Sheffield Hallam University | Centre for Regional Economic and Social Research

LLOYDS BANK FOUNDATION
England & Wales

The value of small

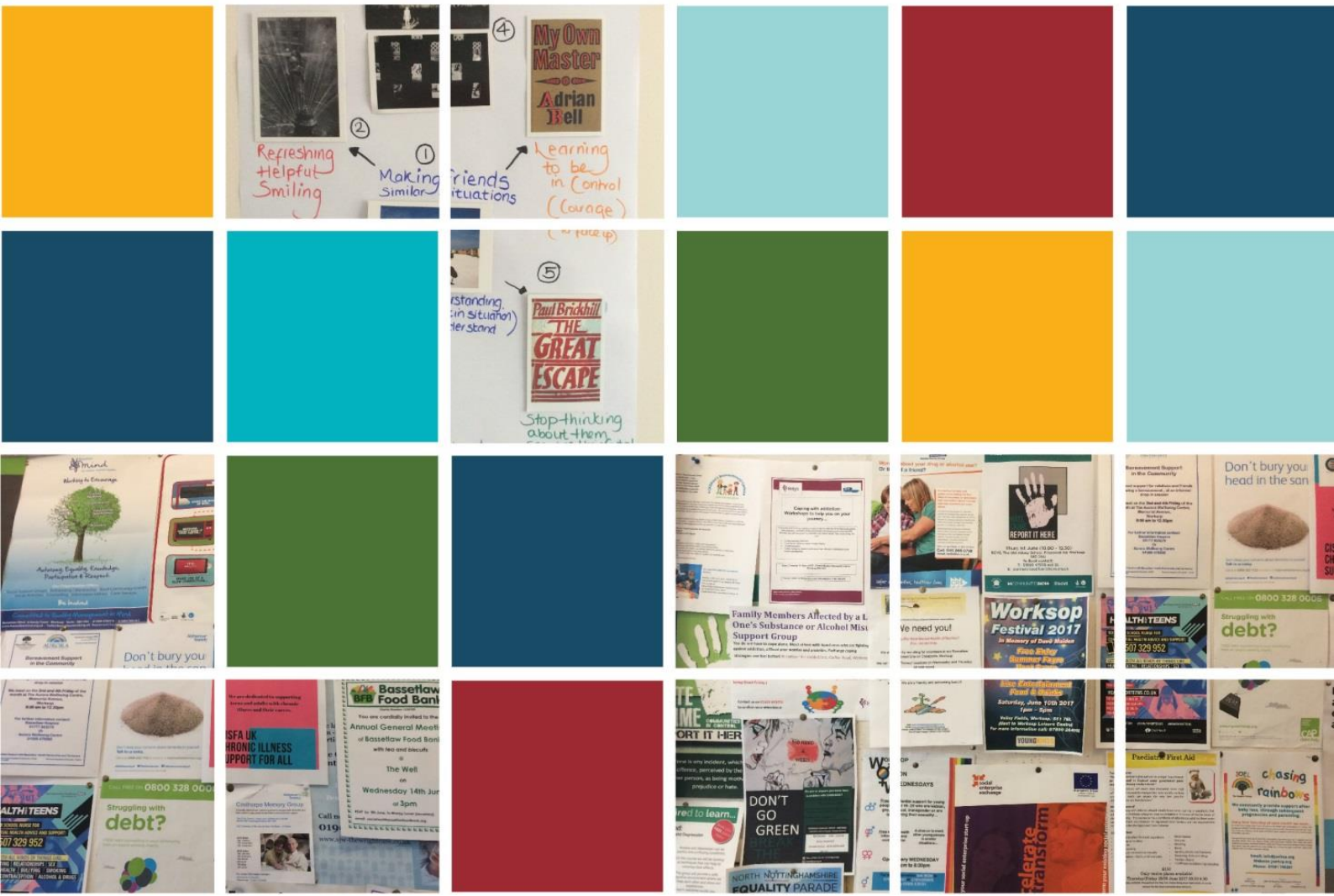## In-depth research into the distinctive contribution, value and experiences of small and medium-sized charities in England and Wales

The Open University
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The value of small

In-depth research into the distinctive contribution, value and experiences of small and medium-sized charities in England and Wales

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Executive Summary

Introduction

Small and medium-sized charities (SMCs) − whose annual income falls between £10,000 and £1 million − **are a vital part of everyday life in communities across England and Wales**. Most SMCs are based and operate at a local level and include a wide range of voluntary, community, social enterprise and civil society organisations. SMCs constitute 52 percent (64,000) of all registered charities and 19 percent (£7.2 billion) of charitable income (2014−15). Previous research has provided evidence in favour of sustaining a vibrant and healthy population of small and local charities, but there is **very little robust evidence about what is distinctive and valuable** about them relative to larger charities and public sector bodies. Addressing that gap is important now, more than ever, as **SMCs are more likely to be adversely affected by cuts to public sector budgets** and approaches to commissioning and procurement that favour economies of scale over more tailored and responsive approaches.

This research has focused on identifying **the distinctive contribution and value of SMCs operating at a local level** in England and Wales and understanding the funding challenges they face. It has involved **four in-depth area level qualitative case studies** − in Bassetlaw, Ealing, Salford and Wrexham − contextualised through original analysis of existing quantitative data. Overall, **more than 150 people participated in the research** through a series of workshops and interviews at an area and organisational level. Participants included paid staff, volunteers, trustees and service users representing SMCs, the wider voluntary, community and social enterprise sector, and the public sector.

This Executive Summary draws together the **key findings** and makes a number of **recommendations for strategic action** that follow from this research.

Distinctiveness

When we talk about distinctiveness throughout this report, we are referring to the **key features associated with being an SMC**, how and in what ways these are important to people and communities facing disadvantage, and why it is important that they are preserved and protected. Our findings build on previous research about the contribution SMCs make to people and communities, and provide additional in-depth evidence to highlight the **distinctive and important role they play within an ecosystem of local service provision**. In this vein, we have identified three core features that set SMCs apart from large charities and public sector bodies.

1. **A distinctive service offer − what SMCs do, and with/for whom:** SMCs play a critical role in addressing social welfare issues in their local communities, both directly and by plugging gaps in public services. We found that SMCs:

- Are *'first responders'* to newly emerging needs at a *'hyper-local' level.*

- *Create spaces where people feel safe*, respected and useful and can access services *without fear of being stigmatised*.

- *Promote inclusion and belonging* by connecting new and established communities to wider opportunities and support.

2. **A distinctive approach − how SMCs carry out their work:** we have identified a number of important features to the way SMCs work, including:

   - *Person-centred and responsive* approaches built on relationships of trust that create the conditions for *long-term engagement*.

   - Being an *embedded, trusted and long-term presence* within communities.

   - *Reaching early and staying longer* in their support for disadvantaged groups without affecting their agility and proximity to the community, including finding ways to work *beyond their locality* when the people they support (migrant communities, people in insecure housing) are resettled elsewhere.

   - Having an *open door approach that means people are not turned away*, and have the opportunity to be *listened to without fear of judgement*.

   - *Quick decision making* based on flat and responsive organisational hierarchies.

   - *Diversity* achieved through recruiting volunteers from the local community

3. **A distinctive position − where SMCs sit in the wider ecosystem of providers:** addressing disadvantage requires a mix of provision at an area level. We found that SMCs can occupy a distinctive position within this wider ecosystem due to:

   - *The extent and nature of their local networks and relationships,* which facilitate an extended reach within and between communities.

   - Their *stabilising role* at a local level, for which SMCs are frequently described as the *'glue'* that holds services and communities together.

   - Their *advocacy work*, in particular *at an individual level* for people in need of practical help to navigate their way through a crisis or address specific and pressing issues.

The way SMCs often **exhibit these features in combination means they are able to offer a distinctive set of services and activities** in their communities that are additional to the provision of larger charities and public bodies, and often add up to **more than the sum of their parts**.

Social value

Social value can be a slippery concept, but the importance of the Public Services (Social Value) Act 2010 in the procurement and commissioning of public services means that **understanding and demonstrating the social value SMCs bring to an area**, individually and collectively, is essential. Our research sought to capture examples of the social value created by SMCs and understand how their distinctive service offer, approach and position makes such value possible; and to articulate this in a way that makes sense to commissioners and funders. To that end we have identified **three dimensions to the social value created by SMCs** that ought to be accounted for through commissioning processes.

1. **Individual value − for people who engage with SMCs' services:** the support SMCs provide for people facing disadvantage leads to 'soft' personal, social and emotional outcomes − such as *wellbeing* − as well as hard and more tangible outcomes − such as *employment*.

   Importantly, we found that the way in which SMCs **create value** stems from their distinctive service offer, approach and position. In particular, it is the result of **person-centred and holistic support** based on:

   o *Meeting needs*, including averting and responding to crisis.

   o *Helping people to achieve 'small wins'*, such as building confidence and self-esteem, which provide the necessary basis for longer-term outcomes.

   o *Committed staff and volunteers,* who create safe spaces with a family feel that encourage long-term engagement.

   o *Creating the conditions, or scaffolding, for long-term engagement* which can lead to more tangible outcomes in the longer term.

2. **Economic value − for the economy and for public services:** we found that the work of SMCs creates value directly for the economy as well as value for public services through the individual outcomes achieved:

   o The economic footprint of SMCs was *£7.2 billion in 2014−15,* much of which was reinvested locally through services and activities that employ local people and utilise local supply chains.

   o The outcomes achieved by SMCs *provide direct value for the economy*, for example by supporting people into employment. They also provide *value to the public sector*, by helping to reduce the demand for, or cost of, services in areas such as health and homelessness.

3. **Added value − cross-cutting value for different stakeholders:** the work of SMCs provides a range of added value that cuts across individual and economic value, in particular through:

   o *Volunteering*, as SMCs provide many *more volunteers per £1 of funding* than larger charities; and volunteering is also a source of individual and economic value in its own right, *leading to outcomes for individuals* and *providing gross value added (GVA)* to the economy.

- *Funding leverage*, as SMCs are able to utilise multiple sources of funding and other resources when delivering a service, which means they are often *able to more than double income received from the public sector* with income from elsewhere.

- *Embeddedness in local organisational and social networks*, which gives SMCs an enhanced understanding of local needs and, crucially, enables people to navigate services and know which providers within the wider ecosystem are able meet or respond to their needs.

Challenges

In researching the distinctive role and value of SMCs, we have also identified **a number of significant challenges for SMCs** that are preventing this value from being realised and maximised on a consistent basis, and which are creating a sense of fragility within many organisations operating at a local level. The first set of challenges is associated with **social value and how it is measured and articulated**, as many SMCs, in particular the very smallest, do not have the capacity to implement formal and sophisticated approaches to monitoring and evaluation that many commissioners require. What SMCs are very effective at is capturing case studies and recounting, in compelling terms, how they have helped individual service users, including the types of value that followed from this support. But this type of evidence is not afforded the same weight as formal quantitative output and outcome measures by many commissioners and funders. As a result, **many SMCs are increasingly struggling to convince commissioners and funders of the need for, and value of, their work**.

The second set of challenges is associated with **the funding environment** affecting SMCs across our case study areas and is a **direct effect of central government austerity measures**. There is no disguising the fact that the **cuts have been dramatic and that there is now far less money to go around.**

The fact that **the funding environment has not favoured SMCs** is borne out by our quantitative data analysis, which shows that they receive a much smaller proportion of local government funding (16 percent) than larger charities (84 percent), and that the difference is most pronounced in comparison with the very largest charities (income over £10m) − the large majority of which (76 percent) are non-local − who receive 55 percent of all local government funding.

We have identified a range of public sector and SMC-led responses to the effects of austerity: some of these responses are compounding the effects of austerity whilst others are reducing them as well as they can.

The public sector has responded by searching for efficiency and/or economies of scale, through:

a) **Streamlining and scaling up contracts:** we found that *public sector commissioning was increasingly occurring at scale* − contracts were larger, and more tightly defined, which favoured large charities over SMCs. As a result, there is often a *mismatch between what many SMCs do* (their distinctiveness and social value) *and what public bodies seek to fund* (services and outputs/outcomes), even though the distinctive approach of SMCs leads to positive individual and economic outcomes that should be attractive to public sector bodies.

b) **Promoting collaboration between providers:** we found that although *collaboration between SMCs and larger providers was apparent*, it can prove problematic for SMCs, who are *wary of collaborating with larger organisations* and fear that their knowledge and skills could be

appropriated to the benefit of the largest organisation. However, *we did identify some examples of effective collaboration* involving SMCs, and found that this takes hard work and is *dependent on considerable levels of trust* between key actors.

SMCs in our case studies had responded to the challenges they face:

a) **Collectively, at an area level:** all of the SMCs felt that it was critical to continue to *invest time and financial resources in collaborating with other local providers*, even where there was no funding attached to this work. This work was seen as important because it *bridged a gap between communities and the public sector*, and enabled the voices of people facing disadvantage to be heard more effectively.

b) **Individually, at an organisational level:** a number of SMCs were focusing on *development and capacity building* to secure their long-term sustainability. Some SMCs were focusing on *income diversification*, for example through social enterprise, and others were focusing on how to *meet the requirements of commissioning frameworks* and larger contracts in the future.

Importantly, many stakeholders and SMCs spoke of the crucial role of an **effective local infrastructure organisation in facilitating** these types of area and organisational responses.

Despite the pressures of the funding environment, the majority of public and voluntary sector stakeholders involved in the research regarded **a healthy ecosystem of providers** – encompassing the whole range of organisations from micro, through small and medium-sized, to larger organisations – **as a crucial element of the local service provision** that encouraged quality and plurality of choice for service users.

Recommendations for strategic action

Overall, our research findings suggest there is a **mismatch between the distinctive offer, approach and position of SMCs; the approach local public sector bodies take to commissioning services; and the way that the value of those services** − the outcomes and wider benefits they lead to − **is measured and understood**. In turn, this suggests there is a **need for strategic local and national action to protect, promote and develop SMCs** in the following ways:

1. **Reforming funding:** the financial and wider resource pressures facing SMCs have been at the forefront of this research and there is clear need for them to retain a *healthy funding mix* if their distinctive service offer, approach and position are to be sustained. So, what does a healthy funding mix look like? Our research suggests it should involve a combination of the following:

   o *Grants, of different sizes and length, and for different purposes:* public sector bodies should be encouraged to award SMCs with grants over contracts wherever possible. This includes: long-term, large grants that cover core costs and provide SMCs with stability and enable their provision to be embedded sustainably in the wider ecosystem of services; and short term, sometimes smaller grants that enable SMCs to prototype and test new types of services and ways of working that could be incorporated into mainstream provision in the longer term. This distinction between different length and size of grants, and the purpose for which they are awarded, applies to independent funders as well as public sector bodies.

- o *Flexible, accessible and proportionate contracts:* when it is necessary to award contracts for public service delivery, public sector bodies should give more consideration to how SMCs can be involved in procurement and commissioning processes. This means that tender specifications should take account of the distinctive offer, approach and position of SMCs for meeting the needs of different service user populations. In particular, public sector bodies should learn from, and build upon examples of, effective practice in collaborative commissioning, and recognise that this requires long-term trust-based relationships between providers and commissioners and between providers themselves.

- o *Other sources of funding and resources that complement and add value to public sector funds:* a healthy funding mix should also include a range of non-public sector income streams that maximise the advantages of charitable status. These include: traditional voluntary sources such as fundraising, donations, in-kind support and volunteers; local and national independent grant funders; and social enterprise-style trading and income generation. Of particular importance here is fostering closer and more deeply embedded relationships between SMCs and the private sector, in particular firms who are rooted in, or have links to, the local area.

2. **Reframing and strengthening the role of social value**: our findings clearly demonstrate that the Public Services (Social Value) Act 2010 needs to be implemented more consistently and effectively, and in a way that recognises the distinctive features of SMCs. In practice this would mean:

- o *Requiring public sector bodies to formally account for social value* throughout commissioning, procurement and service delivery. This should include explaining both how social value has been incorporated into procurement processes and how it is monitored and reviewed whilst a service is being delivered, and a duty to report on this to the public at regular intervals.

- o *Incorporating a broader definition of social value* − such as that applied through this research − that recognises the full range of individual, economic and added value that different types of service providers can create.

3. **Sustaining healthy local ecosystems:** our research has highlighted the value of a healthy and vibrant ecosystem of provision − containing SMCs, wider voluntary, community and social enterprise organisations, and public sector bodies − at an area level. Sustaining these ecosystems, in particular *preserving and protecting the role of SMCs* within them, should be a central aim of public policy at national and local levels. This will require a *sustainable and healthy funding mix* and the *reforms to social value* described above, but also recognition of the importance of *long-term and embedded trust-based relationships* between key people and organisations within an ecosystem. These relationships provide vital linkages between individuals, services and communities, and enable effective, sustainable and collaborative approaches to addressing disadvantage to be developed. **However, these pivotal connections risk being severely eroded, or lost altogether, unless the issues raised by this research are addressed.**

Conclusion

Overall, the findings of our research **support and strengthen the existing evidence and arguments** about SMCs. In addition, the research has added depth and contextual richness to these claims, by **identifying three distinctive features of SMCs** - their service offer, their approach, and their position - and discussing why these enable them to play a vital role within ecosystems of local service provision. Importantly, we have also, for the first time, **made an explicit link between these distinctive characteristics and the social value SMCs create** for individuals and the wider economy, including the cross-cutting added value associated with the work they undertake.

