

# Principles, paradigms and practice as barriers to ‘sustainable independence’ for community anchors

Max Weaver, May 2009

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## Introduction

1. Responses can be 'contradictory' and/or 'complementary'. This one tends to the latter. Stephen's thesis is right but, if community anchors are to emerge from their long winter of revenue scarcity and capital discontent, we need also to examine the barriers in detail, in which the Devil is said to dwell.
2. More than any other form of third sector organisation, community anchors need 'sustainable independence' to achieve their mission. Their need for independence from funders' control is not organisational vanity or self-indulgence, but to enable them to be responsive. It is 'local responsiveness' that lies at the heart of their mission.
  - 2.1 They are 'multi-purpose' and so cannot simply land the one 'killer deal' that will ensure – for the foreseeable future – that their missions will be delivered.
  - 2.2 They are in their localities for the long term and so must have flexibility over timescales far longer than the electoral cycle or the eighteen months, or less, that ministers might have to make their marks (with yet more 'initiatives for change') and secure their personal promotions.
  - 2.3 Above all, they must be responsive<sup>2</sup> to their particular communities as circumstances vary<sup>3</sup> and so cannot cope with the 'top down' instrumental direction of central or local government or the more insidious co-optation of unequal partnership.<sup>4</sup>
3. The key issues are:
  - 3.1 whether support without overbearing control is a realistic possibility; and
  - 3.2 if so, how that might be attained.

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1. "Thus, independence is not a fixed entity, something to be won or lost at any given moment; rather it is dynamic and multi-dimensional." Cairns, *The independence of the voluntary sector from government in England*, p. 35 at p. 45 in Smerdon (ed.), *The first principle of voluntary action* (2009) Baring Foundation, <http://www.baringfoundation.org.uk/FirstPrincipleofVA.pdf>
  2. Burt and Taylor argue that total autonomy is a "myth". "We have often heard the view expressed that organisations remaining free of government funding thereby safeguard their independence. Yet, these organisations engage in interdependent relationships with stakeholder communities that include their memberships, the media, donors and sponsors for example; relationships in which 'freedom from...' and 'freedom to...' cannot be taken for granted and must be actively managed." Burt and Taylor, *Scotland's Voluntary Sector: coming together for independence*, p. 83 at p. 93 in Smerdon (ed.) *op. cit.* note 1 above.  
At pp. 93-4, Burt and Taylor list the characteristics of the more successfully robust third sector organisations: "...knowing and remaining true to your organisation's values; ... a strong governing board; .... strong leadership on the part of the Chief Officer and management team; ....strong management capability; ....the importance of evaluating your organisation's performance so as to demonstrate the extent to which the organisation delivers added-value; ....being prepared to refuse funding where accepting it will compromise the organisation's values; operating a diverse portfolio of funding streams; .... realising the synergies that can derive from collaborative arrangements amongst local organisations especially."
  3. Community anchors are needed to offset the 'democratic deficit'. Even before moats and duck houses, democratic processes could be seen to have significant weaknesses. These undermine the realisation of the democratic ideal, which entails that local people's needs be thoroughly understood by the stewards of public policy and public resources. We might note the following.
    - Local democracy is not highly participative.
    - The election of a councillor or mayor can be driven by very broad political issues. At the extreme, the result of a local election can be a judgement of the perceived leadership qualities of the Prime Minister. Where local issues affect the voting, it is normally one or two issues of particularly high profile. The election result might well give a reliable indication of local opinion on those issues, but it will tell us little about other issues that might not have been controversial at the time or which will arise during the term of office.
    - The track record of community forums and similar bodies is not very strong. Consultation too often degenerates into the presentation of the elected executive's preferences and policies.
    - Issue-based research is useful but relatively expensive. Anchor organizations are often appropriate bodies to conduct cost-effective local research.
    - There should in a democracy be some countervailing voices – some checks and balances. The majority's writ should not run to every part of life, particularly in areas in which there are significant minorities. We might see this as a matter of principle. However, there are also strong pragmatic grounds for its recognition. Indeed, to neglect it is a recipe for disengagement from civil society.
  4. Sometimes the language of partnership can involve ideological distortion or deception, purporting to signal equality when the operational reality is the unconscious subservience of the economically weaker partner. See Weaver, *Take your partners* (2008) paper at an IVAR seminar, *The theory and practice of collaboration in the Voluntary and Community Sector* (13 March 2008).

