an enabler of civil society, but cannot direct it in the way it has done previously.

\textsuperscript{38} Dialogue session participant referring to the need for a diverse civil society.
RECOMMENDATIONS

Councils should take on the role of enablers to develop their local civil society infrastructure

- Councils should acknowledge that they cannot engineer civil society development, but should find ways to be enablers

- Crowdfunding platforms may allow for grassroots community development

- Investing in the creation of platform technology can allow for better connections within civil society, for instance to optimise local assets (such as community buildings) and create civil society connections

Councils and funders should work towards greater clarity about how services are funded and delivered

Tools like 360Giving³⁹ allow both councils and funders to publish their grants data in an open, standardised way. This allows people to understand and use the data in order to support decision-making and learning across the civil society ecosystem.

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³⁹ 360Giving supports organisations to publish their grants data in an open, standardised way and helps people to understand and use the data in order to support decision-making and learning across the charitable giving sector. More information can be found at: http://www.threesixtygiving.org/
CONCLUSION AND RECOMMENDATIONS

This report has shown that when councils and independent funders collaborate, they can put civil society on a more sustainable footing, allowing investment to be more aligned around local needs and shaped by communities.

To achieve this, councils and funders must take an asset-based approach to each other – acknowledging the distinct skillsets of each partner and finding ways to deliver more together, as enablers rather than designers of the civil society ecosystem.

LOCAL AUTHORITIES SHOULD HAVE A SENIOR OFFICER RESPONSIBLE FOR DEVELOPING THE FUNDING ECOLOGY OF THE BOROUGH

- This senior officer should be directly engaged in organisational systems change
- Information about who these individuals are should be held and kept up-to-date by a city regional body; for example, London Councils in the case of London

ELECTED MEMBERS SHOULD SEE THEIR ROLE AS KEY TO SUPPORTING THE BRIDGE BETWEEN THEIR COUNCIL AND INDEPENDENT FUNDERS

- Members should actively promote the development of strategic relationships between their council and funders
- Where opportunities for collaboration are identified by officers, members should be supportive of this and bring their links with the wider local civil society ecosystem to discussions
CONVERSATIONS BETWEEN SENIOR OFFICERS, FUNDERS AND THE WIDER PUBLIC SECTOR SHOULD BE CONVENED BY SUPRA LOCAL BODIES

- Thematic meetings, focused on areas such as Youth, Crime, Health and Wellbeing, Skills and Empowerment, Cohesion and Citizen Integration, should be convened at a city regional scale, in London by London Funders, supported by London Councils.

- Where sub-regional thematic and issue-based meetings are in place, such as in London by London Councils, funders should be invited to these events to discuss place-focused strategies which work across the borders of clinical commissioning groups.

A DATABASE CONTAINING CONTACT DETAILS FOR INDEPENDENT FUNDERS SHOULD BE HELD AND MAINTAINED BY A SINGLE BODY

- A database of points of contact for all independent funders should be created and held by the most relevant central government department, which can be filtered by region. Should the Minister for Civil Society remain in the Department for Culture, Media and Sport, this would be the preferred location.

FUNDERS AND COUNCILS SHOULD WORK TOGETHER TO INCREASE TRUST AND A SENSE OF COMMON PURPOSE

- Funders and councils should facilitate secondments between themselves and CSOs to better understand the non-financial assets of places and work towards a common sense of purpose.

COUNCILS AND FUNDERS SHOULD DEVELOP PLACE-BASED STRATEGIES FOR CIVIL SOCIETY FROM ‘THE OUTSIDE IN’ ACCORDING TO THE FOLLOWING PRINCIPLES

- Start with a blank sheet and approach which is ‘asset-based from the beginning’
CONCLUSION AND RECOMMENDATIONS

- Engage explicitly and extensively, hearing many different types of evidence from ‘many different types of voice’

**FUNDERS SHOULD CONSIDER SPONSORING GENUINE PROCESSES OF CO-PRODUCTION**

- Funders should cooperatively enable councils to deliver place-based strategies
- This should enable honest conversations about the challenges councils and other parts of the local public sector face

