

Terms of Reference



1 Background information

1.1 What is it?

The Step Change Fund, based within Oxfordshire Community Foundation, focuses on capacity-building and strengthening of Oxfordshire's charitable sector. The fund aims to help high-quality social organisations create a more solid platform from which they can deliver services. It also encourages the adoption of more sustainable models by funding projects that enable a 'step change' in financial terms.

The Step Change Fund does not offer core funding simply for the continuance of existing services. Grants are given for projects that can demonstrate realistic plans for increasing reach and impact, and for building longer-term resilience for the future. This may include infrastructure projects that have the potential to strengthen core capacity to deliver better services.

1.2 Rationale for the fund

Society needs the not-for-profit sector to have the capacity to provide high-quality, affordable services. Yet many organisations struggle to obtain funding to establish firm foundations and build their core capacity. Donors typically prefer to fund activities that result in an immediate quantifiable impact, favouring new projects or activities. This contrasts with commercial investment, where investors look to build on proven success, avoiding the distraction of new projects unless these are strongly justified. Charitable funders also require central overhead costs to be kept to a minimum – often 10–15%. Together these constraints have a number of negative consequences:

- Charities are driven to develop new projects or diversify their activities, acting in response to funding availability rather than growing strategically; new charities proliferate, heightening competition.
- Grants are limited to fixed terms. Project funds dry up after initial start-up costs, obliging managers to focus efforts on plugging funding gaps rather than developing core activities.
- With insufficient central overheads, organisations are unable to invest adequately in developing core capacity, whilst at the same time multiple projects put damaging strain on the capability of a management teams.
- Most importantly, charities miss opportunities to develop sustainable revenues through social entrepreneurship. Focus on short-term expedencies – living hand to mouth – prevents the development of business models that, though they may require investment, could build financial autonomy.
- For all these reasons, organisations often become over-dependent on specific dedicated staff, so that they are not robust when personnel changes occur.

The current model – where novelty is privileged – is self-perpetuating. It works against financial sustainability and creative social entrepreneurship.

1.3 Possible responses to the challenges

Oxfordshire depends on the voluntary sector for the delivery of critical services. The following example solutions all require investment of time and resources, but can provide opportunities for excellent organisations to increase their reach and to build their resilience:

- *'Rationalising' through collaboration or merger*
Small charities are hard-pressed to deliver on existing services. They may need considerable management time to enable the joining of two cultures and models.
- *Cultivating entrepreneurship by devising saleable products*
For example, writing up a programme as a book or identifying ideas that have wider applicability, and can be marketed as consultancy or professional services. Management time, as well as specialist input for costing, promoting, marketing and delivering, are needed.
- *Raising the profile of the organisation and increasing 'sales' (where clients pay for a service), thus increasing revenue*
Funding for branding, promoting, marketing and upgrading the office environment and systems may be needed.
- *Identifying sustainable income streams to support core costs*
This may be achieved for example by creating a community fundraising team, appointing a professional fundraiser (where new sources of funding have already been identified), or creating a membership scheme.

1.4 How the Step Change Fund works

1.4.1 Funding

The fund has over £1 million to distribute over the four years 2016/17 to 2020/21. The fund's performance will be reviewed annually.

1.4.2 Administration

The fund sits within Oxfordshire Community Foundation and is managed by a small grants panel drawn from those who have experience of the business and charity sectors, and who understand the challenges and capabilities of Oxfordshire's third sector. It will support organisations that provide valuable services to our community and whose reach and impact is currently constrained by lack of capital funding. It will target medium-sized social organisations (turnover between £75,000 and £400,000) that have recognised that they must invest now to create a healthy business model (and therefore a more sustainable future), but have neither the staff nor the money to do so. Where a charity's income is over £400,000 but much of the income is tied into restricted funds, it may be appropriate to consider an Expression of Interest (EoI), provided the project is designed to make a substantial improvement in core capacity.

1.4.3 Eligibility

Successful applicants will have outstanding leadership and the capacity to grow.

1.4.4 Grant-making

Grants will be given within one of three categories:

- **Management** (eg strategic planning, mergers or collaborative partnerships, accounting, emergency bridging, etc)
- **Office environment** (eg computer hardware or software, premises, systems, etc)
- **Fundraising and marketing** (eg campaigns, branding, bid-writing etc).

1.4.5 Application procedure

Applications to the fund will be in two stages: an **Expression of Interest** (EoI) and a **Detailed Bid**. The Expression of Interest must be accompanied by a 'health check' conducted by Oxfordshire Community and Voluntary Action (OCVA), for which a fee of £100 plus VAT will be charged. Those who are invited to submit a Detailed Bid will be asked to do so in person and, prior to the presentation, will be visited by a member of the grants panel, in order to explain what the panel is looking for from the Detailed Bid.

1.4.6 Amounts

Most grants will be between £10,000 and £50,000. If a second grant is applied for after the first phase is nearing completion, the total grants given will not exceed £75,000.

1.4.7 Resubmissions

There is no limit set for the number of applications a charity may make. However if the application is a resubmission of a previously unsuccessful EoI, it should take into account the typical reasons for rejection given in section 6.3 of the present document. If more than six months have elapsed and there have been any significant changes, we may require a further health check.

1.4.8 Key Performance Indicators (KPIs)

Three KPIs will be identified by applicant charities as part of the application procedure. These will be used to measure the added value and success of the project subsequent to completion.

1.4.8 Project management

A project manager, who will be a volunteer appointed by the grants panel, will be allocated to each funded project. Project managers will have experience of both the business and charity sectors. Grants will be paid in tranches over the lifetime of each project, with payments dependent on the achievement of agreed milestones, which will be measurable by an event or outcome. These outcomes will be monitored by the appointed grants panel project manager, and funds only released on satisfactory reporting of milestones achieved.