### *'Sustainable independence'*

4. We should not confuse 'charismatic independence' with 'sustainable independence'. 'Charismatic independence' depends on a reputation that, in the minds of those regarding the organisation, is not connected with mission or solid evidence of achievement but with the glamour of particular individuals (often 'founders') or of past rather than present activities. These two charismas are therefore no more than two-edged marketing tools, beguiling enough to seize some modern opportunities but also likely to beguile and mislead the organisation itself about itself and about the context in which it works<sup>5</sup>. They do not provide a solid foundation for the long term. Glamour can fade and history can become bunk. These charismas might be the emperor organisations' 'new (or perhaps old) clothes'.
5. 'Sustainable independence' depends upon governance, leadership and management that is free – and confident enough to use that freedom. That confidence can be simply bravura if the organisation itself is – in truth – in financial survival mode. Money is not a sufficient condition for the delivery of a community anchor's locally responsive mission, but it is a necessary condition for the 'sustainable independence' on which that depends.
6. This paper therefore looks at the key components of financial health and at the barriers to their attainment by community anchors. We might notice a conspiracy of principle and practice that reduces the probabilities of success.

### *Security through revenue*

#### **Full cost recovery**

7. Our shared experience is that we too often fall far short of full cost recovery. Direct costs are not always covered and the organisational overhead is too often regarded – sometimes by administrators – with deep suspicion as 'administration' or 'inappropriate' ("You're supposed to be 'voluntary' aren't you?").
8. If each component of a community anchor's portfolio of services were to be covered by full cost recovery, would our troubles be at an end? The short, principled answer is 'no'. 'Full cost' is exactly that: no less (our usual concern) and no more (a concern that should worry us more). It does not allow a community anchor to make a significant surplus that will build up reserves, which will strengthen the capital base and provide security for rainier days. Full cost recovery assumes that the organisation is already 'well found' (that it is already established and has some capital and reserves). Only those community anchors that have been endowed with significant capital assets approach that condition.
9. The problem is compounded by two factors that hurt community anchors. We might call the first 'inherent inefficiency' and the second 'inherent complexity'. Both drive up relative costs, to community anchors' disadvantage in the commissioning competition.

#### **'Inherent inefficiency' and competition**

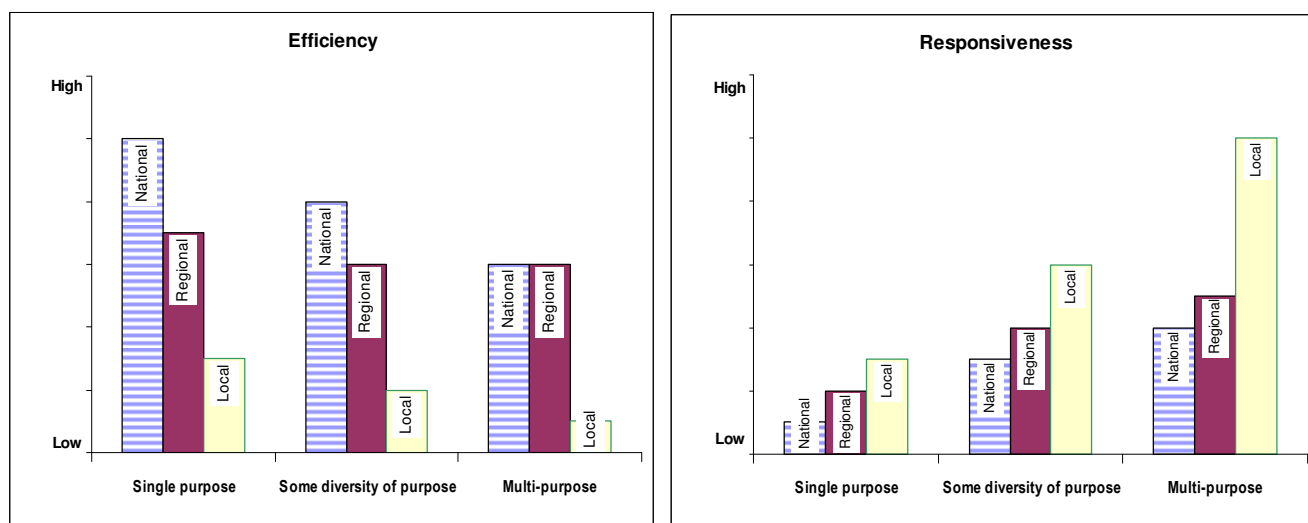
10. First, because they are local and multi-purpose, they are – in respect of any particular 'silo of service' – less able than the single purpose, larger scale organisation to make economies of scale. Their business model is thus 'inherently inefficient'. This matters hugely in a world that is dominated by competition and commissioning<sup>6</sup> – within the particular silos of service – as the principal means to ensure that 'best value' (which is soundly based in democratic principle) is being secured.