However, we have also highlighted some **major challenges that SMCs face in convincing public sector commissioners and funders of the need for and value of their work**. These challenges are heightened by the pressures of seemingly permanent austerity, which have led to a public sector commissioning environment that increasingly priorities scale over responsiveness, and which favours larger charities over SMCs in an increasingly crowded and competitive 'marketplace'. The **recommendations for strategic action that we following this research provide an important start point for addressing these challenges**, but their implementation will require long-term commitments and financial resources from key stakeholders - in particular the public sector, independent funders and larger charities - at a local and national level.

Introduction

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Small and medium-sized[1] charities (SMCs) − whose annual income falls between £10,000 and £1 million − **are a vital part of everyday life in communities across England and Wales**. They include a wide range of voluntary, community, social enterprise and civil society organisations and constitute 52 percent (64,000) of all registered charities and 19 percent (£7.2 billion) of charitable income (2014−15). However, as figure 1.1 shows, although SMCs − and even smaller micro charities with an income below £10,000 − make-up more than 97 percent of the charity population, more than half of charitable income is received by a small number of very large charities.

Figure 1.1: The distribution of *charities* and *charity income* by size (2014−15)
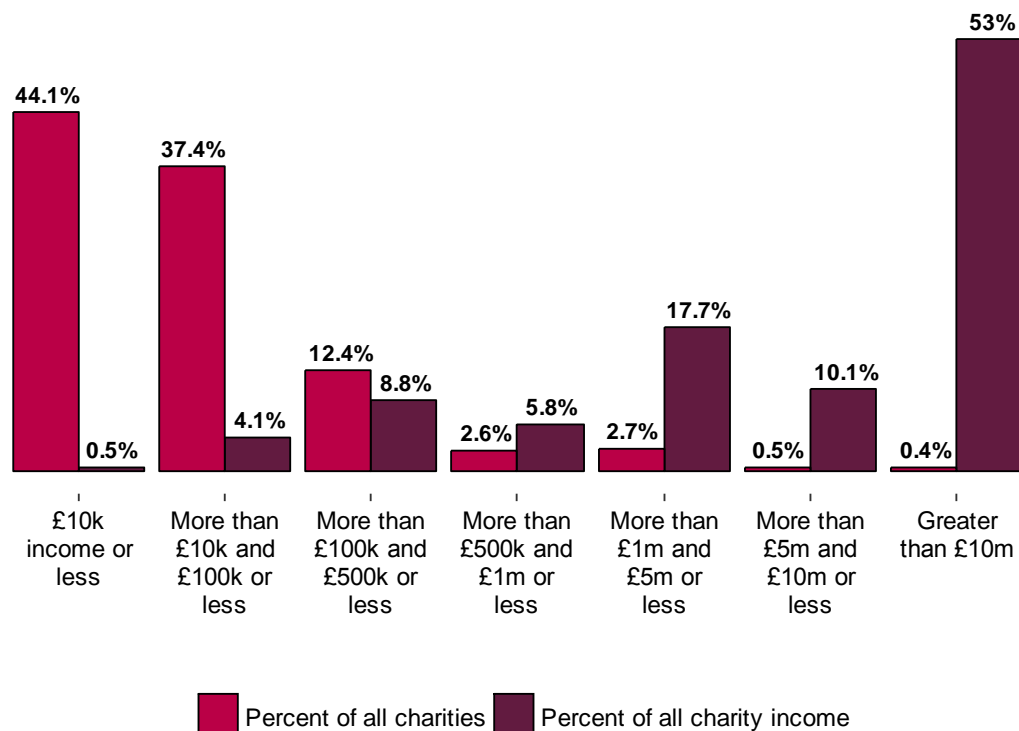
Source: Register of Charities (Charity Commission for England and Wales)

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[1] This report uses the size classifications adopted by NCVO in their Almanac research: a small charity is defined has having an annual income of £10,000-£100,000; a medium-sized charity is defined as having an income of £100,000-£1 million.

Previous research has provided a range of evidence in favour of sustaining a vibrant and healthy population of SMCs including their *embeddedness in local areas*, their *ability to build and nurture relationships*, and the way that they *engage with people and communities that other agencies fail to reach and listen to*[2]. But there is **very little robust evidence about what is distinctive and valuable** about the local voluntary sector as a whole, or SMCs specifically. Addressing that gap is important now, more than ever, as it has been argued that smaller organisations are more likely to be adversely affected by cuts to public sector budgets and approaches to commissioning and procurement that favour scale and perceived efficiency over more tailored and responsive approaches[3].

This study was commissioned by Lloyds Bank Foundation to build on research[4] and an evidence review[5] published in 2016 by providing in-depth evidence about the contribution and experiences of SMCs operating at a local level. To this end the research was structured around three over-arching themes through which a number of research questions were explored:

1. **Distinctiveness:** do locally-based SMCs play a distinctive role in tackling disadvantage as part of a local ecosystem of providers; are these distinctive features recognised by the people who use their services; and how does the service they receive compare to those of other providers[6]?

2. **Social value:** what is the social value and wider value for money that a locally-based SMC provides?

3. **Funding:** have public funding approaches helped or hindered the work of locally-based SMCs; and what are the most effective ways of funding them to provide support to people facing disadvantage?

The study involved in-depth case study research in four local authorities:

- The London Borough of **Ealing**

- The District of **Bassetlaw**, Nottinghamshire

- The Borough of **Salford**, Greater Manchester

- The Borough of **Wrexham**, Wales

Each case study included four detailed organisational studies of charities operating in the area. Three of these were SMCs with a fourth large charity selected for comparative

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[2] Hunter J and Cox E, with Round A (2016) *Too small to fail: How small and medium-sized charities are adapting to change and challenges, IPPR North*

[3] Lloyds Bank Foundation (2017) *Commissioning in crisis: How current contracting and procurement processes threaten the survival of small charities*

[4] Crees, J et al (2016) *Navigating change: an analysis of financial trends for small and medium-sized charities*. NCVO.

[5] See footnote 2.

[6] Note that the Research Team has employed a broad definition of 'people who use their services', to include commissioners and partner organisations, as well as direct beneficiaries, to capture the broadest range of perspectives.

purposes. The comparison between SMCs and a large charity at an area level was an original feature of this research. In total, more than 150 individuals participated in the research through a series of workshops and interviews at an area and organisational level. Participants included paid staff, volunteers, trustees and service users representing SMCs, the wider voluntary sector, and the public sector[7].

This report brings together the main findings of the research:

- Chapter 2 describes the *quantitative and qualitative research methods* that underpin the case study methodology.

- Chapter 3 provides an overview, from previous research and new data analysis undertaken for this study, of *what we already know about SMCs in England and Wales*.

- Chapter 4 discusses our findings about the *distinctiveness of locally based SMCs* and the extent to which these features are recognised by service users and key stakeholders.

- Chapter 5 considers the *social value of SMCs*.

- Chapter 6 discusses *SMCs' experiences of public funding*.

- Chapter 7 is the *conclusion*, and draws together the key findings of the research before setting out some recommendations for strategic action.

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[7] For, a breakdown of the number of research participants at an area and organisational level see the table provided in Appendix 1.

Methodology

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The research was undertaken through a case study methodology. Although this involved primarily qualitative research methods, quantitative data was also used to provide additional national and local context at key points during the research.

2.1. Case study sampling

Case study sampling was undertaken through a two-stage process with the aim of identifying four local authority areas in England and Wales that were broadly representative of the following criteria:

- **Geography:** ensuring coverage of the north and south of England, London and Wales, as well as a mix of urban and rural areas.

- **Administrative status:** ensuring coverage of unitary and two-tier local authorities, and areas with relatively straightforward and complex administrative boundaries.

- **Deprivation:** although the focus was on identifying relatively deprived areas, it was important to ensure that a variety of economic contexts were covered.

- **Population of charities:** ensuring coverage of areas with relatively high and low numbers of charities and SMCs, including income and the number of volunteers.

First, quantitative data was used to create a profile of SMCs in England and Wales, including at local authority area level. Data from the Register of Charities (Charity Commission) provided information about the number of SMCs compared to other charities, as well as their comparative income, volunteer numbers and areas of operation. Additional data on local government funding was taken from a dataset of charity accounts produced by the National Council of Voluntary Organisations (NCVO) and the Third Sector Research Centre (TSRC). The data on charities was combined with additional administrative data on local authorities to help select and provide context for the four case study areas. This included local authority data on population estimates, rural-urban classifications, welfare cuts, deprivation indices and life satisfaction surveys (see Appendix 1 for an overview of these data sources).

Through this process a longlist of 10 potential case study areas was produced and a short stakeholder engagement exercise was undertaken to establish the appropriateness of each area for involvement in the research. This included building a qualitative picture of the health and vibrancy of the local voluntary sector and SMCs in particular, including areas of strength and any particular challenges it was facing (including in relation to the three research

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themes). Following this stakeholder engagement process four areas were selected and agreed with Lloyds Bank Foundation and a wider Steering Group − involving key stakeholders from policy, practice and academia − who oversaw the research.

2.2. Case study research

The case study research involved two stages: (1) mapping the ecosystem of SMCs and other charities, voluntary, community and social enterprise organisations in each area; (2) organisation level research.

Stage 1: Mapping

Stakeholder workshop

The research started with a stakeholder workshop in each area. The aim of the workshops was to explore the local ecosystem within which charities and voluntary organisations were operating. They were attended by between 12 and 21 participants representing charities and other voluntary, community and social enterprise organisations operating in the area, funders and umbrella bodies, and local public sector bodies. Each workshop focused on:

- What was going on within the area: stories, issues, structures and history.

- The role of SMCs in tackling disadvantage.

- Views about the distinctiveness, value and funding of SMCs.

Stakeholder interviews

In each area 7-8 semi-structured interviews were conducted with key stakeholders from charities and voluntary organisations operating in the area, funders and umbrella bodies, and local public sector bodies.

Stage 2: Organisational studies

A summary of each case study organisation is provided in table 2.1. When selecting the four case study organisations in each area, the following factors were taken into account:

- **Size:** reflecting the spectrum of very small to medium; and the inclusion of a large organisation.

- **Thematic focus:** covering a range of issues and providing a range of services associated with social welfare and disadvantage.

- **Geographic location:** located in different parts of the area (where appropriate).

Each organisation's availability, capacity and enthusiasm to be involved in the research was also a major factor in their selection. In each area the large organisational case study was selected based on a range of pragmatic issues such as the research team's ability to broker access and the selected charities' visibility and engagement in key fora at an area level. The research team was also cognisant of the need for the four large organisations to be of different sizes and operating in different service fields.

Table 2.1: An overview of the case study organisations

Org ID	Case Study Area							
	Bassetlaw		*Ealing*		*Salford*		*Wrexham*	
A	Medium (£493,000)	Provides an emergency hostel, move on accommodation, and advice and support in one of the towns in Bassetlaw.	Medium (£251,000)	Runs two centres for individuals experiencing street homelessness. Between the two centres they provide food, day respite facilities and other resources.	Medium (£153,000)	Supports the integration of asylum seekers, migrants and refugees through support with immigration processes, English language and IT classes, housing, cultural activities, employment and emotional support.	Medium (£125,000)	Provides advocacy support for people with mental health problems and works to facilitate discussions between service providers and service users about gaps in service provision.
B	Medium (£407,000)	A community resource agency offering help and support to individuals and organisations throughout Bassetlaw, including older and socially isolated people.	Small (£87,000)	Community hub that provides support and services for people of all ages focused on: employability, ICT, welfare advice, youth issues, English language courses and advocacy support.	Medium (£813,000)	Delivers tailored creative art-based services to support the emotional wellbeing and recovery of people who are, or are at risk of, experiencing mental health difficulties.	Medium (£351,000)	Provides support for children and young people with disabilities, including activities and respite care for people and their families who are isolated or lack a wider support network.
C	Small (£41,000)	Church-led organisation providing a range of community projects aimed at tackling deprivation.	Small (£80,000)	Community-based mediation service providing alternative approaches to dispute and conflict resolution.	Medium (£251,000)	A faith-based charity that delivers emergency accommodation alongside physical, emotional and spiritual support.	Small (£66,000)	Provides support for young people who are experiencing, or are at risk of experiencing, some kind of exclusion from society.
D	Super-major (£158m)	A large national charity that delivers a range of health and social care services to individuals, young people and families seeking to overcome issues such as substance misuse, homelessness, deprivation, offending and domestic abuse.	Major (£24m)	A larger provider of domestic abuse refuges for women and children in London. In Ealing they provide domestic violence support and advice to individuals in partnership with three other specialist domestic violence charities.	Super-major (£115m)	A large national health and social care charity providing support for people with learning disabilities, accommodation for older people and people living with dementia, community care, and extra care support for those aged 55+.	Large (£1.9m)	A large charity that supports women experiencing domestic violence. Formed following the merger of a number of locally based SMCs.

Small and medium-sized charities: what do we know already?

3

3.1 Introduction

This chapter provides an overview, from existing research, of what we already know about SMCs in England and Wales in terms of their overall profile and footprint, the value they contribute, their financial health, and their *involvement in* and *experiences of* public service commissioning. It also presents new quantitative analysis undertaken for this study about the main ways in which SMCs are distinct from large charities.

3.2. The profile of SMCs in England and Wales

The population of charities in England and Wales is reported in-depth elsewhere[8] but it is important to highlight some key statistics to provide some context for the qualitative evidence discussed later on in this report[9]. Overall, we know that:

- SMCs represent a significant proportion of charities in England and Wales (52 percent) although this varies by area. Of our four case studies the area with the highest proportion of SMCs was Salford (61 percent) and the area with the lowest proportion was Bassetlaw (46 percent).

- Large charities represent a relatively small proportion of the overall population − three and a half percent − but again this varies by area. Bassetlaw (two) and Wrexham (five) have relatively few larger charities compared to Salford (30) and Ealing (18)[10].

- The economic footprint of SMCs in England and Wales is large: they reported income of £7.2 billion in 2014−15 − 18 percent of all charitable income. At a case study level this footprint ranged from £9.7 million in Bassetlaw to £41.6 million in Ealing.

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[8] See https://data.ncvo.org.uk/ for detailed statistics from NCVO's Almanac research programme.

[9] Appendix 2 provides detailed statistics on the population of general charities in England and Wales which contrast SMCs and larger charities both nationally and in each case study area.

[10] Note that the data does not enable the identification of areas of operation for charities operating in more than five local areas. This means that there may be large charities operating in each area that do not appear in the area level data.

- There are seven SMCs per 10,000 people in England and Wales compared to one large charity per 10,000 people. At a case study level this varied from 10 SMCs per 10,000 people in Salford compared to eight SMCs per 10,000 people in Wrexham.

3.3. Existing evidence about the value and distinctiveness of SMCs

As mentioned in the introduction, previous research has provided a range of evidence in favour of sustaining a vibrant and healthy population of SMCs, and has also highlighted their experiences of public sector funding and commissioning in recent years. The section discusses some of the most important of these studies and also presents new quantitative analysis of the ways in which SMCs are distinct from large charities.

What do we know from previous research?

A number of policy and academic studies in recent years have explored the distinctiveness and value of SMCs. These have highlighted some central arguments in favour of sustaining a vibrant and healthy ecosystem of SMCs, including[11]:

- Their **embeddedness in their local areas**, which provides them with intimate knowledge and understanding of those areas' assets and needs.

- Their role in **building and nurturing social networks**, and in enabling relationships between people who live and work in a particular community, and between communities and other networks, including national and local government.

- Their ability to **engage directly with groups that other agencies fail to reach and listen to**, often working holistically and in person-centred ways that are responsive to individual and local contexts.

- The way that **staff, trustees and volunteers take on multiple roles, providing greater flexibility and responsiveness** to the needs of service users.

However, this previous research has also highlighted a lack of robust evidence to support these claims about SMCs or why they are important for service users, communities and public services. **Filling this gap in the evidence base is an important aim of this research.**

A number of studies have also explored the financial situation of charities and voluntary organisations in the aftermath of the 2008 recession and subsequent fiscal austerity and welfare reforms enacted by the UK government. This research shows that the total annual income of all charities reduced for six consecutive years following 2008 and led to sizeable cumulative decline in real terms income, with medium-sized charities, and those in deprived areas, most significantly affected[12]. Additional research[13] has shed light on the specific experiences of SMCs during this period, highlighting that:

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[11] For a review of evidence in support of these arguments, see Hunter J and Cox E, with Round A (2016) *Too small to fail: How small and medium-sized charities are adapting to change and challenges,* IPPR North.

[12] Clifford, D (2016) Charitable organisations, the great recession and the age of austerity: longitudinal evidence for England and Wales. *Journal of Social Policy,* Volume 46, Issue 1, January 2017, pp 1-30

- The **income of SMCs is relatively unstable**, with many experiencing significant substantial income fluctuations: smaller charities experienced higher income volatility than larger charities.

- Proportionally, **SMCs lost more income − including from government − than larger charities**. This was due, in large part, to a shift away from (smaller) grants to (larger) contracts.

- Despite a slight rise in individual giving, this was not at a scale whereby it could replace levels of government income that had been lost.

- Following cuts in government income, SMCs' spending and income patterns changed, with a **decrease in overall spending, and an increase in earned income**.

- **SMCs were more badly affected by the instability of short-term funding** streams than larger charities.

