

### **APPENDIX 3**

## **Principles for financial intervention to support struggling VCS organisations - V.1. October 2022**

This set of principles responds to the way the cost of living crisis is impacting on Voluntary and Community Sector organisations, potentially putting some organisations at risk that are strategically significant. The paper sets out the principles that we would need to adopt to make decisions about intervening to support an organisation.

Alternative options would be to not intervene in any case, but this could have an adverse cumulative impact on residents and on Council finances.

For the 2022/23 financial year the Council has £198k available for interventions from reserves and underspend within the grants programme budget that have been brought forward from previous years. We will be planning next year's proposals for the grants programme budget in the context of the cost of living crisis and will be taking recommendations for 2023/24 grants to Cabinet in January.

Authority to approve the grant awards for intervention will need to be delegated to the Head of Policy and Strategic Delivery in consultation with the Cabinet Member for the Voluntary and Community Sector.

### **Principles for financial intervention to support struggling VCS organisations**

The Council acknowledged in the VCS Strategy that the grants programme might not be supporting organisations that are strategically important to the borough or most at risk. We recognised back in 2018 that grant funding in itself is no longer sufficient to support the sector and had not resolved financial difficulties for some organisations who were having to use their reserves to maintain delivery, whilst at the same time lacking capacity to fundraise or look for alternative forms of investment.

The impact of the pandemic and the crisis created by the cost of living has pushed VCS organisations in Hackney closer to the edge. However it is not possible (or desirable) for financial intervention from the Council to be available to all VCS organisations in difficulty.

This set of principles covers three key areas and has been developed to provide a consistent approach to assessing whether financial intervention is appropriate and to act as a guide in decision making. These focus on equalities implications, the likelihood of any intervention leading to successful recovery based on considerations of good governance, the direct financial impact to the Council of not intervening, and the alternative options for service users across all three.

*Although the following have been separated into different themes any consideration should triangulate across these.*

## **Equalities**

Equalities need to be a key consideration from the outset in terms of protecting Black and Global Majority organisations when working through the principles and how they are applied. Considerations should include structural and systemic inequalities that may have contributed to the need for intervention e.g. have not been able to fund raise due to white normative thinking informing application processes. The panel will need to consider the risk to the Council for any gap that would be left in support to residents if the organisations were to fold, in addition to the other considerations outlined below. This may be a result of their specific expertise, knowledge and reach within a community.

The grants programme key equality objective should inform this:

To deliver actions which aim to narrow the gap in outcomes between certain disadvantaged groups and the wider community

Before any discussion is progressed following a request for help consideration should be given to strategic fit with Hackney's priorities using the grant programme's priorities:

- Promote social inclusion, encourage independence and develop personal resilience
- Build positive relations between different groups and communities that will maintain the high levels of community cohesion in Hackney

Any consideration of support will need to be targeted at small/medium sized organisations that are local to Hackney, due to the constraints of available funding. It is not possible to predict how many or when organisations may find themselves in a position to have to seek support. As the budget available will be limited even if these principles are applied, it will not always be possible to provide the intervention required.

## **Organisational governance**

Although we recognise that the past 12 years of austerity and the impact of the pandemic and CoLC has placed unprecedented pressures on charity finances, many organisations through good governance and leadership, have been able to navigate this environment successfully. However despite good governance, leadership and management, particularly of those that are small or medium sized, there will be unforeseen events and circumstances that cannot be managed or absorbed. These threaten the organisation but could not be anticipated and are beyond the organisation's control.

Principles for intervention

- The organisation can evidence that it has consistent and sound financial management and policies are in place in line with our due diligence processes
- The key element(s) that has created the crisis is not one that has or is being experienced by all local charities e.g. pandemic or that could have been anticipated and managed through early action and planning

- Despite the external pressures the organisation has continued to function well and there is evidence that credible management decisions have been made to maintain financial stability in an unstable environment
- There is a good and consistent track record of successful fundraising and delivery

### **Impact on Council finances**

The closure of an organisation could have significant, direct costs for the Council. Any loss of a VCS organisation is likely to have an indirect impact e.g. through the loss of a service that contributed in some way to preventing demand on Council services. However some costs will be more direct e.g. needing to recommission a service, the loss of a service that contributes directly to meeting statutory need, the cost of securing premises. Some of these costs can be more easily absorbed while others can't e.g. pay a security contractor.

### **Principles for intervention**

- A calculable, direct cash cost to the Council that cannot be absorbed indirectly.
- A clear and direct impact on Council and/or partner services as a result of cessation of provision whether statutory or not e.g. provision for those who have NRPF status, that provides a high level of prevention and early help support. This may be across several areas of need or linked to a specific equality group
- Existing and alternative provision

### **Level and type of intervention**

Reassurance of good governance and management, equalities and an understanding of the financial impact for the Council should provide the basis for decisions on intervention. However it is important to consider alongside these a more general reflection of the likely success of financial support or any other support available e.g. support to develop key partnerships, given the information that is available about the organisation.

Decisions as to how much should be awarded either through a grant, derestricting a current grant or reduction/ suspension of rent due, need to remain flexible. These will require a thorough understanding of what is being asked for and why. In the spirit of collaboration and partnership requests for cash support that are realistic, only provide what is needed to enable the organisation to progress its own recovery (and this is evidenced) and are not inflated, should in themselves provide reassurance about the likelihood of success. Any further awards of funding should be subject to a repeat of the process of reconsideration against the principles. However in doing this regard should be given to the investment already made. This may not be necessary if the organisation has recently been considered against these principles and intervention has been provided but cashflow issues require further support.

## **Organisations occupying VCS Portfolio and Council premises**

Rent free and reduced rent periods have been used in the past to support organisations that have encountered difficulties. This has largely been predicated on the cost to the Council of the property becoming vacant and the likelihood of the organisation's recovery. The temporary freezing of rent payments and reductions have an important role in enabling a struggling organisation to return to stability and these should be considered alongside the option of a cash grant where it makes financial sense for the Council.

## **Process for determination of support**

### **Gathering of information**

Following a direct approach or referral from a partner organisation, information will be gathered that will enable a small panel to assess the request against the principles set out above. This should include but is not exhaustive:

- The last set of accounts
- A recent cashflow and forecasts
- Due Diligence documentation in accordance with Council's grant making process (if not already recently provided)
- Fundraising history 3 years
- A description of the factors that have led to the request for help
- A description of services and beneficiaries
- Details of the leadership of the organisation including trustees, management and staff
- The funding sought and an outline of how this will be used

### **Panel**

The panel should consist of representation from the P&SD service (including representation from the grants team), a partner infrastructure organisation e.g. HCVS, and a colleague from another service area within the Council, and a finance colleague. The panel should be chaired by a Strategic Lead from the P&SD service.

### **Governance**

Once a decision has been reached a DPR should be prepared for the senior officer with delegated authority to award the grant. This will also outline the financial value and period of any rent reduction for organisations in the VCS portfolio.

Spend should be reported to Cabinet annually and consideration needs to be given to future annual allocations from the grants programme budget to support intervention. An outline of the monitoring and evaluation approach for this scheme can be found [here](#).