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5. Examples of the sector's tendency to believe its own hype are many and various. Consider the ritual requirement of 'excitement' and 'passion' for undefined 'positive social change' that displaces cooler answers to such questions as 'what do you intend to do?' and 'Why do that?' Or the unthinking preference for the trendy term – such as 'inspirational', which obscures the useful distinction between 'inspiring' and 'being inspired'.

6. See the Report of HC Select Committee, *Public services and the third sector: rhetoric and reality* (2008).  
<http://www.publications.parliament.uk/pa/cm200708/cmselect/cmpubadm/1209/1209.pdf>  
Community Links' evidence to the Select Committee is Ev. 209 in Volume 2.  
<http://www.publications.parliament.uk/pa/cm200708/cmselect/cmpubadm/112/112we28.htm>

11. In broad principle, the community anchor model quite properly favours 'responsiveness' and 'effectiveness' over 'efficiency' – and thus 'mission' over 'competitiveness'. However, we have to overcome the practical consequences.



12. 'Social clauses'<sup>7</sup> are in their infancy and not yet well-tailored to the community anchor case. Nor are commissioning processes open enough to the usefully additional information that community anchors can provide about the local needs that might shape the service specification before competition opens.
13. In revenue terms, Community Links has been sustained in recent years by its success in New Deal for Young People.<sup>8</sup> As a contract that is not funded on a 'cost recovery' basis, it provides an instructive comparator.
- 13.1 The scale of the operation (£3-4 million *per annum*) is far larger than is normally found within a community anchor.
- 13.2 The delivery model is discrete.
- 13.3 The price is fixed by DWP at a level that is intended to allow private sector contractors to make a significant surplus.

#### Complexity and competition

14. Community anchors set out to be responsive to complex needs. They tend to operate in areas of acute deprivation and social diversity. It follows that they will need to accommodate a multitude of activities. Quite apart from the dimension of scale, complexity drives up costs. All other things being equal, an organisation that turns over £3 million *per annum* delivering a single service will have higher organisational costs than an organisation of the same total turnover that delivers thirty £100,000 *per annum* projects.

#### 'Relational contracting' contrasted with 'stop me and buy one'

15. In principle, 'relational contracting' might provide a solution. Compare the one off transaction (you buy an ice cream cornet from a mobile vendor on your one and only visit to Frinton-on-Sea) with the interdependence of a motor manufacturer and its component suppliers.<sup>9</sup> You will concentrate on the price and quality of your ice cream and have no interest in where the van will be next minute let

7. See *Social Clauses Project, Report of the Social Clauses Project (2008)* <http://www.cabinetoffice.gov.uk/media/107238/social%20clauses%20report%20final.pdf>. All the projects studies were, when compared with community anchors, relatively narrow in their range of purposes. Nevertheless, the report identifies: legal uncertainties; difficulties in formulating such clauses as core contractual requirements; and difficulty in measurement at the evaluation stage. We might expect such difficulties to be exacerbated in the case of contracts with community anchors.

8. However, the current contract expires in October 2009 and no formal confirmation of extension has, despite strenuous efforts, yet been extracted from DWP.

9. Classical contract law – and the patterns of thought that go with it – are firmly based in nineteenth century individualism and the paradigm of the one off transaction. For an early realisation of its limitations, see Macauley, *Non-contractual relations in business*, (1963) *American Sociological Review* 55, reprinted in Aubert (ed.), *Sociology of Law* (1969) Penguin Books.

alone in two or three years. Your interest in the welfare of the supplier is limited to short term hygiene considerations that might affect the quality of your one off purchase. All this is true whether you are a banker – with a bonus who could easily buy a thousand such vans – or struggling financially.

16. By contrast, the motor manufacturer, although perhaps stronger financially than the component supplier, is intensely interested in maintaining future supplies – and hence in the supplier. The manufacturer might be placing discrete, limited orders for  $x$  thousand widgets, each of which looks like a one off transaction. Nevertheless, the manufacturer recognises that alternative suppliers are scarce and that transfer to another supplier will incur costs. Moreover, the manufacturer needs to be able to discuss new widgets for new models. Similarly, the component supplier: recognises that there are few alternative purchasers for such widgets; and needs continuity of demand to sustain the component business. This relationship of interdependence is the fundamental social and economic reality that provides the umbrella under which particular transactions take place. Sometimes such umbrellas are given legal contractual forms and formal concepts such as 'preferred suppliers' emerge, but their sustainability depends on the realisation of economic interdependence and not on the legal form