In light of the reductions in government income experienced by SMCs, Lloyds Bank Foundation undertook research to better understand SMCs' experiences of commissioning processes[14]. The three headline themes from this research were:

- There can be **a lack of knowledge by commissioners about the needs of service users or which service providers are best-placed to meet those needs**. As a result, commissioning practices can trivialise local expertise, skills and knowledge.

- **Commissioning specifications can actively but unnecessarily exclude SMCs from tendering,** for example by setting excessive size criteria.

- **Commissioning processes can inadvertently impede SMCs' ability to develop an effective bid**, particularly as SMCs have limited resources and capacity.

What can we identify from existing data sources?

It is possible to dig deeper into the data on charities to explore how different types and size of charities vary. This study involved original data analysis through which SMCs were compared with large charities across a range of measures to identify the features that make SMCs distinct. Through this analysis four key features emerged:

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[13] Crees, J et al (2016) *Navigating change: an analysis of financial trends for small and medium-sized charities*. NCVO.

[14] Lloyds Bank Foundation (2017) *Commissioning in crisis: How current contracting and procurement processes threaten the survival of small charities*

1. **Localness:** as figure 3.1 shows, SMCs are much more likely than larger charities to operate within a single local authority, and this relationship is fairly linear: as the size category increases the likelihood of operating in a single local authority decreases.

2. **Volunteering:** figure 3.2 demonstrates that, in proportion with their income, SMCs have a greater number of volunteers than large charities. This is also a linear relationship: the median ratio of volunteers to income reduces significantly as income increases. For example, small charities (with an income of £10,000-£100,000) have 5.62 volunteers for every £10,000 of income received whereas the largest charities (with an income of more than £10 million) only have 0.02 volunteers for every £10,000 of income.

3. **Focus:** charities are required to report to the Charity Commission about their activity types, the beneficiary groups they support, and their services, with multiple options available. Figure 3.3 shows that SMCs are more likely than larger charities to indicate only one activity type, beneficiary group or service area. This suggests that SMCs are more likely than larger charities to be *specialist* rather than *generalist* in terms of what they do, who they work with, and where they work.

4. **Share of local government funding:** overall, 29 percent of SMCs receive some funding from local government compared to 45 percent of larger charities, but they are equally reliant on it: on average local government funding accounts for 40 percent of their total income compared to 41 percent for larger charities. Figure 3.4 demonstrates that SMCs received a much smaller proportion of local government funding (16 percent) than larger charities (84 percent). It also shows that this difference is most pronounced in comparison with the very largest charities (with an income of more than £10 million) − the large majority of which (76 percent) are non-local − who receive 55 percent of all local government funding.

Figure 3.1: Percentage of general charities by level of operation according to size
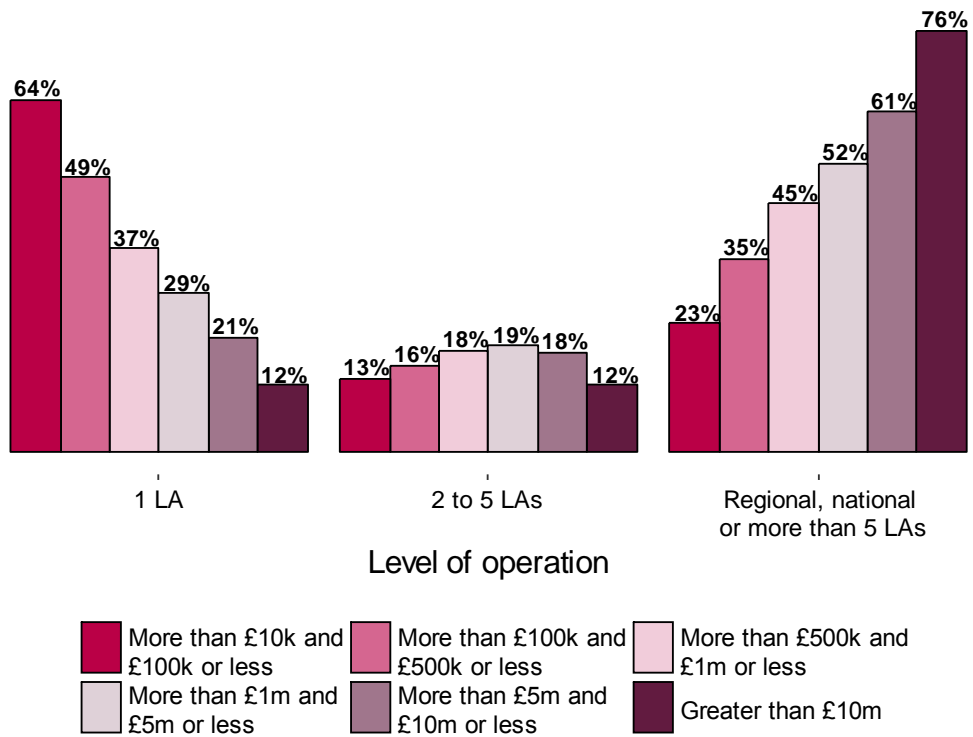
Source: Register of Charities (Charity Commission for England and Wales)

Figure 3.2: Median ratio of volunteers to income of general charities according to size (no of volunteers per £10,000 of income)
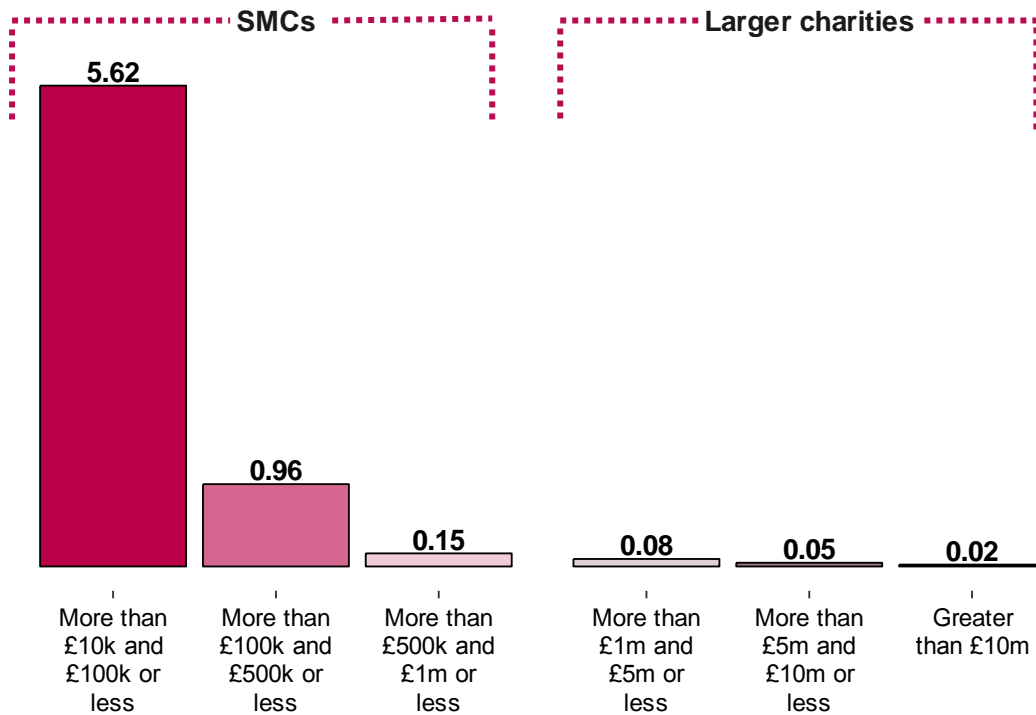
Source: Register of Charities (Charity Commission for England and Wales)

Figure 3.3: Percentage of general charities with a focus on a single beneficiary group, service area or activity type

	Single service areas	Single beneficiary groups	Single activity types
Larger charities	26%	37%	24%
SMCs	39%	49%	45%
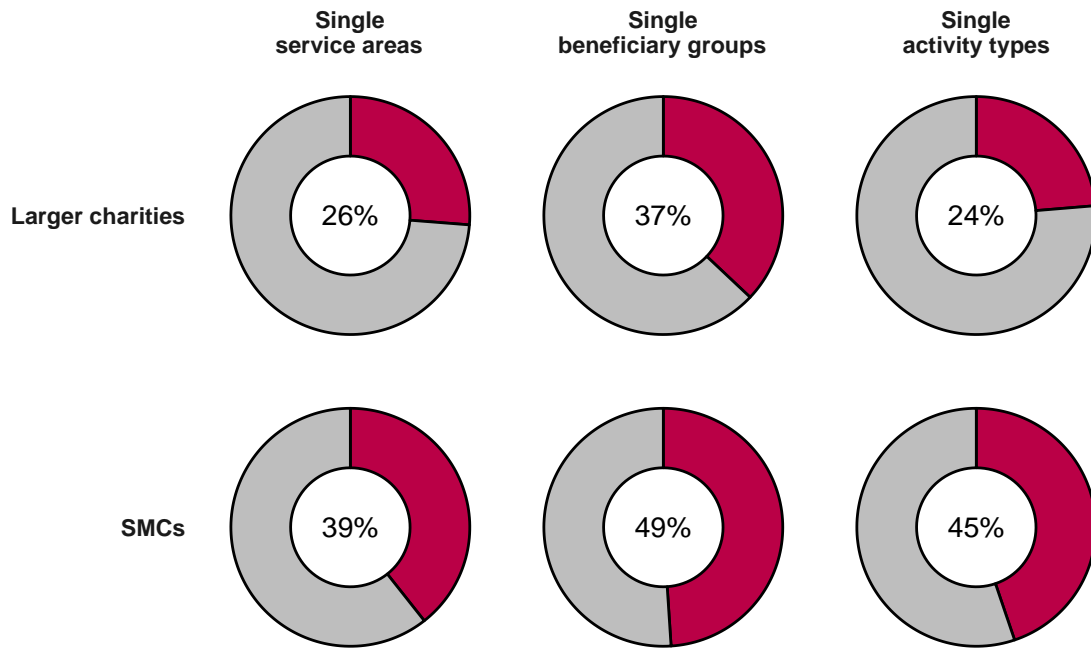
Source: Register of Charities (Charity Commission for England and Wales)

Figure 3.4: Distribution of local government income to general charities according to organisation size

	SMCs			Larger charities		
	More than £10k and £100k or less	More than £100k and £500k or less	More than £500k and £1m or less	More than £1m and £5m or less	More than £5m and £10m or less	Greater than £10m
	3%	8%	5%	18%	11%	55%
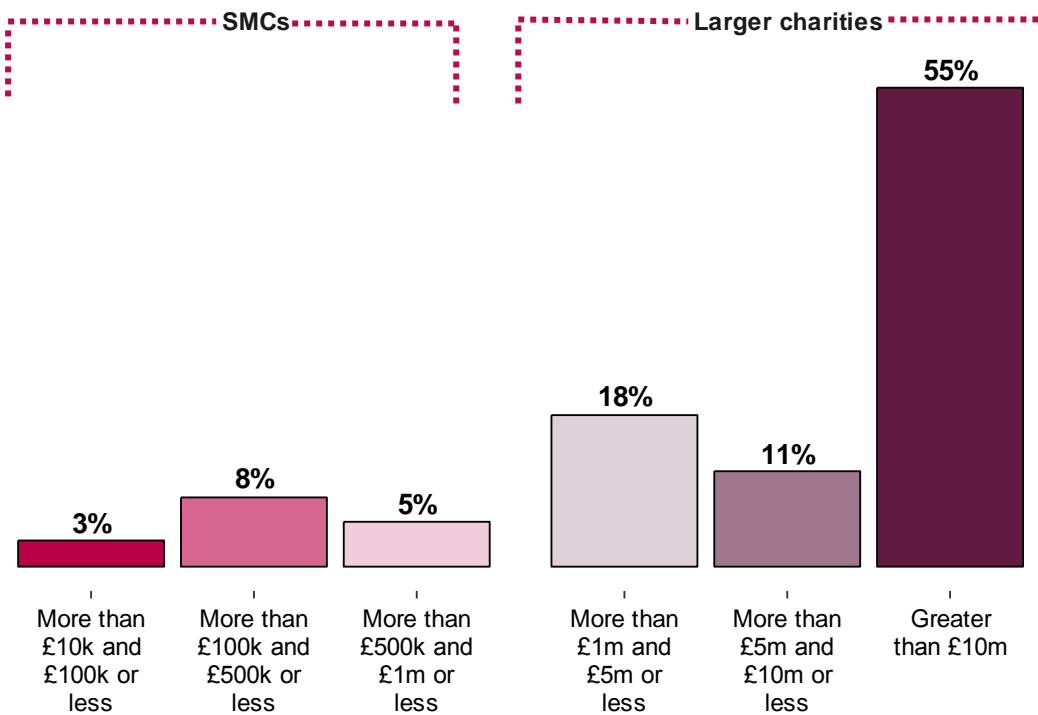
Source: TSRC/NCVO Charity Accounts Dataset

Chapter 3 Summary

There are **64,000 general SMCs in England and Wales with a combined annual income of £7.2 billion**. This equates to 52 percent of all charities and 19 percent of all charitable income.

Previous research on SMCs suggests they contribute in the following ways:

- Their **embeddedness in their local areas**, which provides them with intimate knowledge and understanding of those areas' assets and needs.

- **Building and nurturing social networks**, and enabling relationships between local people, and between communities and other networks, including government.

- **Engaging with groups that other agencies fail to reach and listen to**, working holistically and in ways that are responsive to different contexts.

- **Staff, trustees and volunteers taking on multiple roles, providing greater flexibility and responsiveness** to the needs of service users.

New quantitative analysis undertaken as part of this study suggests that SMCs are distinct from larger charities in a number of ways:

- **Localness:** they are more likely to operate in one local authority area.

- **Volunteering:** they have more volunteers relative to their income. In particular, small charities have 5.62 volunteers for every £10,000 of income received whereas the largest charities only have 0.02 volunteers for every £10,000.

- **Focus:** they are more likely to have a more focused approach to their work in terms of *what they do, who they work with*, and *where they work*.

- **Local government funding:** they have a much smaller share of local government funding − only 16 percent − compared to large and non-local charities.

However, the economic downtown of 2008 and subsequent public sector austerity means SMCs have experienced, and continue to experience, considerable financial turbulence:

- **Overall income has declined since 2008**, including from government sources, and SMCs income trajectories remain volatile.

- **Public sector commissioning processes disadvantage SMCs** by increasingly favouring economies of scale.

The distinctiveness of small and medium-sized charities

4

4.1. Introduction

This chapter considers the first set of research questions: **do locally based SMCs play a distinctive role** in tackling disadvantage as part of a local ecosystem of providers; and **is this recognised** by service users, commissioners or wider stakeholders, including other providers? Throughout the research we have used the term 'distinctiveness' to differentiate SMCs from large charities and public sector bodies. However, it is important to recognise that this research has not sought to portray one size or type of organisation as 'good', 'bad' or more important than the others. Rather, it has aimed to identify some of the key features associated with being an SMC and explain how and in what ways these are important to people and communities experiencing disadvantage. This chapter therefore sets out to explain why SMCs are valuable in and of themselves, and why it is important that they are preserved and protected.

Overall, the research findings suggest that the distinctiveness of SMCs can be distilled into three inter-connected features:

- **A distinctive service offer:** what SMCs do, and with/for whom.

- **A distinctive approach:** how SMCs carry out their work.

- **A distinctive position:** where SMCs sit in the wider ecosystem of providers.

The remainder of this chapter looks across the four case study areas and 16 organisations covered by the research to discuss the main findings about each of these features.

4.2. A distinctive service offer: what SMCs do and with/for whom

We found that many SMCs have a distinctive service offer: what they do, and with or for whom they do it, is often very different from larger charities and public sector bodies. This includes their role as **first responders to emerging needs at a 'hyper-local' level**, providing **spaces where people feel safe and respected** and where their contribution is valued, and **supporting inclusion, integration and belonging** within a local area.

First responders: reaching earlier than other providers

SMCs are often the first to respond to new and emerging needs, particularly those playing out at a 'hyper-local' level that haven't yet come to the attention of public bodies or other charities. SMCs described their work as *'sitting at the bottom of the ladder'* dealing with issues at the point at which they arise in a *'completely unconditional'* way; and this view was shared by commissioners and other stakeholders locally.

> *'They do things as and when they … see a need and the beauty of that is they can react to something very quickly, so if they see a particular problem in the streets they can put something together quickly' (Public sector stakeholder, Wrexham)*

This 'first responder' role was apparent, for example, in the way SMCs in Ealing were the first to notice and adapt to newly arrived immigrant communities, recruiting volunteers with the right languages or making other changes to ensure a 'culturally appropriate' response.

Most SMCs have emerged to fill a gap in need and *'do the things that others are not doing',* for which a small scale, community-minded and bespoke way of working is often required.

> *'It was the overall offer that was available in the community. It was somewhere you could walk through a door and be dealt with … ultimately there was somewhere you could go and have a conversation and deal with a crisis'* (Public sector stakeholder, Wrexham)

We found that first and foremost, many SMCs focus on people's general wellbeing and, as such, are less likely to turn them away or ignore aspects of their needs if they don't fit neatly into the services they provide. As such, SMCs can be both the 'first port of call' and also the 'last resort' for many people. In Organisation C in Salford this meant that staff were focused on preventing repeat homelessness by working on how to *'build them [homeless people] up, not just get them off the streets'.* More generally, our findings show that SMCs very often look beyond the initial problem people present with: *'People come in for training but then we talk to them about their health needs as well'* (Volunteer, SMC, Ealing).