2 Funding categories

Funding will be limited to discrete projects that will normally fall within one of the following three categories and their related activities:

Category 1: Management	Category 2: Office environment	Category 3: Fundraising and marketing
Accreditation	Computer hardware	Campaign planning
Accounting	Computer software	Grant programmes
HR policy	Telecommunications	Feedback and analysis
Bridging finance	Systems implementation	Donor relationships
Needs and outcomes analysis	Premises upgrade	Web page design
Mergers and partnerships	Staff training	Branding
Strategic planning		Bid writing

If none of the activities above cover the proposed project, it should be described briefly.

The Step Change Fund should not be used to support continuing management and delivery costs. Where funding is being sought for staff costs, these costs must be for specific projects only. The overriding purpose of the fund is to build and strengthen the beneficiary charity's strategic capacity.

3 Funding availability

3.1 Value

Grants in the first instance will be for £50,000 or less, with the possibility of further funding up to £25,000 for follow-on projects. Total grants will be capped at £75,000 and normally will not exceed 30% of the applicant's annual income, should this be less. Most grants will be between £10,000 and £50,000. A charity may submit more than one funding application, but the total grants received over the four years 2016/17 to 2020/21 will be aggregated and the cap will be applied to the aggregated sum (refer to 4.1 below).

3.2 Payment

Grants will be paid in tranches over the lifetime of each funded project. The amounts and timing of each payment will be dependent upon the achievement of agreed milestones, and may be delayed or cancelled if milestones are not reached.

4 Milestones and Key Performance Indicators

4.1 Duration

Funded projects will be of different durations, which will be defined by the grants panel. For projects lasting more than six months, the project should be split into two or more phases, with each phase funded separately and, apart from in exceptional circumstances, applications for the second and subsequent phases submitted once an earlier phase has met an agreed milestone. Should a project have to be split into phases, it will be treated as a single project when applying the funding guidelines set out in 3.1 above. This splitting is likely to be necessary where office infrastructure projects involving the implementation of new office systems are involved.

4.2 Milestones

Each application must identify milestones, at intervals of not more than eight weeks, during a funded project's lifetime. Each milestone should be measurable, by either an event or an outcome. The beneficiary charity must report the reaching of each milestone and formally discuss progress with the appointed project manager (see section 5.1 below). The watchword must be 'no surprises', and the beneficiary should warn the project manager of any problems that might put the reaching of a milestone at risk, as soon as they arise.

4.3 Key Performance Indicators (KPIs)

Three KPIs should be identified by the applicant charity as part of its application, and agreed with the grants panel. The KPIs will be used to measure and monitor the added value and success of the funded project subsequent to its completion (see 5.2 below).

5 Review and feedback

5.1 Project management

A project manager – a volunteer appointed by the grants panel – will be allocated to each funded project, and will be the link with the beneficiary charity, both during the funded project's lifetime and for 24 months following its completion. Project managers will: have experience of both the business and charity sectors; be acceptable to the beneficiary charity; and demonstrate a sympathetic understanding of its objects. In all cases the charity will have an absolute veto over the appointment of any person with whom it thinks it would be difficult to work.

5.2 Reporting

On the reaching of each milestone the beneficiary charity will submit a report to and hold a formal meeting with the project manager to discuss the outcomes and next steps. Following the project's completion, further formal meetings will be held each quarter over the next two years to review the project's outcomes, using the KPIs as the starting point. In addition to these formal meetings, the project manager will always be available to help and advise the beneficiary charity on matters relating to the funded project.

5.3 Release of funds

Where funding is being made available in tranches, the project manager will be responsible for confirming to the grants panel that the relevant milestone, triggering the making of any payment, has been met.

5.4 Feedback to donors

Donors to the Step Change Fund will be sent copies of all grants made and of the minutes of all formal meetings between project managers and beneficiary charities.

6 Grants panel

6.1 Composition

The grants panel will have a maximum of seven members and a quorum of three. As mentioned in 1.4 above, its members will have experience of both the business and charity sectors, and will understand the challenges and capabilities of the latter.

6.2 Key questions to be answered before funding is awarded

- Is the applicant charity a socially useful group and worth saving or growing?
- Has the applicant charity a clear plan?
- Are its trustees and management able to deliver the proposed plan and take it forward?
- Is the amount of grant to be awarded enough to make a real difference?
- Is there any matched funding available?

6.3 Some reasons for rejection

- Funding of staff salaries must be time-limited and directly linked to a planned change in the method of delivery, rather than just relieving over-pressed staff for a period.
- Development of new products or services that could be sold need to be supported by a convincing argument, based on evidence, that there would be a market for them.
- Grants for increasing the applicant's fundraising capacity must be part of a structural change (eg diversification of income streams), rather than the short-term employment of a professional fundraiser.
- 'Extending reach', as a short-term goal, is not as important as building capacity and strength, so that in the long term both the quality and quantity of work may improve.
- Where help with strategic planning is sought, the charity applicant must show that it already has credible strategic ideas about how to make the model of delivery more sustainable, rather than simply making a request for a strategic planning role.

6.4 Match funding

Match funding is desirable, but not a necessary prerequisite; but applicants should be encouraged to seek them. They may be in kind or in cash, and a full description and supporting evidence of the match funding should be provided, particularly where goods and services are being supplied pro bono. Examples of match funding, which must be specific to the project for which funding is being sought, are:

- Pro-bono legal and accounting professional services
- Rent-free office accommodation
- Gifts of buildings and equipment
- Special discounts offered by suppliers

6.5 Responsibility

The panel is accountable to the donors to the Step Change Fund, who must be assured that the money given will really make a difference to the strength and sustainability of the beneficiary charity.