### Interdependence and investment

17. It is tempting to think that community anchors and local authorities might progress beyond a 'stop me and buy one' approach to contracting and start to identify their interdependence and jointly encourage investment<sup>10</sup> in the sustainability of community anchors.<sup>11</sup> However, there are some awkward issues to overcome before "a common understanding of organisational identity"<sup>12</sup> is achieved.
- 17.1 Community anchors as such are not widely seen as 'instruments of public policy'.<sup>13</sup>
- 17.2 Community anchors do not supply a narrow range of widgets but several types, sizes and colours. They also supply sproggets – and cogs and nuts and bolts and so on and so on. Local authorities will need to recognise that the diversity of their communities requires this diversity of supply by individual suppliers.<sup>14</sup>
- 17.3 Local authorities are democratically elected. In principle, their authority to determine local needs seems to outrank any warrant that community anchors might have.<sup>15</sup> In practice, there is a Heineken effect: community anchors can reach – and reflect – parts that local authorities find hard to reach.
- 17.4 Competition law is a durable reality and the provision of public services cannot be confined to third sector organisations. Within that framework, community anchor organisations are

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10. Government support or investment for third sector organisations might usefully be analysed using a taxonomy of the following kind.
- Darwinian neglect:* Simply allow the random growth of autonomous organisations. No help but also no threat to autonomy.
- Occasional watering:* Giving tax breaks but no more support. The criteria for the tax breaks are the only pressure on autonomy.
- Sowing seeds:* Start up funds for those who meet the funders' criteria – and instrumental purposes
- Feed:* The favoured organisations are supported – at some risk to their autonomy
- Selective breeding:* Organisations become 'cultivars' (like black tulips) that meet funders' instrumental purposes. The organisations have little autonomy to lose.
- Supplier market:* Services are commissioned from 'best value' suppliers. If financially weak, they will be strongly tempted to sacrifice autonomy to chase the money.
- Consumerist neglect:* The 'personalisation agenda' has the potential to take us full circle, back to high autonomy for suppliers in this new market place.
11. A predictable income stream over time is one of the factors that can support borrowing. A bank will want to know that a loan can be repaid as well as to have a charge over property as security against the risk that it will not be.
12. Cairns, *op cit.* note 1 above, p. 44. See also pp. 39-40, which pay particular attention to community anchors.
13. See Cairns, *op. cit.* note 1 above, p. 37.
14. The alternative that numerous narrow purpose organisations in the locality network and cross-refer in partnership undoubtedly has its place but is far less robust. The transaction costs are high and the insecurity of each component organisation will inevitably weaken such arrangements.
15. See note 3 above.

particularly acutely challenged to demonstrate the value added that cannot be captured readily in 'price' and 'outputs' – or even in 'outcomes'.

18. The Empowerment Fund provides a further cautionary tale. The original proposal was for a fund that would invest in community anchors. After much delay, it emerged as a fund – a mere £9.25 million over three years – that is themed, but in ways that might give community anchors a good chance to play a role. However, the eventual prospectus required that the recipients be organisations “able to operate across England.... able to demonstrate [their] capacity to work both at a national level and able to reach communities throughout England”.<sup>16</sup> No change there then! Community anchors do not fit the dominant paradigm.

#### Evidence

19. The foregoing argues that the fundamental conceptual drive of the rules is not helpful and that predispositions (and prejudices?) and the practicalities of politics compound the difficulties facing community anchors, which are pushing several heavy rocks up a steep hill. (Sometimes the metaphors get out of hand!)
20. Perhaps there can be 'anchor friendly commissioning' that stays within competition rules. Perhaps the implementation of the latest Remedies Directive 2007/66/EC<sup>17</sup> will underline the requirement that commissioners explain their decisions. Perhaps social clauses, compacts, comprehensive area assessments and the like signal a way forward, but presently 'cost' is a 'harder-edged' concept than is 'quality', 'community' or 'impact'. So at least one thing is clear: if there is to be longer term public – or private – investment in 'anchor organisations as such', they will need to marshal far stronger evidence than they have presently of 'organisation-wide impact' (going beyond stories and charisma) to make their cases effectively.<sup>18</sup> This evidence will need to be both across and within the 'silos of service'.

#### Personalisation – a new form of competition

21. Encouraged by Demos and Charles Leadbeater<sup>19</sup>, Government favours the development of 'markets of service-users' that can replace the 'markets of service suppliers' that dominate public sector commissioning presently. This is believed to be electorally attractive ('Choice is what voters want') and supposedly more efficient. The model would appear to be more likely to be effective where it is easy for service-user to change supplier and to make such decisions on the basis of reasonably reliable information about the quality and style of service that is available and required.
22. Whether or not personalisation will prove to be demonstrably more efficient in the provision of specific services on a large scale, its tendency is probably to undermine rather than develop the kind of trusted continuing presence in a particular locality that is crucial to community anchors' missions.