Although SMCs are typically set up to do things that public bodies cannot or would not provide, we found that this is not always clear cut, especially where urgent needs arise. Organisation A in Bassetlaw, for example, explained that *'if anyone turns up trying to sleep in the bus station they [the council] call us as if we're here to help them … the council are not providing [for] the need'.* The same organisation also created a collection point for people to donate coats in advance of the cold weather. Across the four case studies SMCs were providing the *'the glue'* in gaps between services, often stepping in when statutory provision moved too slowly.

> *'[People] haven't got time to wait six weeks for an OT [Occupational Therapist] to come out and decide whether you need a grab rail or not. They need a grab rail or … an adaptation to a wheelchair because it makes a massive difference in their lives … I don't think there's an understanding of how difficult that is for somebody who's been told "yes you need one of these, but it might be six months before you see it"' (Staff member, SMC, Wrexham)*

> *'Last year, for the first time, because the homelessness situation was growing … we had a week when we just said if you've got spare blankets, coats, bring them in and*

there was a central point within Retford when we knew that if people came who were freezing you'd got that happening' (Volunteer, SMC, Bassetlaw)

Our findings also show how SMCs are quick to step in early and address new needs in a community, doing so in a way that is responsive to the individual and focuses on building relationships of trust. However, there is a risk that, over time, SMCs end up taking on tasks that are the responsibility of the state as a matter of course, even though new funding has not been provided for this work. We identified a number of examples where SMCs were being expected to take on statutory responsibilities but without being paid or given additional resources to do so. There is a risk therefore that by plugging gaps in public services, SMCs are being pulled away from their 'first responder' role at a community level, and that additional strain is being placed on already limited resources.

Creating spaces where people feel safe and that they belong

The environment that SMCs create is an important feature of their offer. They provide spaces where people feel safe and know their possessions will be safe too; a space where people feel they belong and know they are cared for in an unconditional way; a space where people can ask for help without being embarrassed or stigmatised; and a space where people can feel useful, where their contribution is valued, where they are treated with respect and can find something purposeful to do.

'Just come in and sit down, no one asking questions, no forms to fill out' (Volunteer, SMC, Ealing)

'Everybody's going through the same thing so there's an empathy, even if it's not the same thing, we all understand so it is a very kind place' (Service user, SMC, Salford)

Volunteers and service users in several SMCs likened the environment to a family and felt that also marked it out as different from a larger charity or public service:

'I think it's the family-ness of it that makes it nice and I think if it got too big I don't know it would depend how that was managed and how it was organised' (Volunteer, SMC, Wrexham)

'It's nice to know that if you're having a bad day or if you don't want to talk nobody really pushes … I think that's important when it's a place for mental health, that it's somewhere you can come and feel safe. Even if sort of you're having a bad moment you can take five minutes to wander round the garden' (Service user, SMC, Salford)

This finding is exemplified by the work of Organisation A in Ealing, and the community café they run, which is used by both homeless people and members of the public (see box 4.1).

Box 4.1: Creating a space where people feel they belong: a community cafe

Organisation A in Ealing was founded in 1989 and works with people who are homeless. One of the services it provides is a community cafe which opens onto the street. The café was opened in 1999 to provide a place for people to go during the afternoon and early evening when the charity's main centre, which provides breakfast and lunch, is closed. Organisation A had initially planned for the centre to be open for four hours a day, expecting around 20 or 30 clients to use it. However, by 2003 this number had increased to around 105 clients per day and it has remained at that higher level of need ever since. In 2016−17 the cafe had an average of 94 clients per day coming through its doors.

Although the cafe is there to provide food for homeless people using the charity's services, it is also open to the public. The manager explained: *'the environment is so much like a regular cafe that people come in off the street without realising that it is part of the homelessness charity. The public are made welcome and can eat there in exchange for a donation to the charity.'*

As a result, instead of the cafe being *'for charity cases',* it is a place where homeless people can spend time without stigma and still ask for help if they need it. People who visit the centre can *'just come in and sit down, no one asking you questions, no forms to fill out'*.

One of the volunteers described the manager as *'like a mother figure'* and how it is the small things that are important, such as the fact that people can '*put their bag down and sleep'*, knowing that they and their possessions will be safe. They can also charge their phones, pick up a clean pair of socks, leave their belongings there for safe-keeping. Another volunteer commented that other hostels are '*more rigid'* and won't do these kinds of things. The staff also get to know the homeless people using the cafe and will ask after them if they haven't seen them in a while.

The SMC felt that this way of operating the community cafe − a constant, visible presence in the area − sent a powerful message to the local population about homeless people being no different from anyone else and there being no shame in asking for help when you need it. They felt their approach fostered '*greater understanding and acceptance of [homeless people] and their problems amongst the community'* and argued that by being locally embedded (see below) they encourage, but don't force, greater interaction between the individuals using the services and the wider public.

Supporting inclusion, integration and belonging

Previous research[15] has suggested that SMCs are valued for the way they connect people and build networks. This is important because, for many people, before they can connect with others, they need to have confidence in themselves and a sense of their own identity. We found that many SMCs do both of these things: they nurture people (discussed in more detail under 'Distinctive approach'); and they find ways to connect people into the area they live in.

A number of the SMCs involved in this research were supporting different groups, including newly arrived communities, people with mental health issues or those experiencing homelessness, to become more integrated in their community. This was being achieved in a range of ways (see box 4.2 for a specific example): from individual, holistic support, providing culturally appropriate services with volunteers and staff who speak indigenous languages, through to employment and training support. As described above, some of this work included creating spaces where people from different walks of life are able to connect with each other, such as the community cafe described in box 4.1 above.

Throughout the research we identified examples of how individuals can *'*move through' an SMC, often first as a service user, then as a volunteer, and eventually (for some) becoming a member of staff. So, volunteering in SMCs is about giving people a chance to get involved with a charity in ways that build their confidence and sense of belonging. One volunteer in

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[15] Hunter J and Cox E, with Round A (2016) *Too small to fail: How small and medium-sized charities are adapting to change and challenges,* IPPR North.

Ealing talked about how he used to work for an international computing firm and then when his daughter became sick he became her full-time carer. He said that volunteering has provided him with the opportunity to get out and *'meet and interact with people'* and helped him in the transition from full-time work to caring. Also in Ealing, an advice worker in Organisation B talked about how she had first come to the SMC to seek support for herself and that now she had been recruited to provide similar advice and support to others.

Box 4.2: Supporting inclusion, integration and belonging: advice service for people seeking asylum

Organisation A in Salford provides a 'generalist' service to Black African asylum seekers, refugees and migrants in the UK who speak one of two indigenous languages. The charity's focus is on supporting people's integration into local communities. It was founded in 2009 by a recent immigrant to the UK who had found the immigration process and integrating into British life complex and daunting. The founder wanted to use their own experience of navigating this process to help other people new to the UK transition into British life by providing support to tackle issues such as unemployment, homelessness, mental health, discrimination, economic deprivation, loneliness and isolation.

A central feature of the Organisation A is the fact that members of staff were previously asylum seekers who have navigated their way from being migrants, asylum seekers and refugees to becoming British citizens, with little outside support. Services users commented that because staff are also from a similar cultural and language background as the service users they support, it creates a welcoming 'family' atmosphere. Staff members' first-hand knowledge of the system, and being perceived as similar to those seeking support, attracted asylum seekers, refugees and migrants to the area. As one service user explained: *'it isn't about racism, but I feel more comfortable speaking to people of the same race.'* Word of mouth is key in these tight-knit communities, and people recounting their positive first-hand experiences to others in similar situations was a key component of Organisation A's ability to reach further into the community than many mainstream services.

When Organisation A was set up, the number of people speaking these languages and living or arriving in Salford was small. This ethnic group has grown significantly over the last five years but Organisation A is still the only provider dedicated to supporting this minority need, not just in Salford but across Greater Manchester, due in part to existing service users sharing their positive experiences across their tight-knit but geographically dispersed communities. As such, its geographical reach now extends across the region and it supports many more people than originally intended.

One service user explained how she *'wouldn't know what to do'* without Organisation A as before she knew of them she would go to *'Manchester advice places and they gave me numbers and told me to ring this and ring that',* leaving her with a sense of continual struggle with no resolution as she was passed around the system.

This type of SMC will become even more important if, as predicted, the UK population continues to become ever more ethnically diverse.

4.3. A Distinctive approach: how SMCs carry out their work

We found that many SMCs have a distinctive approach to carrying out their work that sets them apart from many larger charities and public sector bodies. This includes **person-centred and responsive work** built on relationships of trust, being a **long-term embedded and trusted presence within communities** of place and interest, having **a door that is always open**, and the existence of **flat decision-making hierarchies**.

Person-centred, responsive work built on relationships of trust

Previous research[16] has suggested that SMCs are characterised by working in person-centred ways, or working holistically and placing a premium on building relationships of trust. Our research backs this up. Many of the research participants drew a connection between operating on a small scale and being able to work flexibly with individuals, with one stakeholder describing Organisation C in Wrexham, for example, as both *'small'* and *'personable'* and distinguished by an *'absence of standardisation'*. In Salford, Organisation C explained that, by operating a 24-hour service (instead of day centre or night hostel only), they have more time to talk to people, to build up a picture of their life and how they came to be homeless and, in turn, to give them tailored help and support.

A number of research participants also commented that people may turn to SMCs because they are not associated with government and therefore people feel able to trust them, as one SMC in Ealing explained: *'The further away from government an organisation is, the more trusting in it people are'*. This relational trust-based approach to tackling disadvantage was a key feature of the SMCs involved in the research. Whilst larger charities and public bodies in our case study areas also strived to build relationships of trust with their clients, they were mainly working with larger numbers of clients and, as such, their contractual requirements – which often required an emphasis on 'throughput' – sometimes made a wholly person-centred approach difficult to maintain.

Embedded: a long-term, trusted presence within communities

We know from previous research that many SMCs are 'embedded' in the communities of place and interest that they work with and see that as critical to what they do and how they do it. In our research, we have added to our understanding of what being an embedded SMC looks and feels like in practice, and why this is important.

So what does 'embeddedness' look like? First, it means longevity and density of local relationships that enable an SMC to command a high level of trust and legitimacy with local people. Second, it means being a stable, often visible, physical, presence in an area, including a building or part of the building such as a cafe that is open to the public or the provision of a universal service. Third, it means a workforce (paid and voluntary) in the community getting to know people, groups and organisations across the voluntary, public and business sectors. Finally, it means local people being drawn into the SMC to help with fundraising or awareness raising; or being deliberately recruited as volunteers because they are from a particular ethnic population or neighbourhood that the charity works with.

We found that SMCs are mainly embedded in one particular local area, which could be a neighbourhood or a borough. Some SMCs, however, work in more than one area or respond to need from outside their area. For these SMCs, being 'locally embedded' means still operating at a local level but also being plugged into multiple resource streams and networks in each of these areas. For example, Organisation B in Ealing works with newly arrived immigrants from Eastern Europe and supports people from a wider geographical area than just Ealing, continuing to provide remote support to some new immigrants after they have been resettled outside London. This is because immigrants arriving into the UK in the last

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[16] Hunter J and Cox E, with Round A (2016) *Too small to fail: How small and medium-sized charities are adapting to change and challenges,* IPPR North.

few years are increasingly being resettled outside London and many find they are not well supported when they arrive in their new host towns. Thus, these SMCs are 'reaching early and staying longer' in their support for groups that might otherwise be unsupported and sometimes, in order to maintain their work for the communities they were set-up to support, this is extending their work beyond their small, local boundaries. Importantly, this extended role is not having a detrimental effect on their agility and proximity to the community that made them distinct in the first place. But in some SMCs it does mean that their resources are very stretched.

The large charities involved in the case study research had all taken steps to embed their services locally, mainly driven by being commissioned to deliver a local service: they did this not to compete with SMCs but because they believed it was the right approach to take when delivering services for people facing disadvantage. However, the key difference between large charities and SMCs was that for large charities, being or becoming embedded was often a conscious act that took time and ongoing effort, in particular for national charities without an established presence in the area. By contrast, for many SMCs embeddedness is more natural and part of their everyday practice.

Open door approach

We found that many SMCs, unlike some other local service providers, 'open their doors' every day and people often don't need an appointment to access services. SMCs' rationale for working this way is not just about being available but also about treating people differently. Many of the people they work with have not been listened to in the past, or have been turned away or passed from one agency to another. In addition, they are often supporting people who are taking the first step towards seeking help and so the initial focus has to be on giving them encouragement and the confidence to stay in touch.

Importantly, each of the SMCs involved in the research started from a position of *'listening without judgment'* to what people say they need, and then trying to help if they can, or signposting them to other services. Some SMCs offered universal access (i.e. available to the whole population of an area) for a generalist service, while others focused on a specific group but were flexible about the way they worked with them.

> *'They don't turn away people if they don't fall into certain categories' (Public sector stakeholder, Ealing)*
>
> *'We aspire really to support the whole community, we are not targeted at a particular group and we are free to all residents in the community' (Staff member, SMC, Ealing)*

This way of working was described positively by many participants as *'going the extra mile'* with staff typically working extra hours or taking on extra duties. However, this comes at a price and when we spoke to larger charities, while they too considered it a strength of SMCs that they *'can take a bit more time'* with clients, they also said that the reason they have fixed hours and appointment systems, for example, is to protect the wellbeing of their staff: *'if they are conducting three three-hour sessions in a day that can be very draining'*. Thus there can be risks involved with the flexibility of SMCs going the extra mile, particularly if the service they offer is not sufficiently resourced to meet the demands that are placed on it.

All of the SMCs in the research involved volunteers and, although this was partly for reasons of capacity, it was also about being able to reflect the diversity of their service users and to be responsive and flexible to multiple needs. As one SMC explained, *'We model diversity in*

action'. SMCs talked about recruiting volunteers for the languages they speak; for their understanding of gender-specific issues (e.g. recruiting an increasing number of female volunteers); or to bring in people with particular experiences, such as having gone through asylum and immigration processes or mental health issues.

Decision making: flat hierarchies and the role of trustees

We found that how SMCs make decisions and who is involved in the decision-making process is key to their ability to be flexible and responsive to the community as a whole, for example by adding or adapting a service, and to individuals, for example by fitting the service to their particular circumstances. Our findings have highlighted a number of factors associated with how SMCs make decisions:

- **Governance:** engaged trustees who understand their mission and values and have supported staff proposals to make changes to services.

- **Management:** individual staff members are empowered to make on-the-spot decisions about the way they work with individual clients.

- **Participation:** many SMCs have structures in place for listening to the views of clients, their family or friends, and local stakeholders, and using those to inform changes.

For example, Organisation B in Wrexham described how the combination of being both small and having a staff team empowered to take decisions enabled them to take fast and effective decisions on a case-by-case basis:

> *'I think that's a decision we make and we make it on the grounds of the situation that child's in and we do it because we know we're fairly unique in what we offer.' (Staff member, SMC, Wrexham)*

In this context we found that many SMCs have to find a balance between the professionalisation of their organisation and maintaining the personal approach they take in service delivery. Staff felt that in making time for tasks associated with professionalisation (such as improved bid writing skills, building new partnerships) they could be 'stealing' time from service delivery. Some SMCs found this balance manageable, especially where key staff had some experience of the public sector, but for others it was a real challenge. For example, Organisation C in Ealing described how they try to *'retain the warmth and values of a small charity but present to the Council in a very formal way'.*

The SMCs involved in the research said they understood the need for compliance and accountability, but suggested it would help if funders and/or commissioners of services could be more understanding of the fact that their time and resource for reporting is limited. A number of SMCs suggested that there was a genuine risk to the distinctive reach and the depth of SMCs' impact from being forced to divert time and resources to reporting. In this sense it was argued that funders could help by working with SMCs to look at ways to reduce or assist with these administrative burdens.

Box 4.3: Joined-up decision making through bringing together service users, referral agencies and commissioners

Organisation A in Wrexham was established in 1992 by a small group of medical professionals that came together because they recognised that there was a gap in support, and in particular advocacy support, for people experiencing mental health issues. They quickly recognised that there was broader support for this idea, and were able to raise funds for a conference at which they facilitated discussions with service providers and service users about the gaps which existed. The charity was then formed, and has grown to include a range of support activities/services. Regular consultation with service users and other providers about the remit and services of the charity remains an integral part of Organisation A's identity and values today.

One of the initiatives run by Organisation A is 'Café and chat' which was created to provide a forum for service users, commissioners and local referral agencies to come together and discuss the activities and services they want to see and the funding that's required to make that happen. At the 'Café and chat' sessions, commissioners, volunteers, service users and others can come together and have conversations, some of which continue over several occasions. The charity sees these conversations as critical to their own development and a key way to ensure that they keep adjusting and adapting what they do in the community:

> *'We're always reviewing parts of projects here cos they could be improved, listen to what people are telling us. We keep looking at ourselves, we can never take it for granted, what's novel and good today and meeting people's needs tomorrow could be old hat.'*

The charity trustees and staff recognise the importance of responding to the feedback they receive, making decisions to adapt their activities where this is possible within the confines of funding and capacity. One trustee explained how their approach to really listening and responding was central to the organisational ethos, and therefore given priority:

> *'When we work with people we want to validate their experience and value their contribution and really listen to it.'*

They suggested it was vital that this ethos of valuing, listening and responding was also reflected in relationships between the statutory sector, SMCs, and the wider voluntary sector.