**COUNCILS SHOULD TAKE ON THE ROLE OF ENABLERS TO DEVELOP THEIR LOCAL CIVIL SOCIETY INFRASTRUCTURE**

- Councils should acknowledge that they cannot engineer civil society development, but should find ways to be enablers
- Crowdfunding platforms may allow for grassroots community development
- Investing in the creation of platform technology can allow for better connections within civil society, for instance to optimise local assets (such as community buildings) and create civil society connections

**COUNCILS AND FUNDERS SHOULD WORK TOWARDS GREATER CLARITY ABOUT HOW SERVICES ARE FUNDED AND DELIVERED**

- Tools like 360Giving allow both councils and funders publish their grants data in an open, standardised way. This allows people to understand and use the data in order to support decision-making and learning across the civil society ecosystem.

Ultimately, to develop more asset-based, place-based strategies which place civil society at the heart of improved outcomes, more whole system commissioning[^40] is needed. This should work at a strategic scale which can be clearly identified and supported by funders, with integrated budgets.

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CONCLUSION AND RECOMMENDATIONS

across public sector silos, and other commitment devices\textsuperscript{41} to recognise the whole system benefits of all local service interventions, public or community-led. This would be best accompanied by more integrated finance and accountability arrangements, to understand the impacts of spending decisions made across the NHS, local government, and different blue light services\textsuperscript{42}. At present, reviews of value for money in spending do not account for the implications of cuts by one institution for another service delivery area. This is a shortfall in working towards effective prevention landscapes.

\textsuperscript{41} Place-Based Health Commission (2016) Get Well Soon: Reimagining Place-Based Health. NLGN and Collaborate.

\textsuperscript{42} This may be enabled through the scrutiny arrangements of combined authorities, or as has been suggested by CfPS, through Local Public Accounts Committees.
City Bridge Trust is the funding arm of Bridge House Estates. It was established in 1995 to make use of funds surplus to bridge requirements and has awarded around 7,500 grants totalling over £360 million since it was first established. Today it provides grants totalling around £20 million per year towards charitable activity benefiting Greater London and is the biggest independent grant-giver tackling disadvantage across the capital.

Along with grantmaking, the Trust works to support and encourage effective philanthropy both within the City and across London. It also manages the City of London’s Social Investment Fund, a £20m fund with both a social and financial aim which is helping to develop the social investment market within the UK.

The City of London Corporation is the sole trustee of City Bridge Trust and members of its Court of Common Council form the Trust’s Grants Committee.

For more information, visit: www.citybridgetrust.org.uk
ABOUT THE PARTNER

LONDON FUNDERS

London Funders is a unique network of funders and investors supporting London’s voluntary and community organisations. We aim to contribute to a vibrant, varied, fit for purpose third sector which serves London well.

We enable our members – foundations, public sector funders, corporate givers, livery companies, loan finance investors and new philanthropists – to share experiences, learn from each other and collaborate to better meet the needs of Londoners.

Our diverse members provide a variety of areas of expertise about different parts of London and its third sector, but share a love of London and a belief in Londoners.

Although the other English regions and other countries of the UK have considerable and particular needs, London’s scale and complexity can mask the specific challenges it faces. We work to expose these to enable policy development and strategic thinking around funding for the capital.

For more information, visit: www.londonfunders.org.uk
Civil society is composed of highly varied but distinct elements, which work together towards a common outcome: improving people's lives. For this reason, a healthy civil society has always been critical to resilient communities. However, as cuts to local government budgets have altered local landscapes of service delivery – with many places now characterised by growing need and shrinking provision – the importance of civil society to securing the wellbeing of communities has dramatically increased.

This report looks at the role of two key players – independent funders who are at the core of civil society and local government – and argues they need to come into much closer dialogue. Each must see their role as enablers, based on a common language and common understanding of local needs and opportunities. Ultimately, this can ensure that the contributions of both local government and independent funders can become greater than the sum of their respective parts in supporting a healthy civil society.

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