#### Private sector

23. Whilst arguments from democratic legitimacy do not arise, private sector supporters (whether by grant or contract) tend to look for best value in ways that are broadly similar to those described in the previous section. This tendency has increased as Corporate Social Responsibility programmes have become institutionalised and administered by CSR professionals.
24. Management charges or reasonable contributions to overheads might be a little easier to secure, provided they are not seen as the mere administration of the organisation. Perhaps ironically, the notion of significant surplus seems inimical and plays no real part.

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16. DCLG, *The Empowerment Fund – Prospectus* (October 2008), p. 8, <http://www.communities.gov.uk/documents/communities/pdf/1006294.pdf>

17. [http://ec.europa.eu/internal\\_market/publicprocurement/remedies/remedies\\_en.htm/](http://ec.europa.eu/internal_market/publicprocurement/remedies/remedies_en.htm/). However, the Directive concentrates on process and, of itself, will do nothing to make the substantive criteria adopted by commissioners more 'anchor friendly'.

18. Government favours a 'return on investment' approach to measurement. See, for example, *Cabinet Office, Guide to Social Return on Investment* (2009) [http://www.cabinetoffice.gov.uk/third\\_sector/news/news\\_stories/090512\\_sroi.aspx](http://www.cabinetoffice.gov.uk/third_sector/news/news_stories/090512_sroi.aspx). However, this approach does not lend itself readily to the measurement of the 'whole organisation impact' of community anchors.

19. Leadbeater, *Personalisation through participation: a new script for public services* (2004) Demos.

25. The complex and flexible nature of community anchors can too easily be seen by corporate supporters as confusing ('We want to make a measurable difference in a relatively short time frame').

### Trusts

26. Whilst they have their own versions of silos and do not focus particularly on multi-purpose organisations, trusts can be noticeably more sympathetic to some of community anchors' concerns. Trusts are not likely to contribute to a surplus but are often willing to contribute to overheads. Posts such as 'Head of Children's Work' are sometimes fundable even though they might be thought part of the overhead. The unpredictability of circumstances is recognised by the very best Trusts, such as the Esmée Fairbairn Foundation. Their approach in this regard might be a useful model for local authorities.

### Bonds – the Social investment Bond and Citylife models

27. The Council on Social Action, a group of influential and innovative individuals that advises government through the Cabinet Office, "is developing an outcomes-led financing model, the Social Impact Bond (SIB), to allow social investment to take place now on the basis that government will pay out in the future only for social outcomes that are achieved.....[It] could have a significant impact on the future financing of social interventions as it provides both a route for effective interaction between government and non-government funding and a rational framework in which investment, and thus innovation and growth, can take place."<sup>20</sup>
28. However, the notion does not suit community anchors at all well, as the Council realises when it says that "[e]ach SIB would be structured around a set of well-defined outcomes in a clearly specified intervention area (e.g. youth offending, teenage pregnancy, young people not in education, employment or training)."<sup>21</sup>
29. By contrast, the Citylife East London Bond<sup>22</sup> is tuned directly to two community anchors' needs for unrestricted funds. It provides only a one off grant, the size of which depends on its attractiveness in a market comprising those who prefer to lend money (sacrificing the interest) rather than donate. The bulk of the money invested is loaned to housing associations. A proportion goes in administration and approximately 20 per cent goes to the beneficiary charities in one-off grants.

### The new philanthropy

30. The 'new philanthropy' – featured in TV programmes and grounded in the twin desires to put something back and to bring business perspectives to bear on the third sector – is strongly biased towards single-purpose interventions, short timetables and simple measurement of outcomes.
31. Further, it often evidences top down instrumental vision – legitimated by business track record rather than by any democratic process.
32. For these reasons, the new philanthropy as it appears presently is an unlikely solution to community anchors' sustainability problems. 'Old philanthropy' might have been more helpful.

### The Faustus factor

33. Financial sustainability is not an end itself. It is simply a means to the 'sustainable independence' that enables community anchors to play a useful and distinctive role that complements other public, private and third sector activities.

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20. Council on Social Action, Commentary on year one (2008), p. 21, [http://www.cabinetoffice.gov.uk/media/63710/web\\_commentary.pdf](http://www.cabinetoffice.gov.uk/media/63710/web_commentary.pdf)

21. The Council also spells out, at page 22, the following requirements that illustrate, by their complete unattainability by community anchors, the 'service silo' paradigm's vice-like grip, from which community anchors struggle to prise funders and policy makers free:

- "Well-defined metrics: the outcome measure needs to be clearly achieved or not achieved based on objective criteria;
- Clear target group: the group who are being targeted needs to be sufficiently clear to enable objective measurement of success;
- Reasonable payment period: the gap between intervention and the measurement of outcomes should not be too long both to attract investors and to ensure a link between intervention and result;
- Stable intervention environment: other factors that could significantly affect the desired outcomes (e.g. demographics), are expected to stay relatively stable over the intervention period."