4.4. A Distinctive position: where SMCs sit in the wider ecosystem

For people and communities facing disadvantage to be reached and supported effectively in a given area, a mix of provision and providers is required (an 'ecosystem'). To this end, we found that many SMCs occupied a distinctive position within the wider ecosystem of charity and public sector provision which included the **extent and nature of their networks and relationships**, the **stability they brought to communities**, and **the advocacy work** they undertook.

Networks

The extent and nature of networks and relationships across the charitable and wider voluntary, community and social enterprise sector varied between case study areas. In spite of ongoing resource pressures placing limits on the extent of formal networking and relationships, many SMCs retained informal links and networks that were deeply embedded and had been developed over many years, and facilitated their reach within and between communities. Local infrastructure bodies (such as a Voluntary Action or Council of Voluntary Service) played an important role in the quality and formality of networks and co-operation between large charities and SMCs, and between SMCs and the public sector. Some participants described ways that large and small charities could complement rather than compete with one another, as one large charity explained:

> *'We worked with one [an SMC] a few years ago, they'd got this vision and the name and address for every resident in the area and they could knock on the door and get*

buy in. What we could do was bring in specialists, funding, capacity to engage with the local authority. We can [each] bring things to the party that the other can't'.

Some charities felt that there is greater pressure on SMCs to cooperate with their large charity peers than vice versa. In chapter 6, we discuss the role of formal and informal networks in enabling SMCs to respond to the funding challenges they face.

Stability

We found that SMCs play a stabilising role in communities because of their enduring presence and the way they mesh together short-term public contracts, policies and programmes.

'Locally I think it's the glue that holds the community together and I see that more and more especially through statutory service reform … it's now becoming more appropriate to talk about the voluntary sector as an equal partner round the table' (Public sector stakeholder, Bassetlaw)

A number of participants, including public funders, highlighted the ability of SMCs to vary their contracted work in ways that large charities could not.

'Larger organisations are more rigid in what they offer and maybe the price is the price, that can't be negotiated … whereas I know if I was saying to [SMC] "there's a gap here, could you look at doing something?" … I know there'd be more chance of that happening' (Public sector stakeholder, Wrexham)

However, SMCs' ability to be flexible can be pushed too far, threatening the very culture and approach they have been commissioned for, and challenging their ability to balance professionalism and warmth in the way they see necessary.

The SMCs who were involved in the research identified a number of features affecting their ability to be flexible and to provide stability within their local communities, for example: their independence (*'sitting outside the system and thus without outside control'*), and their reliance on specific individuals to lead and champion their work. But these features could be a weakness as well as a strength. A number of research participants argued that if pushed too far, whether due to loss of public funding, being asked to do more with less (money or people), or being subsumed into a larger charity structure or contract, there is real potential for SMCs to 'crack'*.*

Advocacy

A further feature of the position of SMCs within a local ecosystem is the advocacy work they undertake, which occurs on a spectrum, with individual advocacy that draws attention to an issue at one end, and coordinated campaigns that challenge policy at the other. For most SMCs involved in the research, their advocacy work was focused on practical, local help for individuals, such as support through the process of obtaining welfare support, which often involved accompanying people to meetings to make their case. As such, it is part of many SMCs' day-to-day practice to raise awareness of key issues, provide information and training, and tackle stigma or prejudice when they come across it. As one SMC explained it, they *'work in solidarity'* with their client group.

Advocacy work can put any charity – large or small − in opposition with the public sector. This can create complicated and challenging relationships, but a number of public sector

stakeholders recognised the importance of this work. For example, a commissioner in one of the case study areas admitted that *'life would get easier'* without the voluntary sector *'noise'* but that *'as nice as that would be, you'd kid yourself that everything's going smoothly, the reality is we'll be more disconnected from understanding the true needs'* without SMCs playing this role and, in reality *'It's much more challenging when there's apathy.'*

The research findings suggest that large charities are not better placed to do advocacy work *per se,* but can potentially play a role distinct from that of SMCs. The large charities who participated in this research had the capacity – staff posts, resources, evidence, time for the kind of advocacy work that involved large scale, public campaigning, and had more opportunities and time to attend strategic meetings and networks at which issues could be raised.

Chapter 4 Summary

'Distinctiveness' refers to the **key features associated with being an SMC**, how and in what ways these are important to people and communities experiencing disadvantage, and why it is important that they are preserved and protected.

Overall, we found that the distinctiveness of SMCs can be distilled into three inter-connected features:

1. **A distinctive service offer − what SMCs do, and with/for whom:** SMCs play a critical role in addressing social welfare issues in their local communities, both directly and by plugging gaps in public services. Specifically, SMCs:

   o **'first responders'** to newly emerging needs at a **'hyper-local' level**.

   o **Create spaces where people feel safe**, respected and useful and can access services without fear of being stigmatised.

   o **Promote inclusion and belonging** by connecting new and established communities to wider opportunities and support.

2. **A distinctive approach − how SMCs carry out their work:** there are a number of important features to the way SMCs work, including:

   o **Person-centred and responsive** approaches built on relationships of trust that create the conditions for long-term engagement.

   o Being an **embedded, trusted and long-term presence** within communities, enabling them to 'reach early' and 'stay longer' in their support for groups facing disadvantage without affecting their agility and proximity to the community.

   o Having an **open door approach that means people are not turned away,** and have the opportunity to be **listened to without fear of judgement.**

   o **Quick decision making** based on flat and responsive organisational hierarchies.

   o **Diversity** achieved through recruiting volunteers from the local community.

3. **A distinctive position − where SMCs sit in the wider ecosystem of providers:** addressing disadvantage requires a mix of provision at an area level (an 'ecosystem'). SMCs can occupy a distinctive position within these ecosystems due to:

    o **The extent and nature of their local networks and relationships,** which facilitate an extended reach within and between communities.

    o Their **stabilising role** at a local level, for which SMCs were frequently described as **the 'glue'** that holds other services, and communities, together.

    o Their **advocacy work**, in particular **at an individual level** for people in need of practical help to navigate their way through a crisis or address a specific and pressing issue.

The way SMCs often **exhibit these characteristics in combination means they are able to offer a distinctive set of services and activities** in their communities that are additional to the provision of larger charities and public bodies. They often add up to **more than the sum of their parts**.

But SMCs cannot offer these services, take this approach, or occupy this position in the wider ecosystem alone, and the loss of key funding which has previously provided them with some stability, in combination with increased demand for their work, poses a real threat to these distinctive features in the long term.

5
The social value of small and medium-sized charities

5.1. Introduction

This chapter focuses on the third research question: **understanding the social value that locally based SMCs create** for the people and communities they work with. It begins by discussing what is meant by social value, including identifying different dimensions, before highlighting the types of value that result from the activities of SMCs and how the way that this value is created is often distinct from that in larger charities and public bodies. Finally, it highlights some challenges for SMCs associated with measuring, demonstrating and articulating their social value.

5.2. What is social value?

Social value can be a slippery concept and no single or agreed definition exists. In general terms it refers to the wide range of **financial and non-financial impacts** that can result from programmes, organisations and interventions, including the **wellbeing of individuals and communities**. The purpose of this strand of the research was to capture examples of the social value created by SMCs; understand how their distinctive service offer, approach and position identified in chapter 4 makes such value possible; and articulate this in a way that makes sense to commissioners and funders. To this end a broad definition of social value was applied encompassing three dimensions: **individual value**, **economic value**, and cross-cutting **added value**. An overview of this social value framework is provided in figure 5.1, with the key findings discussed in the sections that follow.

Figure 5.1: A framework for understanding the social value of small and medium-sized charities

Dimensions of social value …		
Individual value…	**Economic value…**	**Added value…**
• Meeting basic and unmet needs • 'Soft' personal, social and emotional outcomes • 'Hard' more tangible outcomes	• Value to the economy • Economic value of outcomes, including to public services	• The cross-cutting value of volunteering • Funding sources and leverage • Embeddedness in local organisational and social networks

Box 5.1: The Public Services (Social Value Act) 2010

In the UK social value is closely associated with the **Public Services (Social Value) Act 2010**, which requires public sector commissioners to have regard to economic, social and environmental wellbeing when buying public services. This means that all public bodies are now encouraged to consider social value during procurement exercises, and give preference to providers who will create value for the local community for minimal or no additional cost.

The Act was supposed to have made it easier for small and local organisations, including SMCs, to bid for public services by encouraging commissioners to take account of a broader range of measures when deciding who is best placed to deliver a service. However, application of the Act has been slow and patchy *within* and *across* local authorities[17], and even where social value is being considered critics suggest it has become too closely associated with quantifiable 'hard' outcomes and measures of economic value, and that this approach disadvantages SMCs who often struggle to articulate their social value in this way.

The fact that the Act has not favoured SMCs is borne out by the statistics discussed in chapter 3, which showed that SMCs receive a much smaller proportion of local government funding (16 percent) than larger charities (84 percent), and that the difference is most pronounced in comparison with the very largest charities − the large majority of which (76 percent) are non-local − who receive 55 percent of all local government funding. This is supported by other research, which has shown that proportionally, SMCs have lost more income from government than larger charities since 2008.

5.3. Individual value

The focus for most SMCs is creating value for the individuals who engage with their services and activities day in, day out. Our findings suggest this value can take a number of forms: it can mean **meeting people's basic immediate and unmet need**s; supporting people to **achieve 'soft' personal, social and emotional outcomes**; and **achieving 'hard(er)' outcomes** and making broader progress in the longer term. Our findings also suggest that **the way SMCs create this value stems directly from their distinctive services, approach and position** described in chapter 4, which combine to create the conditions, or scaffolding, that enables a wider series of outcomes and value to be realised in the longer term.

Meeting basic, immediate and unmet needs

Throughout the research, SMCs, their service users and wider stakeholders provided examples of how their work often focused on the basic, immediate and unmet needs of vulnerable people and populations experiencing disadvantage. In most cases this work was inextricably linked to SMCs' charitable objects such as the relief of homelessness or poverty, or supporting children with disabilities and their families. Examples from our case studies included distributing blankets and warm clothing to homeless people during a cold spell (Organisation C, Bassetlaw) and installing household aids and adaptations for children with disabilities more quickly than the local authority (Organisation B, Wrexham).

In many cases the immediate value of this type of response is preventative, in that it reduces the likelihood of an individual's situation deteriorating yet further and means urgent or emergency public service interventions are less likely to occur. A further benefit of this needs-led approach is that it enables SMCs to engage with new service users, many of whom are not engaging with wider statutory or voluntary provision, providing the basis for a range of outcomes to be achieved in the longer term.

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[17] New Local Government Network (2016). *Social Value in Procurement.*

Personal, social and emotional outcomes

All of the SMCs involved in the research described how their work led to 'soft' personal, social and emotional outcomes for individuals.

> *'It's about the quality of life that we seek to give to some of our people … that we put in to increase their quality of life … it's about staying in the community because they have far more quality of life than being stuck in a bed in hospital and it's about keeping fit and keeping mobile …' (Trustee, SMC, Bassetlaw)*

Importantly, our research with service users supported these claims, and service users were often able to describe in very specific, personal terms how their engagement with SMCs and their services led to a range of important soft outcomes.

> *'… it builds confidence … because I was really low when I first got here … but they take care of you … there's never a minute when you're not feeling safe in here.' (Service user, SMC, Salford)*

Hard outcomes

Many of the SMCs involved in the research were also able to provide examples of how their work led to 'hard' and more tangible outcomes in the longer term. Often these hard outcomes were built on a foundation of the type of soft outcomes described in the previous section. Hard outcomes were typically framed in terms of the social issues set out in an SMC's charitable objects such as health (including mental health) or homelessness, but also often extended to wider outcomes such as employment. Although SMCs could not often quantify these hard outcomes in absolute terms, they were recognised by service users, who provided numerous examples of the types of outcome they had been able to achieve following their engagement with an SMC.

> *'[I] didn't have any confidence in the beginning, it took a lot of confidence building and encouragement from staff … and now it's second nature, I've learnt so much and had so many courses. I've completed an NVQ … so it's good' (Staff member, former service user and volunteer, SMC, Wrexham)*

Crucially, service users involved in the research consistently pointed to the contribution that their involvement with a particular SMC had made to both hard and soft outcomes, often contrasting this favourably with their experience of formal mainstream services.

How value is created by SMCs

Our findings indicate that **one of the main ways in which the social value of SMCs is distinct from large charities is the process through which social value is created for service users**, and that this is intrinsically entwined with the distinctive service offer, approach and position discussed in chapter 4.

Although the process of creating social value with an SMC is far from predefined and clear-cut, we have identified some common themes that underpin it.

1. **Identifying and meeting immediate needs**, including intervening during or immediately following a personal crisis.

2. **Focusing on achieving 'small wins'**, first in response to crisis, and then in facilitating improvements in soft outcomes such as confidence and self-esteem.

3. **Committed staff and volunteers** within SMCs, who create spaces with a safe, family feel, and who make service users feel comfortable in a way that large services often do not, leading to a willingness to engage and stay engaged in the long term.

4. **Enabling long-term engagement** with the organisation by, for example, offering progression into volunteering or peer-support roles, or even simply continuing to provide a welcoming space for people to access informal support.

This long-term engaged approach helps create the conditions**, or scaffolding, for a wider range of hard outcomes to be achieved**, as the examples in figure 5.1 and box 5.2 exemplify.

Importantly, and in contrast to many larger charities and public sector bodies, the needs-led way through which many SMCs create social value is not driven by an expectation that predetermined outcomes should be achieved, or a product of rigid service delivery models or pathways, particularly early on in an individual's engagement. Rather, longer-term soft and hard outcomes, including linked economic value, emerge later as a bi-product of this approach and tend not to be considered an end in itself, either by SMCs or the service user.

'The drive is to build them up, not just get them off the streets, not even just get them a house but to make sure they don't come back' (Staff member, SMC, Salford)

Figure 5.2 provides an overview of the types of soft and hard outcome for which SMCs and service users involved in the research were able to describe positive change, whilst box 5.2 provides some of examples of individual value created by SMCs' service users' own words.

Figure 5.2: Examples of individual value − soft and hard outcomes − linked to the work of SMCs
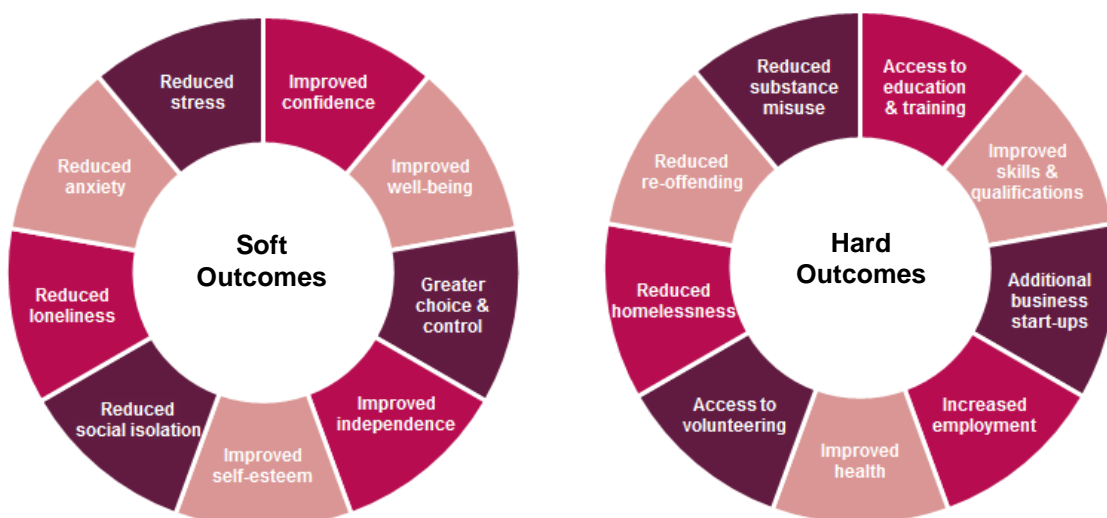
Box 5.2: The individual social value created by SMCs in service users' own words

The following quotes from service users who participated in the research illustrate the individual social value created by SMCs.

Meeting basic, unmet needs

'[The Manager] kindly offered me some respite … and it was the most amazing summer of our lives. [My son] took his first steps [at the activity] which we got told he'd never walk. So for all of us [the SMC] is an extension of our family. [The Manager] and her team are my guardian angels, they've been there for me at my lowest times.'

Soft personal, social and emotional outcomes

'I've got fibromyalgia and sometimes you are in so much pain you don't want to move. So coming here and doing the things I am doing is relieving some of the pain and the stress that causes the pain so it has definitely helped my wellbeing.'

....

'I was at a really low ebb when I first came here and the person I was caring for has now passed away. I am living on my own ... Due to my illness at the time I became very insular, getting involved and active in [the SMC] brought me out and enabled me to make contact with people and bring me back into the 'real world' again [participant laughs and smiles].'

....

'I was in the position where I could barely function, barely leave the house. I am a different person completely to the person who I was before I became ill. It is hugely thanks to [the SMC] and the work that is done here ... I actually realised for probably the first time, I actually said "I am good at this". There is something that I am good at. And maybe if I recognise I'm good at this and I can use that in other areas of my life and be a little more or little less critical of myself and find positive aspects of myself. The sense of achievement you get from starting from scratch is so self-affirming and I think that is why it's intrinsically, it's so good here and it is so good for you.'