22. <http://www.citylifeld.org/page/23/east-london-bond.htm>

34. The problem is that survival is too often the top issue and that community anchors are therefore sorely tempted to sell their souls to funders who demand control over the agenda.<sup>23</sup>
35. Having a multiplicity of funders can reduce this concern but can also compound it. Sometimes, there seems to be nowhere the organisation is free to respond to local needs – as it ought if it is to be true to its mission.

### Social enterprise

36. Social enterprise has some potential to provide a palliative – if not a complete cure – for our ills. The income that it generates is genuinely unrestricted and thus can contribute to overheads and reserves.
37. This model<sup>24</sup> is proof against the Faustus factor but there is an inherent risk that the social enterprise tail will wag the community anchor dog.
38. The main barriers to success might be the following.
  - 38.1 Except where an organisation is already well-found and has assets that will support borrowing or reserves that can be invested, there is a need to secure start up funding, which will have some 'output strings' attached.
  - 38.2 Grants are relatively scarce and will tend go to the organisations with the clearest purposes. The complexity of community anchors might reduce that perceived clarity.
  - 38.3 Money borrowed must be repaid, often with interest.
  - 38.4 There is an inherent tendency for subsidiaries that see themselves as socially useful to prefer their own development to that of the parent organisation.
  - 38.5 Small scale operations with relatively small profit margins are unlikely to make the dramatic financial difference that many community anchors need.

### Security through capital

#### Why is capital useful?

39. Capital is essentially the long term wealth of the organisation. It can use capital as security for borrowing, although cautious lenders are inhibited by the public relations difficulties in evicting charities in order to sell their premises. Capital security makes up for the absence of a 'lender of last resort' (like the funding councils in HE and FE) or 'guarantor'. It is also important to remember that lenders will want to see that they will be repaid rather than have to foreclose. This requires a degree of certainty of future income about which many community anchors can only dream.
40. Borrowing can be for:
  - 40.1 working capital – capital security for the overdraft facility;
  - 40.2 a rainy day; or
  - 40.3 strategic development.
41. Very simply, the more capital there is the better for 'sustainable independence' – but most community anchors have relatively little.
42. Buildings are the most obvious form of capital. If an organisation has acquired a freehold or a lease at a peppercorn rent, it will be saving the cost of renting the equivalent building. However, buildings do have to be maintained. How many community anchors have buildings that are in good

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23. Cairns relates (*op. cit.* note 1 above, p. 40) that "We found that the cumulative effect of these changes was that community anchor organisations are struggling to respond to the public services policy agenda whilst at the same time retaining other features for which they have been valued in the past; for example, their ability to empower people at the local grassroots, to carry out their 'voice' role, to build social capital and to act as focal points for community development. This inconsistency in public policy risks damaging community anchor organisations by undermining the integrity of their founding values; increasing the risk of mission drift; restricting their ability to act in accordance with their core purpose by pulling them away from 'community development' towards 'community service' (Taylor, 2006) and, in some cases, threatening their actual survival."

24. Clark, *The Social Entrepreneur Revolution* (2009), Marshall Cavendish, at pp. 91-106, identifies seven kinds of 'social entrepreneur': social business entrepreneur; citizen social entrepreneur; public-sector social entrepreneur; environmental social entrepreneur; new philanthropist social entrepreneur; latent social entrepreneur. The first of these – 'hybrid for-profit' – "producing both financial and social outputs or using financial means to generate social good" – is the most likely to generate surpluses for existing charities.

condition and fit for purpose – and have an estates strategy and a maintenance plan to keep them that way?

43. The more historic the building the more likely are the problems of maintenance and fitness for purpose. Assets can have negative values in the market place.

#### Endowment

44. Sometimes charities are endowed with buildings. Sometimes the endowment is money, or shares or valuable objects such as paintings.
45. Their utility in supporting 'sustainable independence' is a function of:
- 45.1 the asset's condition;
  - 45.2 the asset's suitability for use by the organisation;
  - 45.3 the asset's use value (not cost) – a community anchor can use a building to further its mission but very few paintings are 'mission related';
  - 45.4 the asset's market value (not cost) – the sum that can be realised on sale or letting or by borrowing against the security<sup>25</sup>; and
  - 45.5 the strings that are attached by the donor – just as revenue funding is often tightly restricted, so too capital donations can be hedged about with restrictions that will become increasingly irksome as time moves on and the circumstances change from those that were in the donor's mind at the time of the endowment.