Hard outcomes

'Being here and being part of [the SMC] was helping. I could see it helping. I could feel it helping. It was helping. I started 10 years ago as a member, on the off chance, or the hope that my wellbeing would increase and I would feel better and develop more confidence through artistic processes. That allowed me to develop so much that in six months I was a volunteer here, within two years of that I was in college and then shortly after that I was in university getting an undergraduate degree and a teaching qualification which allows me to give what I received 10 years ago to other people and give back.'

....

'It's led to me having the career I have always wanted. I'm just being happier in a way I could never have really imagined. It's a real whole package and I think that is why so many members end up volunteering because it is a sense you want to give something back as well. I did the Christmas Markets and a lady I was working with who was a member and she said something about me being an inspiration and I honestly, literally, it made me cry. Because it was just so wonderful to think I could possibly give someone else a feeling of hope ... because I know what it is like to be in that position and feel so hopeless and so devoid of anything.'

....

'My [nurse] made a referral to here and I did that for about a year and then because my confidence grew so much just coming here once a week, meeting other people who were going through similar experiences to myself that I felt I'm ready to have a try at volunteering on reception, because that's the line of work that I want to go into. So it would be perfect. Yeah so I've been doing that since June and it's going really well. I do two days and I've even got given the responsibility to make appointments for the site visits so it was nice cos [a staff member] who works on reception as well, she'd had a conversation with [another staff member] about allowing me to do that job so that was really nice to know that other people have confidence in your ability.'

5.4. Economic value

We found that creating economic value is not a focus for most SMCs. For many, it was not even a consideration as they went about their day-to-day work. Nevertheless, our findings suggest that SMCs do create economic value and that this value takes two distinct forms: **value for the economy**, including the contribution SMCs make as actors within the broader economy; and the **economic value of outcomes**, including fiscal value to public services in the form of prevention and demand reduction.

Value to the economy

As a group of organisations, SMCs have a sizable economic footprint. As highlighted in chapter 3, collectively in England and Wales they generated £7.2 billion in income in 2014−15, which translated to between £9.7 million (Bassetlaw) and £41.6 million (Ealing) in the four case study areas (table 5.1). Importantly, our research findings demonstrate that many SMCs reinvest this income locally through services and activities that employ local people and utilise local supply chains.

> *'… the social value's kept in Bassetlaw, all the cars we use is here, all the petrol we buy is here, all the supplies and services we buy are here and that's important cos we add value back to the Bassetlaw economy' (Staff member, SMC, Bassetlaw)*

This local multiplier effect has been discussed in more detail in recent research undertaken by Locality[18].

Table 5.1: The economic contribution of SMCs at an area level

	Bassetlaw	Ealing	Salford	Wrexham
Economic footprint	£9.7 million	£41.6 million	£38.4 million	£10.2 million

Source: Register of Charities (Charity Commission for England and Wales)

Economic value of outcomes

In addition to the economic footprint of SMCs, a number of the soft and hard outcomes identified in the section on individual value provide direct value for the economy. The ability of SMCs to support people in a way that helps them become 'work ready' is particularly important in economic terms, and can be a product of both soft outcomes such as improved wellbeing, confidence and self-esteem, and hard outcomes such as volunteering experience and the acquisition of new skills and qualifications. In many cases work readiness occurred as a result of a number of soft and hard outcomes emerging in combination and over a considerable length of time. Box 5.3 provides a worked example of the return on investment associated with an SMC supporting people to gain skills and employment.

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[18] The 'local multiplier' effect of small local charities has been explored in more detail in research by Locality: Locality (2018). *Powerful communities, strong economies: keep it local for economic resilience*

A number of the soft and hard outcomes identified in the section on individual value can also lead to economic value for public services (fiscal value) by helping to reduce the *demand for* or *cost of* services, now and in the future. A common example of an outcome identified in the research associated with fiscal value was improvements in health, and improvements to the social determinants of health − such as wellbeing and social isolation and loneliness − which may contribute to a reduction in health and increase in social care costs in the longer term. Other areas in which case study organisations were contributing value to public services included through improvements in mental health; reductions in homelessness; reducing falls and injuries in the home; and providing support to isolated older people in their home to prevent re-admission following discharge from hospital.

We found that SMCs' work can also have direct economic impact on public services by saving them both time and money. For example, Organisation C in Ealing described how the work that they do helps to resolve issues without the need for formal legal proceedings or using up substantial amounts of Council Officer time. *'The great thing is that so much gets resolved by just being listened to. When someone has reflected on their behaviour they can start to change their way.'* Although this is preferable on an ethical level they have also estimated that there is a large cost saving to the Council as a result, with **every case saving the Council in the region of £50,000 to £60,000 a year**. This was confirmed by a commissioner in the local authority. *'The outcome was a significant saving to us.'*

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[19] Economic costs and benefits have been drawn from the New Economy Unit Cost Database

5.6. Added value

Our research has also uncovered areas where SMCs provide cross-cutting added value that does not fit neatly into the individual or economic categories. Key amongst these is the **cross-cutting value of volunteering** within SMCs, the **funding and leverage** SMCs can provide by drawing on multiple sources of funding to deliver services, and the **embeddedness of SMCs in local networks**.

Volunteering

Chapters 3 and 4 have both highlighted the importance of volunteering within SMCs, particularly when compared to larger organisations, and we have identified volunteering as a cross-cutting source of social value within SMCs, providing the basis for individual and economic value.

In terms of individual value, this chapter has already described the way SMCs often incorporate volunteering as part of the scaffolding that is put around an individual once their immediate needs have been met, and how this creates the conditions for a range of individual outcomes to be achieved over the longer term. In terms of economic value, the labour that volunteers provide and the services that they deliver can be considered both as an economic input and output that provide gross value added (GVA) to the economy[20]. As table 5.2 shows, the value of this volunteering, viewed as an input of time, ranged from £1.5 million (Bassetlaw) to £7.9 million (Ealing) across our four case studies.

Table 5.2: The economic contribution of SMCs' volunteers at an area level

	Bassetlaw	Ealing	Salford	Wrexham
Economic contribution of volunteers[21]	£1.5 million	£7.9 million	£1.6 million	£3.8 million

Chapter 3 highlights how the smallest charities have 5.62 volunteers for every £10,000 of income received compared to the largest charities which only have 0.02 volunteers for every £10,000. This finding reflects the fact that, in many cases SMCs would not be able to deliver their services without the input of volunteers in a range of roles. For example, Organisation A in Wrexham relies on volunteers to support the maintenance and upkeep of their premises whilst Organisation B in Bassetlaw and Organisation C in Wrexham both use volunteer drivers to transport people to and from services. For public bodies providing funding for SMCs this additional resource input provides considerable return on investment, as illustrated by the examples in box 5.4.

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[20] The way that ONS incorporates volunteering within the national 'Household Satellite Accounts' is explained here.

[21] Note that this is based on figures provided in annual returns to the Charity Commission, the reporting of which is variable.

Box 5.4:The value of volunteering in SMCs

Organisation B in Bassetlaw is a long-established community resource centre that provides help and support to people facing different types of disadvantage. Based in a rural market town, the charity was established in 1990 as an extension of the main local infrastructure body for Bassetlaw but became an independent charity in its own right in 2009. Initially organisation B struggled, with no reserves, few staff and a limited range of services. However, the charity has grown considerable since that point, and now offers a range of services for local people, most of which are funded by the public sector.

Volunteers in Organisation B provide an estimated **700 hours** of time in support of service delivery each week. This time is worth an estimated **£273,000** each year. This is more than any individual funding source Organisation B receives and means that for each £1 it spends on paid staff there is an **additional £1.30 of volunteering** resource provided.

....

Organisation A in Ealing runs two centres for individuals experiencing street homelessness and provides a range of food, day respite facilities, and other resources. Between the two centres they provide food, day respite facilities and other resources. On a typical day the charity will provide around 60 breakfasts, 180 lunches and 80 evening meals. Other services provided through the centres include drug and alcohol support, chiropodist, GP, optician, women and children's groups, a clothing bank and showers. Organisation A also provides more generalist support for people experiencing homelessness, including welfare and benefit claims, passport applications, and postal addresses for people of no fixed about.

Volunteers are vital component in Organisation A's service provision, and provide an estimated **250 hours** of time in support of service delivery each week. This time is worth an estimated **£97,500** each year. **This is more than three times the amount of funding Organisation A receives from the local public sector** and means that for every £1 of public sector funding received an **additional £3.25 of volunteering** resource is provided - an extra 325 percent.

Funding and leverage

An important feature of many SMCs is their ability to mix and match funding from a range of sources − including the public sector, independent funders, and donations and fundraising − to provide their services. As box 5.5 shows, this leverage provides a considerable return on investment for those funders, enabling their money to reach further, whilst also ensuring additional financial resources are brought into the local community.

Embeddedness in local networks

The embeddedness of SMCs in communities of place and interest, and the dense networks and relationships that these involve, was highlighted in chapters 3 and 4 as a distinctive aspect of SMCs' approach. This embeddedness is an important source of added value, as it means many SMCs have an enhanced understanding of local needs and, crucially, enables people to navigate services and know which providers within the wider ecosystem are able meet or respond to their needs. Where appropriate services or support exist, SMCs will make referrals or signpost service users to other providers. If such services or support do not exist, or if there are waiting times or access restrictions, they will often endeavour to meet these immediate needs themselves, creating the basis for the long-term and engaged approach described earlier in this chapter. This embeddedness can also have wider value for the public sector as it provides a source of knowledge about the nature and extent of local needs and how to meet them.

Box 5.5: SMCs delivering through a mixed funding base

Organisation B in Wrexham provides support for children and young people with disabilities and their families. The charity emerged in an ad hoc way in the mid-1980s when a group of health professionals recognised there was no after-school or holiday provision for children and young people with disabilities, meaning they and their families were often very isolated beyond the school gates. These young people's development, which had gathered pace during school term time, often stalled or was reversed as a result, and families were struggling outside of school hours.

Initially, ad-hoc sessions were developed on a voluntary basis, but when the need for premises arose the group decided to register formally as a charity, and employed a part time manager to raise funds and manage activities. Since then, the organisation has grown and now employs several staff, is supported by a number of volunteers, and receives funding from a range of public sector and independent sources.

Organisation B received **£92,000 from local public sector** sources in 2016−17 but an additional **£259,000 from voluntary sources**, including grants from independent funders, donations and trading. This is **almost three times the amount of funding Organisation B receives from the local public sector** and means that for every £1 of public funding received they brought an **additional £2.80 into the local area** from other sources - an extra 280 percent.

5.7. Challenges for SMCs

Our research has also identified a number of challenges associated with social value for SMCs in the three broad areas of **measuring and capturing it, articulating and communicating it**, and **public sector and funder expectations**.

Measuring and capturing social value

The SMCs involved in the research had a variety of approaches to measuring and capturing their social value. The level of sophistication and formalisation of approaches ranged from wholly qualitative data on 'success cases' to formal outcome indicators and frameworks, including some examples of social return on investment (SROI) being implemented. Approaches to measuring social value were heavily influenced by organisational size and funding requirements. Large charities and larger SMCs, in particular those in receipt of public funding, were likely to have formal and sophisticated quantitative approaches to measurement, and what they measured and how they measured it was very much dictated by those funders' requirements. By contrast, smaller SMCs, in particular those for whom public funding and larger grants were less important, often had limited resources through which to measure social value in such a formal and systematic way.

Although commissioners and funders favoured formal approaches to social value measurement, and a number had invested in building the capacity of SMCs in this regard, there was no evidence that such formal approaches led to better outcomes. In fact, too much formalisation could erode an SMC's distinctive approach to creating value and there is a growing body of evidence that outcome-based performance management distorts the way an organisation operates by forcing it to prioritise outcome targets over service user needs and priorities[22].

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[22] See for example: Lowe, T and Wilson, R (2017) Playing the Game of Outcomes-based Performance Management. Is Gamesmanship Inevitable? Evidence from Theory and Practice. *Social Policy and Administration*, 51 (7), pp 981-1001

Articulating and communicating social value

We found that SMCs' approaches to articulating and communicating their social value were very much linked to their approaches to measuring and capturing it. Those charities with formal approaches tended to follow that through with formal reports about their outcomes and impact, and often used these as a tool for marketing themselves to commissioners and funders. A number of SMCs reflected that taking a more formal approach aided discussions with commissioners about the benefits of a particular service but, as we discussed in chapter 3, many SMCs struggle to find the time and resources to report on their achievements to funders. In this vein, SMCs also reflected on the challenges of articulating and communicating their full value, particularly when it was not governed by or went beyond what was expected of formal outcome or performance targets. In particular, SMCs often struggled to disentangle their social value from their day-to-day work, or see it as something specific, as the two things were often intrinsically connected.

> *'It's really hard to totally define the value when it's ongoing work that hasn't got targets. We know the work the community projects is doing is valued within the town from what comes back to us. From feedback of people who've come in the building. People who use us will stop us and say this place is amazing. That is what we're all about. We're here to serve the community. If they're seeing it happen then we are of value' (Volunteer, SMC, Bassetlaw)*

Despite the challenges of implementing a formal approach to social value measurement, a common characteristic of many of the SMCs who participated in the research was their ability to capture case studies and recount in compelling terms how they have helped individual service users and the types of value that followed from this support.

> *'… if you look at where they were when they were coming to seek our help, advice and support to where they are now, you can see the impact. We do monitoring and evaluation so we can capture the difference they are making in their lives. We use case studies, interviews, questionnaires or just to ask them when they come why are you here? What is your knowledge? We need to know this beforehand so we can figure out what support they need, then give them the support they need, then we can ask them if they are satisfied' (Staff member, SMC, Salford)*

Public sector and funder expectations about social value

A number of the SMCs involved in the research discussed how they often struggled to convince funders, in particular public sector bodies, to provide funding for the types of value that their organisation created. For example, one SMC in Ealing talked about '*everything being outcome led*' and the fact that the requirement to quantify what they achieved had increased. It was suggested that funders can have an idealised view of what homelessness charities like theirs should be achieving and that they should '*pluck someone off the street*' whereas '*our outcomes are only to ensure that people are safe and happy and have all the basic needs*'.

As such, many SMCs were finding it increasingly challenging to find funders who were prepared to fund person-centred and holistic approaches, or understood that this way of working could create the conditions for long-term change. As such, there appears to be a mismatch between the type of value that SMCs offer and the type of value that commissioners look for from public services. However, it is important to reflect on some

exceptions where commissioners were taking a different approach to incorporating social value into commissioning decisions. In Bassetlaw for example, the commissioner explained how they understood the wider value of the social prescribing service, and wanted to re-commission it, so didn't require formal evidence of social value beyond basic output monitoring. The key to this was a series of long-term trust-based relationships between the commissioner and the organisations delivering the service and a shared understanding of the types of value being achieved (this example is elaborated in chapter 6 − box 6.2).

Chapter 5 Summary

We have identified three dimensions to the social value created by SMCs:

1. **Individual value:** meeting unmet need, leading to the achievement of a range of outcomes for individuals who engage with their services.

   Importantly, we found that the way in which SMCs **create value** stems from their distinctive service offer, approach and position identified in chapter 4. In particular, it is the result of **person-centred and holistic support** based on:

   o **Meeting needs**, including averting and responding to crisis.

   o **Helping people to achieve 'small wins**', such as building confidence and self-esteem, that provide the basis for longer-term outcomes.

   o **Committed staff and volunteers,** who create safe spaces with a family feel that encourage long-term engagement.

   o **Creating the conditions, or scaffolding, for long-term engagement** which can lead to more tangible outcomes in the longer term.

2. **Economic value:** SMCs create direct value for the economy but there is also economic value in the outcomes they achieve:

   o The economic footprint of SMCs was **£7.2 billion in 2014−15**, much of which was reinvested locally through services and activities that employ local people and utilise local supply chains.

   o The outcomes achieved by SMCs **provide direct value for the economy**, **for example** by supporting people into employment; and they also provide **value to the public sector**, by helping to reduce the demand for, or cost of, services in areas such as health and homelessness.

3. **Added value:** SMCs provide a range of added value, in particular through:

   o **Volunteering**, as SMCs provide many more volunteers per £1 of funding than larger charities. Volunteering is also a source of individual and economic value in its own right, leading to outcomes for individuals and providing gross value added (GVA) to the economy.

   o **Funding leverage**, as SMCs are able to utilise multiple sources of funding and other resources when delivering a service, which means they are often able to more than double income received from the public sector with income from elsewhere.

   o **Embeddedness** in local organisational and social networks, which gives SMCs an enhanced understanding of local needs and, crucially, allows providers within the wider ecosystem to meet or respond to those needs.

However, our findings also demonstrate that SMCs face a number of **social value challenges**, including how they measure it, how they articulate it to key audiences, and the extent to which it is understood and 'valued' by commissioners and funders.

As a result, we found that SMCs often find themselves facing a **mismatch between the value they create** (and how they create it), **and the value requirements of funders.** This was particularly the case with public sector commissioners, who tend to link pre-determined outputs and outcomes to tightly defined service specifications and delivery models when commissioning services, and are less open to the type of person-centred approach at the heart of many SMCs' service offer.

6

Small and medium-sized charities and public funding

6.1. Introduction

This chapter focuses on the final research questions for the study: **how public funding approaches have affected the work of locally-based SMCs**, and identifying **the most effective ways of funding SMCs** to deliver services to people experiencing disadvantage. It begins by discussing what has happened with public funding across the four case study areas, before providing analysis of how funders have responded and the impact on the local ecosystem of SMCs and voluntary organisations. Finally, it discusses how SMCs themselves have adapted, including through local networks and collaboration.