#### Other sources

##### Regeneration funding

46. Regeneration funding has proved useful to some third sector organisations. There are costs in bidding and these are not normally recoverable. Additionally, there are strings attached. Sometimes the required outputs are tied up with constructing the building, but in nearly all cases the use of the building and its tradability<sup>26</sup> are limited for the economic life of the project, which is commonly 20 years. These restrictions must have an adverse effect on the building's market value and value as security but the organisation has the important benefit ('use value') of a building that is fit for purpose and in good condition.

##### Planning gain

47. Local authority practices vary but the majority make regular use of Section 106<sup>27</sup> agreements. These contracts between local authorities and developers are linked to a particular development. Whilst some local authorities might be thought to be 'selling planning permissions', Section 106 agreements are based on the principle that the permitted development will have negative impacts that cannot be mitigated or controlled adequately by planning conditions imposed on the development itself. The logic is to let the development proceed and to cause its adverse impact but to offset that impact by the creation of another social benefit. Thus a new block of flats might generate a community centre facility within or nearby the development.
48. There has been over recent years a keenness to use Section 106 to fund infrastructural development. This will reduce opportunities for community anchors to benefit from being 'planning gain'.

##### Asset transfer

49. Local authorities – and indeed government departments and agencies – hold assets for the benefit of the public. Where they are surplus to requirements, it is possible to transfer them to third sector organisations on the assumption – built into the contract – that they will be used for the benefit of the community. There is also a danger that public bodies will seek to export maintenance problems.
50. The 2020 vision in the Quirk Report is that "[i]n every locality a proportion of all public assets are in the ownership or management of sustainable and energetic community organisations. Communities

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25. The more specialised or bespoke the asset, the more likely it is that the use value will be higher than the market value.

26. Grants usually have to be repaid on a tapering basis if the asset is traded during the economic life of the project.

27. Town and Country Planning Act 1990. The local authority takes a legal charge on the land being developed. The developer's obligations to fund the work required by the local authority transfer automatically to any successor in title.

regularly conduct 'calls for action' to stimulate change locally and bring under-used assets into better public use, putting their case to their local councillor, their MP and their council."<sup>28</sup> John Prescott had previously sought, with limited success, to stimulate such asset transfers. A few transfers took place.<sup>29</sup>

51. The Local Government Association commented, "When councils transfer or sell off public buildings, it allows them to give local services a much-needed financial boost. If councils are to transfer assets at below their market value, at a potential loss of cash which could otherwise be spent on local services and local people, then the government must put in place incentives for them to do so."<sup>30</sup> Government has found £30 million.
52. The current position is that Quirk's grand panoramic vision has been scaled down to make the Community Assets Programme, which is funded by the Office of the Third Sector and managed by the Big Lottery Fund<sup>31</sup>. "The aim of the £30m programme is community empowerment – facilitated by the transfer [freehold or on leases of 20 years or more] of genuine assets from local authorities to the third sector for community benefit" and giving "local third sector organisations greater security and independence". The programme only covers the refurbishment costs of local authority-owned assets but certainly mitigates the danger that community anchors might become local authorities' 'maintenance risk vehicles'.
53. Transferred assets will, presumably appear on the beneficiary organisation's balance sheet. However, an asset's use will be governed by a partnership agreement with the local authority, which is likely in practice to limit the tradability and thus the value of the asset as security for borrowing.
54. Community anchors seemed to be the favoured beneficiaries. "Community assets are community facilities that can be enjoyed by a wide variety of groups; these are likely to be multi-purpose." However, not all the application partnerships invited to submit capital delivery plans involve organisations that are themselves 'multi-purpose'. The guiding principle is now the creation of 'community hubs', which can be run by community anchors or by more narrowly-based organisations that will open up the premises to other organisations.<sup>32</sup>
55. There are nevertheless some other useful advantages for the beneficiary organisation:
  - 55.1 It will be spared the costs of alternative accommodation.
  - 55.2 The buildings will be in good order.
  - 55.3 There is reasonable freedom over future use. "Once the asset is transferred [to the third sector organisation], it may be used for its original purpose, or for other purposes."

#### Partnership funding – the Rokeby model

56. It is possible to develop genuine public-private funding partnerships. By way of illustration, Community Links secured capital funding from the Private Equity Foundation to cover the costs of constructing the Rokeby Centre on land that has been leased to Community Links by the Council on a peppercorn rent for twenty years.

### *A possible agenda for more 'sustainable independence' for community anchors*

57. The worthwhile opportunities for community anchors are perhaps easier to find than the proverbial needle in a haystack, but principles, paradigms and practices that do not assist community anchors

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28. Making Assets Work: The Quirk Review of community management and ownership of public assets, (2007) <http://www.communities.gov.uk/documents/communities/pdf/321083.pdf> p. 3.

29. Newham Council's transfer in the early 1990s of the redundant and derelict Canning Town Public Hall might be thought an example of community asset transfer. The lease is lengthy and can – unusually – be transferred to third parties. However, use is restricted by the terms of the lease and the planning permission. The not inconsiderable maintenance obligations fall squarely on Community Links. Whilst the building is reasonably fit for purpose it is difficult to use all parts of the building intensively. The organisation lives with significant 'bad fit', paying higher heating and maintenance bills, much comforted that it is not paying rent or financing costs.

30. <http://www.lga.gov.uk/lga/aio/37446> (2007)

31. See [http://www.atu.org.uk/?dm\\_i=5C1ZLMJFQNV.27FC.1](http://www.atu.org.uk/?dm_i=5C1ZLMJFQNV.27FC.1) and [http://www.biglotteryfund.org.uk/prog\\_community\\_assets?tab=2&regioncode=-uk#05](http://www.biglotteryfund.org.uk/prog_community_assets?tab=2&regioncode=-uk#05). The various quotations are from the latter.

32. [http://www.biglotteryfund.org.uk/pr\\_040408\\_eng\\_ca\\_assets\\_transfer\\_to\\_create\\_community\\_hubs.htm?regioncode=-uk](http://www.biglotteryfund.org.uk/pr_040408_eng_ca_assets_transfer_to_create_community_hubs.htm?regioncode=-uk)

seem to dominate. 'Best value' should not, and will not, evaporate. Community anchors must recognise the power and legitimacy of competition rules and that full cost recovery cannot be guaranteed in marketplace competition. So, where might community anchors concentrate?

**Establish an 'anchor paradigm'**

58. Whilst the 'silos of service' will not disappear, it might be possible to fan the few sparks of recognition that community anchors are local, multi-purpose and indeed special into the flame of an 'anchor paradigm' that will be more 'relational' and sit – with its own power and legitimacy – alongside the entrenched 'silos of service paradigm'. This long haul job is close to bassac's mission. Can we do more to help?

**Social clauses, contractual forms and intelligently responsive commissioning**

59. We might seize on 'social clauses' and try to enliven the presently desultory debate. Social clauses have some purchase on 'best value' and, potentially, on the pre-commissioning phase that should involve community anchors in some of the debate about what services are to be commissioned.
60. This could be broadened into a survey of the contractual forms in common use and an attempt to distil best practice – perhaps into recommended standard forms that might have some useful influence. The concept of 'relational contracting' has the potential to expand the range of the debate in ways that might weaken grip of the 'silos of service' paradigm.
61. The starting place might be bassac, with involvement of NCVO as the debate progresses. Somehow, local authorities will then need to be involved. Perhaps the comparison with the practices of the best trusts provides a new approach to this obstinate problem.

**Measurement and demonstration**

62. We know that we have to marshal the evidence of our effectiveness and we are investing time in methodological exploration, trying to capture our 'whole organisation impact'. We should not spend too long in this mode. We need a serviceable approach that we can get on and implement.

**Bonds**

63. The East London Bond is an interesting experiment. If it demonstrates that there can be love in the current cold climate, the concept might be of more general application for community anchors.

**Planning gain**

64. Whilst construction is in the doldrums there will not be many opportunities to benefit from Section 106 agreements. But some of the relationships can be nurtured.

**Public-private capital partnerships**

65. The current recession makes these remote and there are few private sector organisations that are able to make capital donations or investments. But the model can work and we should not neglect it.

**Collaboration and cost savings**

66. Collaboration, in its various forms, demands detailed exploration that lies outside the scope of this paper. Suffice it to say that the costs and benefits need to be assessed with enormous care. Hanging on to independence for no demonstrable benefit to our service-users cannot be justified, but collaboration is also hazardous. It cannot be guaranteed to produce more effective and efficient services and does not come cost free.

**'Surplus – but not greed – is good'**

67. The downside of the above is that we do not have many ways to move from struggling to cover our costs to making a significant surplus that can build reserves and support development. We should worry more about this and try to convince our supporters, not that 'greed is good',<sup>33</sup> but that 'surplus is good'. Peter Drucker argued<sup>34</sup> that, "The first responsibility of business is to make enough profit to cover the costs for the future. If this social responsibility is not met, no other social responsibility can be met." In this sense, community anchors are businesses – or at least must be 'business-like'.

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33. Gordon Gekko in Oliver Stone's movie, *Wall Street* (1987) <http://www.americanrhetoric.com/MovieSpeeches/moviespeechwallstreet.html>

34. Drucker, *The Practice of Management* (1954)