6.2. What has happened to public sector funding?

In chapter 3 we highlighted previous research which had described the negative effects of post-2008 economic crisis and subsequent public sector austerity on SMCs, and also highlighted the findings of our own analysis which showed that more than 80 percent of local public sector funding to charities is received by large organisations. Given this picture, and the pressures facing SMCs that we touched on in chapter 4, it is not surprising that **the detrimental impact of austerity measures**, with funding cuts reducing the amount of public sector money that is available to SMCs, was a consistent picture across our four case study areas. However, and in spite of austerity, we also identified some examples of **interdependence between SMCs and the public sector that were enabling SMCs to maintain a formal role** within mainstream service provision.

Adapting to perma-austerity

Austerity-induced cuts to public funding were described as 'dramatic' in several of the case study areas, with many SMCs and their allies in the local ecosystem struggling to identify alternative revenue streams to fill the gap created by the loss of public sector funding. A particular issue affecting SMCs was the closure of, or severe cuts to, grant funding schemes. In Bassetlaw for instance, the objectives of grant funding were increasingly aligned to local authority priorities, and although this has enabled SMCs to contribute to areas of strategic importance locally, the amount of money available is set to reduce year-on-year (see box 6.1 for a similar example from Ealing). Where public sector grants have continued,

they are often distributed by the local voluntary sector infrastructure body (such as a Voluntary Action or Council for Voluntary Service).

In Wales, a significant policy shift was the closure of the Communities First programme, resulting in significant upheaval to relationships and networks. Communities First had been a major funding stream for SMCs in Wrexham, with approximately £500,000 coming into the area each year over many years. For a number of SMCs it represented a large proportion of their funding portfolio, and the loss of such a significant funding source has led to a degree of instability at the local level.

> *'The impacts of reducing public sector funding are being felt by SMCs in a range of different ways, impacting on relationships and networks and bringing organisations into competition that previously wouldn't have been seeking the same funding' (Staff member, SMC, Wrexham)*

A number of SMCs involved in our research had attempted to adapt by adopting income diversification strategies. For some SMCs this adaptation involved replacing direct funding with various forms of voluntary action, including the mobilisation of in-kind donations. In Ealing, for example, Organisation A had been successful in obtaining food from supermarkets and restaurants to help feed homeless people. Overall though, this mixing and matching of non-financial resources does little to relieve the continuing pressures on, and the need for, core funding. There is also a risk that these responses, whilst enabling SMCs to address people's immediate needs, will mask the real effects of austerity. Furthermore, it is notoriously difficult and time consuming to attract philanthropic donations for some areas of need − notably substance misuse, domestic violence and refugees and asylum seekers − which many SMCs aim to address.

A common feature of the current funding environment in our four case study areas, was a mismatch between the approaches favoured by public funders, which have become increasingly narrow and rigid, and the work of SMCs. This was most apparent when public bodies wanted to fund specific outcomes linked to policy priorities, or to fund specific types of services or innovation, but failed to take account of the distinctive features and value of SMCs discussed in the previous two chapters: notably their ability to respond to emergent, hyper-local needs; to work in a holistic and person-centred way that creates the conditions for long-term engagement and outcomes; and the way they blend financial and non-financial resources from multiple sources to provide added value. One SMC in Ealing commented that a commissioner had told them that their organisation was *'too complex to fund'*. However, if reducing complexity means enforcing standardised approaches to service delivery, and commissioning processes that fail to recognise the distinctiveness of SMCs, it could also mean stifling SMCs' approaches so that they become an extension of the public sector, rather than recognising that SMCs add value in ways that are alternative yet complementary to the approach of larger charities and public sector bodies.

Importantly, it should also be noted that even when SMCs are working in priority policy fields (such as mental health or homelessness) and do receive public sector grants or contracts, a longer-term issue remains: that short-term funding cycles (usually between one and three years) lead to financial insecurity for SMCs which has a destabilising effect on staff, volunteers, services, and, ultimately, their ability to maximise outcomes and value for service users.

'We haven't got the new contract yet and we've lost one piece of work because they've decided they don't want to fund it anymore. But then they came back and realised it was going to stop at the end of September, and I said we were supposed to start again on 1st October, I couldn't cancel all the staff cos I didn't know whether we were going to need it again, so now what do I do? Anyway, they came back and said you can have three months' money to tail it off, fine, but there's only six months' money on the table anyway so what difference would it have made to fund it 'till the end of the year' (Staff member, SMC, Wrexham)

Mutual respect, mutual dependence

Despite the ongoing challenges of the funding environment, a number of the SMCs involved in the research viewed themselves as, and were perceived by the stakeholders to be, an integral part of the local public service system. Often these SMCs were on a more sustainably-funded footing (for now), and had effectively secured themselves a more formal place in the local ecosystem of provision, where their distinctive contribution, and the mutual benefits this provides to the public sector, was recognised by funders. For example, and as highlighted in chapter 5, despite having an income of less than £100,000 Organisation C in Ealing considered itself to be a fully integrated part of the local public service system whose value was recognised by local commissioners. This is a key positive finding for SMCs and funders to focus on for the future: where SMCs and the local public sector are mutually dependent on each other to meet needs, address priorities and create social value, and where this is recognised and supported, productive relationships can be sustained.

Another important feature of the current funding environment, particularly from an SMC perspective, was the sense that competition for resources has increased in recent years. SMCs in all four case study areas were losing out in the competition for public funding to both large and national charities. This shifting of resources from SMCs to larger charities, and the sense of unfairness that it creates, risks damaging fragile interrelationships between key people, organisations, and other stakeholders. As a local authority commissioner in one of the case study areas noted:

'We've seen it happen in [this area] where a national organisation will bid for a contract, win it and come in and try and deliver something, but how they deliver it is to pick the brains of local voluntary organisations who've spent many years getting themselves established and those contacts only to see this big agency come in and be paid hundreds of thousands of pounds' (Local authority commissioner, anonymised case study area)

This is important because the majority of public and voluntary sector stakeholders involved in the research in each area regarded a healthy mix of providers – encompassing the whole range of organisations from micro, through small and medium-sized to larger charities – as a crucial element of the local ecosystem of provision, encouraging quality and plurality of choice for service users.

6.3. How has the public sector responded?

Across the case study areas we found that local sector bodies were enacting a range of strategies in response to the challenges posed by austerity and the need to deliver the same services with less money. These included **streamlining and scaling up services** in search

of perceived efficiency and/or economies of scale, and **promoting collaboration between providers**. Both of these strategies presented considerable challenges to SMCs.

Streamlining and scaling up to the detriment of SMCs

Across our four case study areas we found that public sector bodies, in response to the pressures on public funding discussed in the previous section, were conforming to a trend of simplifying or 'streamlining' the provision of funding whilst at the same time scaling up the size of contracts, with the aim of reducing the costs of distributing funding. This trend is exemplified by the example in box 6.1, which describes the streamlining and scaling-up of a London-wide grant programme.

Box 6.1: The streamlining and scaling-up of local grant programmes

In Ealing one SMC talked about a long-established grant scheme that operated across the London boroughs and was focused on providing funding for local level delivery of specific services and support.

They said that **the amount of funding available had reduced by half in recent years** and there had been a move to streamline and scale up the programme: rather than funding applications being invited for borough level provision, eligible applicants now have to be providing services across several boroughs.

This particular SMC still qualifies, as although they provide the majority of their services within the Borough of Ealing they also provide services in three other boroughs. However, they said that this change in funding approach means **they are now up against much larger charities when applying for funding**. They provided the example of having recently bid to deliver information and advice services as part of a wider health and wellbeing funding programme but lost out to a national charity who had formed a consortium of all of its London branches. The consortium had bid for the whole amount of funding available and been successful despite the fact that this SMC had scored higher for the Ealing component of the programme.

For many SMCs involved in the research the scaling-up of contracts was particularly problematic, as it rendered them ineligible due to their income size and asset base. Whilst some SMCs had decided not to pursue large contracts, others had sought to build the capacity and capability to do so. For example, Organisation C in Wrexham is a small organisation but has an explicit aim to scale up and access what it and local funders consider to be more sustainable (and larger) pots of funding, and gear up to meet the requirements of local commissioning frameworks. Although uncommon, the local authority is proactively engaging with the organisation to build its capacity, but commissioners acknowledge this is an intensive and demanding process. Overall, this example highlights how SMCs can actually be very responsive to local commissioning requirements, but the fact that Organisation C has had to do this at all demonstrates how public sector commissioning frameworks are not always responsive to local provider markers.

Across the case study areas SMCs were consistently losing out to larger organisations in commissioning processes. A number of SMCs highlighted how larger organisations *'write a strong bid and meet certain funding criteria' (SMC, Ealing)*. This often generated resentment locally, with the sense that successful large and national organisations had swooped in to win contracts. In some cases national charities had claimed expertise or local knowledge at the bidding stage that it subsequently become clear they did not have. This led to additional resentment locally when for example − based on a tacit recognition of their distinctive offer,

role and position − such expertise or knowledge was sought from local SMCs on a voluntary basis, or worse, the large provider struggled to set up services over several months, leaving service users without adequate services. An example was even provided of a large national charity winning a local contract, and then seeking to rent premises from one of the local charities that had unsuccessfully tendered for the same service, because they didn't have a pre-existing local presence of their own on which to build.

The limits of collaborative commissioning

Part of the reason for the success of large national charities in commissioning processes is that commissioners prefer the perceived 'safety' of procuring services from a larger and 'more stable' organisation, particularly when it is a 'known' brand. One potentially SMC-friendly response to this problem pursued by some public sector bodies is collaborative tendering and service delivery. However, we found that collaborative approaches can also prove problematic for SMCs, who are wary of collaborating with larger organisations due to the risk that the knowledge and skills they contribute could be appropriated to the benefit of the largest organisation. This was borne out by the experience of Organisation B in Ealing, which was involved in a collaborative tender led by a large organisation. However, they felt *'held to ransom'* because the opportunity was presented in very much a *'take it or leave it'* way. In the end Organisation B chose to pull out because the Payment by Results payment model would not cover the cost of their service. Similarly, there was a strong perception amongst SMCs that existing volunteer resources were effectively being exploited by larger organisations, and thus their distinctive contributions were neither valued nor protected. In Bassetlaw for example, an SMC described how the process of entering into a consortium with a large national charity was deeply problematic for them as a small SMC as they felt *'swallowed-up'* by the process and risked losing their identity. This has echoes of the 'bid candy' and 'window dressing' criticisms of large-scale national programmes like the Work Programme with their 'Prime' and 'Sub' approach to contracting.

Viewed from the perspective of commissioners, who themselves with fewer internal staffing resources as a result of austerity, it can seem too complicated, time-consuming and costly to commission and manage a portfolio of contracts. As such, there is inevitably an attraction to commissioning a large organisation with a responsibility for funding and managing a 'supply chain' or network of SMCs, as one way to ensure diversity and the retention of local knowledge and relationships. As box 6.2 overleaf demonstrates, when there is a shared local understanding of the relative strengths of different providers, including SMCs, and a series of long-term trust-based relationships between key people, effective collaboration is possible and beneficial to the SMCs involved. However, examples of this type of approach were few and far between in the four case study areas, and they seem likely to remain so unless there is a radical shift in thinking about the way services are commissioned.

Box 6.2: Social prescribing in Bassetlaw: an effective approach to collaborative and targeted funding

In Bassetlaw a Social Prescribing Service has been funded by Bassetlaw Clinical Commissioning Group for approximately three years. It is managed by Bassetlaw Council of Voluntary Service (BCVS) which employs a full-time manager to coordinate the service. The service aims to relieve pressure on GP surgeries by supporting patients who make repeat visits but whose problems are social and who would benefit from engaging with an SMC or other local voluntary organisations and community groups.

> *'Our main aim is to get people out and about and then we then talk about things like hobbies maybe things people have done in the past any connections and then start to look about what social groups are available' (SMC − social prescribing provider, Bassetlaw)*

The service is primarily targeted at people over 65 who are socially isolated, but at an early stage in its piloting, access was extended to a younger patient client group classified as in the top two percent of at-risk patients in a risk stratification tool employed in GP surgeries. These patients tend to be very high users of GP and other NHS services.

Patients can be referred to social prescribing by their GP, or by district nursing teams, or the Integrated Neighbourhood Team. Once the referral comes into BCVS, a social prescribing adviser goes out to meet the patient in their home. They use the 'independent living star' tool to assess what their needs are and how they might be supported. Patients can choose from a diverse set of social groups and activities and are assisted in this by the social prescribing adviser.

Social prescribing is also seen by commissioners as a way to *'strengthen the voluntary sector'* by getting funding down to a wide range of organisations including very small community groups, and encouraging partnership working and relationships. As part of the service BCVS holds two sub-contracts with local SMCs: one with Organisation B to provide a befriending service; and one with a community centre in Worksop. In the case of Organisation B's befriending service, volunteers go out to meet the patient in their home, and there is an element of matching their interests and also taking account reasonable proximity (to reduce volunteer travel costs).

Collaborative working is key to the success of the Social Prescribing Service. Once the patient has chosen an activity (say a lunch club, one of which is held at Organisation C, for example), BCVS makes the booking with the group, on a spot-purchase or cash basis. If the patient requires transport (a key issue in Bassetlaw due to its rural nature) BCVS books this through Organisation B. The client attends the group for 12 weeks, after which they are expected to fund any continuation themselves. BCVS often provides support to the patient if needed on the first attendance, and volunteers follow them up after a couple of weeks to check they are happy with arrangements.

Collaborative working within the Social Prescribing Service in Bassetlaw has been made possible by the existence of long-term trust-based relationships, between SMCs themselves and between SMCs and the local NHS commissioner. As discussed in chapter 5, this approach has led to a shared understanding of the social value of the service and enabled it to be recommissioned in a relatively straightforward and uncontentious way. As the lead commissioner for social prescribing explained:

> *'The qualitative feedback is unbelievable, like why isn't everybody doing this, just staggering. The quantitative, between 45 and 55 percent reduction in attendance at GP practices, so I think that is a prevention thing … I want them to keep delivering cos they're doing it with bells on.'*

It is important to acknowledge that in all the case study areas, and despite the challenges associated with funding, SMCs did report some positive and valued long-term relationships with local public sector bodies, and stressed that the types of good practice such as that highlighted in box 6.2 should be recognised and retained.

We found that SMCs generally wanted more not less collaboration and dialogue with the public sector in order to help reconfigure what were sometimes perceived to be predominantly top-down and increasingly 'faceless', remote and mechanistic commissioning processes. However, we found that many SMCs felt that larger, national organisations had a more influential voice in discussions connected to commissioning and a perception that personal relationships matter and can sway decisions in an organisation's favour. Thus, there is a need for SMCs to be assured of at least an equal opportunity to take part in commissioning discussions, and to demonstrate that processes are fair, transparent and representative. In all of the case study areas SMCs recognised that it was important to 'have a seat at the table' and to be assertive in positioning themselves in relevant conversations.

6.4. How have SMCs responded?

Despite the constrained funding environment, and responses from local sector bodies that tended to favour streamlined and scaled-up contracts that favoured larger providers, we found than SMCs had enacted a number of strategies in response. Broadly, these fell into two categories: **area level responses −** by maintaining networks and collaboration; and **organisation level responses −** through flexible and diverse generation and use of funds.

Area level responses: maintaining networks and collaboration in adversity

We have discussed the embeddedness of SMCs in local networks and communities at numerous points in this report. It has been identified as both a source of distinctiveness (chapters 3 and 4) and social value (chapter 5) so it is no surprise that in each case study area we found clear recognition of the importance of networking, communication and the essential 'ecosystem maintenance' work SMCs undertake on a day-to-day basis. Importantly, all of the SMCs felt that it was critical that they continued to invest time and financial resources in these collective efforts, including where it bridged a gap between communities and the public sector and enabled the voices of people facing disadvantage to be heard more effectively. This was exemplified by the work of a senior staff member of Organisation C in Ealing, who has a local authority background and understands both the workings of the local authority and the needs of the community, and spends a lot of time building relationships and raising awareness: *'We plonked ourselves where they were. You won't be included unless you're there'*. This collective work was often most effective when undertaken in partnership with, or with the support of, the local infrastructure body (many of whom are SMCs themselves). Examples include the grant programmes administered by the infrastructure bodies in Bassetlaw and Salford, which enabled SMCs to deliver a wider range of services, and the Social Prescribing Service co-ordinated by the infrastructure body in Bassetlaw (box 6.2).

There were a number of examples from our case studies where this networking and collaboration had led to the development of new models of inter-agency partnership working. Box 6.3 provides one such example, highlighting the development in Bassetlaw of a multi-agency response to supporting so-called 'co-habiting' service users: people with multiple and complex needs who engage with a number of statutory and voluntary services and who it is felt would benefit from more holistic and joined-up support.

Box 6.3: A multi-agency response for 'co-habiting' service users

In 2013 a Local Multi-Agency Problem Solving Group (LMAPS) was developed in Bassetlaw consisting of agencies in various policy fields and sectors, including social services, fire, county community engagement, county community safety, faith groups and voluntary organisations (including SMCs) addressing homelessness and drug and alcohol misuse. LMAPS aims to tackle high-risk social problems in the Bassetlaw area by drawing on the expertise and experience within multiple agencies.

A recent initiative developed from LMAPS was a response to the perceived rise of the use of New Psychoactive Substances (such as 'spice'), and criticism of existing drug and alcohol services in responding to the problem. By pooling the partners' local knowledge, a list of the 10 most vulnerable individuals in the area, with the potential to be resettled, was drawn up. The local community safety partnership now directly funds an outreach worker based at a large charity operating locally to support these individuals. This worker uses a person-centred approach to address the individual's needs.

'A lot is down to the individuals. [Name] at the council who heads community safety I think is a star. He really has encouraged that multi-agency working. We're just about to start holding fortnightly meetings next month to discuss a targeted number of that group of rough sleepers and we're really going to focus on those and see if we can get them to move along. The ones we're looking at really are the hard core. Don't want to move, can't move. I think joined-up thinking [as] an approach is going to work' (SMC, Bassetlaw)

The partnership is not based on funding or directed at a strategic level, but rather, a bottom up response to a problem which requires joined-up working and collaboration. So-called 'co-habiting' service users means that agencies are increasingly required to work on an operational level to address their complex needs: *'the size of the organisation is not a consideration it's what can you deliver and can you deliver it well'* (Public sector stakeholder, Bassetlaw)

LMAPS demonstrates how organisations are adapting to an environment characterised by shrinking resources and growing demand, underpinned by an ethos of work across fields and sectors rather than solely within the charity and voluntary sector.

Although this is an innovative approach to addressing social problems, there are questions about whether it disguises shrinking external resources and could act as a further drain on SMCs' limited resources due to being labour-intensive and requiring cross-subsidy with funds from other projects. It is also important to note that collaboration with other providers in a broader sense is not without risk, and a number of respondents struck a note of caution:

'We have worked, we do work with other third sector organisations, we have worked over the years with partners. I think what we've learnt is to investigate really carefully before you go into partnership with somebody cos we've been burnt on a couple of occasions' (Staff member, SMC, Salford)

Whilst formal collaboration and partnership working was a key component of SMCs' responses, we also identified examples of more informal collaboration – between organisations operating in the same policy field, or simply 'like-minded' organisations within the local ecosystem – which was critical in keeping networks alive, meeting needs and maintaining delivery in conditions of austerity. For example, in Salford, SMCs highlighted the importance of information sharing, referral, and the dense networks of relationships that continue to exist across Salford and Manchester, much of which was facilitated by local infrastructure bodies:

> '*In Manchester there are loads of agencies and lots of people doing different jobs. There's a lot that refer to us so we have those connections because they're referring to us*' *(Staff member, SMC, Salford)*

An interesting further development in three of our case study areas − Bassetlaw, Ealing and Salford − was SMCs fostering relationships with private sector organisations, for both funding and in-kind resources, which was often reported to be more flexible and less bureaucratic than public sector funding.

Organisation level responses: adaptation and diversification

Across the four case areas we found that SMCs have become more flexible about how they provide and fund ongoing services in response to the constraints of the funding environment. This includes 'topping up' funding pots from other sources, including from their own reserves, the added social value of which was highlighted in chapter 5. This response is an expression of SMCs' commitment to continuing to provide responsive services to meet emergent needs, but there is a danger that this desire to maintain services could be exploited by cash-strapped public funders. However, there was recognition amongst SMCs that this was ultimately not sustainable in the longer term, and there are, and continue to be, intense pressures on core costs:

> '*These pressures of inadequate levels of funding are nothing new. What has become apparent is that the reduction in funding available locally is increasing the challenge of covering core costs*' *(Staff member SMC, Wrexham)*

It was also quite clear throughout the research that this uncertainty is placing considerable pressure on key staff and trustees, many of whom (as highlighted in chapter 4) fulfil multiple roles and possess vital embedded knowledge about the organisation and the needs of service users, and with this pressure there is a real risk of burnout of these key individuals.

A number of SMCs involved in the research had adopted income diversification strategies that involved entrepreneurial behaviour, in particular a focus on social enterprise activity in order to generate income.

Organisation A in Bassetlaw, for example, has an enterprise stream that provides unrestricted funding through which to finance services and activities that would otherwise have been dropped. This stream has expanded over the years by further diversifying the range of revenue-generating activities it conducts, such as: providing move-on accommodation; running a portfolio of retail outlets; and increasingly building corporate partnerships with major brands such as IKEA and John Lewis. Whilst strategically this hyper-diversification of revenue is beneficial for the organisation's survival, it also means they have to work hard to balance these different streams, requirements and expectations. Equally, this entrepreneurial approach has led to the pursuit of contracts normally considered to be outside the organisation's traditional scope of work: for example, a community transport scheme aiming to win mainstream travel contracts as an explicit surplus-raising initiative – though this presents the possibility of 'mission drift' and potential conflict with the charitable purpose of the organisation.

Finally, some SMCs have pursued organisational merger as a route to greater sustainability. In Wrexham, Organisation D − formerly a local SMC − has become part of a national organisation, with a view to securing long-term sustainability. *'It wasn't done lightly, it took a*

year to do, but it was to get that support of [a large charity] *behind us, to be seen as having more integrity, more credibility. And the fear of competition'*. Although such moves have the potential to realise efficiencies of scale, back office savings, and to access pooled commissioning, governance and regulatory expertise, they can mean some of the valuable features of being an SMC are lost in the process. *'I think for us staff, it's just that we had some control over what was happening, some control over funding, we knew where we were up to with funding applications and it's just taken that power away from us.'*

Chapter 6 Summary

The challenges of the funding environment were a universal theme affecting SMCs across our case study areas. The local **effects of central government austerity measures** are the main driver of change: there is no disguising the fact that the **cuts have been dramatic and that there is now far less money to go around**.

Through our research we have identified a range of public sector and SMC-led responses to the implications of austerity − some of these responses are compounding the effects of austerity whilst others are reducing them as well as they can:

1. **The public sector** has responded by **streamlining and scaling up contracts,** in search of efficiency and/or economies of scale; and **promoting collaboration between providers.**

    o   Increasingly, across our case studies, **public sector commissioning was occurring at scale**: contracts were larger, and more tightly defined, which favoured large charities over SMCs. This means there is often a **mismatch between what many SMCs do** (their distinctiveness and social value) **and what public bodies seek to fund** (services and outputs/outcomes), even though SMCs' distinctive approach leads to positive individual and economic outcomes that should be attractive to public sector bodies.

    o   **Collaboration between SMCs and larger providers was apparent**, but we found that this can prove problematic for SMCs, who are **wary of collaborating with larger organisations** and fear that their knowledge and skills could be appropriated to the benefit of the largest organisation.

    o   However, **we did identify some examples of effective collaboration** involving SMCs, and found that this takes hard work and is dependent on considerable levels of trust between key actors.

2. **SMCs in our case studies** had responded to these challenges both collectively and individually:

    o   **Collectively, at an area level**, all of the SMCs felt that it was critical to continue to **invest time and financial resources in collaborating with other local providers**, even where there was no funding attached to this work. This work was seen as important because it **bridged a gap between communities and the public sector**, and enabled the voices of people facing disadvantage to be heard more effectively.

    o   **Individually, at an organisational level,** a number of SMCs were focusing on **development and capacity building** to secure their long-term sustainability. While some SMCs were focusing on **income diversification**, for example through social enterprise, others were focusing on how to **meet the requirements of commissioning frameworks** and larger contracts in the future.

Many stakeholders and SMCs spoke of the crucial role of an **effective local infrastructure organisation in facilitating** these types of area and organisational responses.

Despite the pressures of the funding environment, the majority of public and voluntary sector stakeholders involved in the research regarded **a healthy ecosystem of providers** – encompassing the whole range from micro, through small and medium-sized, to larger organisations – **as a crucial element of the local service provision**, encouraging quality and plurality of choice for service users.

Conclusion: the value of small and medium-sized charities

7

This research has captured **in-depth evidence about the distinctive contribution and value of SMCs** operating at a local level in England and Wales, and **highlighted some of the major challenges they face**. In this concluding section we discuss the key findings of the research and make some recommendations for strategic action.

7.1. Key findings

Overall, the findings of our research **support and strengthen the existing evidence and arguments** about SMCs. Notably, our findings confirm that:

- They are *embedded in local communities* and have an *intimate knowledge and understanding* of local people's assets and needs.

- They *build and nurture social networks* that enable relationships between people and the wider community, and between those communities and local and national government.

- They *engage directly with groups that other agencies fail to reach and listen to*, and work in holistic and person-centred ways that are responsive to individual and local contexts.

- *Staff, trustees and volunteers take on multiple roles*, which provides greater flexibility and responsiveness to the needs of service users.

In addition, our research has added depth and contextual richness to these claims, by **identifying three distinctive features of SMCs** set them apart from larger charities and public bodies:

- Their *distinctive service offer* - what they do and for/with whom - which plays a critical role addressing social welfare issues at a community level, including plugging gaps in and joining-up public services.

- Their *distinctive approach* - how they carry out their work - which is often more person-centred, holistic and accessible than that of statutory services and larger providers.

- Their *distinctive position* - where they sit in the wider ecosystem of providers - which utilises their extensive local networks and relationships to fulfil a stabilising and advocacy role at a local level.

We found that the way that SMCs often **exhibit these features in combination** means they are able to offer a distinctive set of services and activities in their communities that are additional to the provision of larger charities and public bodies, and often **add up to more than the sum of their parts**.

Importantly, this research has also, for the first time, made an explicit **link between these distinctive characteristics and the social value SMCs create**, for individuals, and for the economy. We found that this value stems from person-centred and holistic support based on:

- *Meeting needs*, including averting and responding to crisis.

- *Helping people to achieve 'small wins'*, such as building confidence and self-esteem, which provide the necessary basis for longer-term outcomes.

- *Committed staff and volunteer*s, who create safe spaces with a family feel that encourage long-term engagement.

- *Creating the conditions, or scaffolding, for long-term engagement* which can lead to more sustainable outcomes in the longer-term.

However, we have also highlighted some **major challenges that SMCs face in convincing public sector commissioners and funders of the need for and value of their work**. These challenges are heightened by the pressures of seemingly permanent austerity, which have led to a public sector commissioning environment that increasingly priorities scale over responsiveness, and which favours larger charities over smaller ones in an increasingly crowded and competitive 'marketplace'.

7.2. Recommendations

Overall, our research findings suggest there is a **mismatch between the distinctive offer, approach and position of SMCs; the approach local public sector bodies take to commissioning services; and the way that the value of those services** − the outcomes and wider benefits they lead to − **is measured and understood**.

In response to these findings, we make **three recommendations for strategic action** at a local and national level that we believe are essential if we are to **protect, promote and develop SMCs** moving forward.

1. **Reforming funding:** the financial and wider resource pressures facing SMCs have been at the forefront of this research and there is clear need for them to retain a *healthy funding mix* if their distinctive service offer, approach and position are to be sustained. So, what does a healthy funding mix look like? Our research suggests it should involve a combination of the following:

   o *Grants, of different sizes and length, and for different purposes:* public sector bodies should be encouraged to award SMCs with grants over contracts wherever possible. This includes: long-term, large grants that cover core costs and provide SMCs with stability and enable their provision to be embedded sustainably in the wider ecosystem of services; and short term, sometimes smaller grants that enable SMCs to prototype and test new types of services and

ways of working that could be incorporated into mainstream provision in the longer term. This distinction between different length and size of grants, and the purpose for which they are awarded, applies to independent funders as well as public sector bodies.

  o *Flexible, accessible and proportionate contracts:* when it is necessary to award contracts for public service delivery, public sector bodies should give more consideration to how SMCs can be involved in procurement and commissioning processes. This means that tender specifications should take account of the distinctive offer, approach and position of SMCs for meeting the needs of different service user populations. In particular, public sector bodies should learn from, and build upon examples of, effective practice in collaborative commissioning, and recognise that this requires long-term trust-based relationships between providers and commissioners and between providers themselves.

  o *Other sources of funding and resources that complement and add value to public sector funds:* a healthy funding mix should also include a range of non-public sector income streams that maximise the advantages of charitable status. These include: traditional voluntary sources such as fundraising, donations, in-kind support and volunteers; local and national independent grant funders; and social enterprise-style trading and income generation. Of particular importance here is fostering closer and more deeply embedded relationships between SMCs and the private sector, in particular firms who are rooted in, or have links to, the local area.

2. **Reframing and strengthening the role of social value**: our findings clearly demonstrate that the Public Services (Social Value) Act 2010 needs to be implemented more consistently and effectively, and in a way that recognises the distinctive features of SMCs. In practice this would mean:

  o *Requiring public sector bodies to formally account for social value* throughout commissioning, procurement and service delivery. This should include explaining both how social value has been incorporated into procurement processes and how it is monitored and reviewed whilst a service is being delivered, and a duty to report on this to the public at regular intervals.

  o *Incorporating a broader definition of social value* − such as that applied through this research − that recognises the full range of individual, economic and added value that different types of service providers can create.

3. **Sustaining healthy local ecosystems:** our research has highlighted the value of a healthy and vibrant ecosystem of provision − containing SMCs, wider voluntary, community and social enterprise organisations, and public sector bodies − at an area level. Sustaining these ecosystems, in particular *preserving and protecting the role of SMCs* within them, should be a central aim of public policy at national and local levels. This will require a *sustainable and healthy funding mix* and the *reforms to social value* described above, but also recognition of the importance of *long-term and embedded trust-based relationships* between key people and organisations within an ecosystem. These relationships provide vital linkages between individuals, services and communities, and enable effective, sustainable and collaborative approaches to addressing disadvantage to be developed.

However, these pivotal connections risk being severely eroded, or lost altogether, unless the issues raised by this research are addressed. These recommendations **provide an important start point for addressing the challenges raised but this research**, but their implementation will require long-term commitments and financial resources from key stakeholders - in particular the public sector, independent funders and larger charities - at a local and national level.

Appendix 1: Additional information on research methods

Table A1.1: An overview of research participants

Case Study Area	No of workshop attendees	No of stakeholder interviews	Number of research participants in each organisation			
			A	**B**	**C**	**D**
Bassetlaw	21	8	• 6 staff • 1 volunteer • 1 service user • 2 stakeholders	• 5 staff • 1 volunteer • 4 service users • 2 stakeholders	• 3 staff • 1 volunteer • 2 stakeholders	• 6 staff • 1 service user • 3 stakeholders
Ealing	15	7	• 1 Chair • 1 staff • 4 volunteers	• 4 staff • 4 volunteers	• 1 Chair • 3 staff • 3 volunteers • 1 partner	• 3 staff
Salford	12	8	• 3 staff • 2 service users	• 2 staff • 3 service users	• 3 staff • 2 service users	• 8 staff
Wrexham	18	8	• 2 staff • 3 volunteers • 1 service user • 1 stakeholder	• 4 staff • 7 volunteers • 2 service users	• 3 staff • 2 volunteers • 3 service users • 2 stakeholders	• 2 staff • 1 volunteer • 1 service user
Total*	**66**	**31**	**120**			

*Note that some people participated in the workshop and either a stakeholder or organisational interview. As such, these numbers should not be summed to identify the total number of research participants. However, overall at least 150 individuals participated in one or more elements of the research.

Table A1.2: Overview of quantitative data sources

Data Source	Purpose	Source
Charity Register	Profile and footprint of SMCs in comparison to larger charities	Charity commission
NCVO / TSRC charity accounts dataset	Additional information on local government funding to charities	UK Data Service
ICNPO Classification of charities	Identifies general charities	NCVO
National Statistics Postcode Lookup (November 2016)	Matching charities to local authority areas	Office for National Statistics
Mid-year area population estimates	Case study sampling and SMC per 10,000 population figures	NOMIS
The 2011 Rural-Urban Classification for Local Authority Districts in England	Case study sampling	Gov.uk
Local authority welfare cuts data	Case study sampling	The Uneven Impact of Welfare Reform
Index of multiple deprivation − local authority data	Case study sampling	Gov.uk
		Stat wales

Appendix 2: Key statistics about general charities

Table A2.1: Overview of the population of general charities in England and Wales and at a case study level

	England and Wales		Salford		Bassetlaw		Ealing		Wrexham	
	Number	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*
Micro (Under £10k)	53,826	44.1	123	31.8	116	53.5	199	37.1	116	50.7
Small (£10,000-£100,000)	45,621	37.4	128	33.1	74	34.1	215	40.1	81	35.4
Medium (£100,000-£1m)	18,303	15.0	106	27.4	25	11.5	104	19.4	27	11.8
Large (£1m-10m)	3,813	3.1	27	7.0	2	0.9	17	3.2	5	2.2
Major (£10m-£100m)	477	0.4	3	0.8	-	-	1	0.2	-	-
Super-major (£100m or more)	39	0.0	-	-	-	-	-	-	-	-
Total	**122,079**		**387**		**217**		**536**		**229**	

Source: Register of Charities (Charity Commission for England and Wales)

Table A2.2: Key statistics about SMCs in England and Wales and at a case study level

	England and Wales	Salford	Bassetlaw	Ealing	Wrexham
All general charities:					
Total income	£ 38.3 billion	£188.8 million	£12.5 million	£92.8 million	£20.9 million
Number per 10,000 population	21	16	19	16	17
SMCs:					
Total income	£7.2 billion	£38.4 million	£9.7 million	£41.6 million	£10.2 million
Percentage of all general charities income	19 percent	21 percent	78 percent	45 percent	49 percent
Number per 10,000 population	11	10	9	9	8

Source: Register of Charities (Charity Commission for England and Wales)

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