

Dormant Accounts – What we heard

Foreword

Northern Ireland has a diverse voluntary, community and social enterprise (VCSE) sector that makes a positive impact on many people's lives. However, cuts to public funding and increasingly complex social challenges, mean the sector is largely operating in crisis mode, feeling overwhelmed, exhausted and unable to find the breathing space to explore options for sustainability, development and diversification.

We were pleased to receive policy directions from the Department of Finance to start delivering a Dormant Accounts Fund in Northern Ireland (NI). The Fund is a unique opportunity to take a long-term approach to rejuvenating the sector, but it can't be all things to all people or bring about sustainable change on its own.

Our consultation with the VCSE sector told us about major systemic issues that require a long-term approach, working across multiple sectors, to have an impact. As well as delivering Dormant Accounts funding, we are keen to share our learning from this work with government departments and other statutory bodies to help facilitate discussions about the potential for change.

Dormant Accounts funding will allow organisations large and small to look at their own capacity, resilience and sustainability. This could be a transformational fund for many organisations, allowing them to make the changes needed to be less dependent on grants in the future.

But we also need to be clear that Dormant Accounts funding can't be used to fill the gaps left by a reduction of other sources of funding. It won't provide core costs for organisations to keep their lights on - this funding has to be used to encourage a change in mindset, providing time and space for organisations to lift their heads from day to day delivery to effectively plan for the future. The sector told us that it understands the need for such strategic development, but currently struggles to even think about it because they are operating in a constant state of crisis management.

We recognise that there is no single solution. Genuine, cross-sectoral and long-term collaboration is required to change the direction of travel; this includes a change in attitudes and systems, including levels of bureaucracy, from government departments, funders and the sector more broadly.

We won't have all the answers immediately, but the consultation has indicated the need for a tiered and phased approach to have impact over a sustained period of time. We want to strike a balance between meeting immediate needs for thinking time and core resilience and making more strategic investments to really shift the dial for different parts of the sector over a longer period. We will apply a test and learn approach in order to develop the fund over time and we look forward to continuing the conversations we have started with you this year.

This report details what we have heard through our consultation and what that means to different people, organisations and parts of the sector. The analysis in this report is based on what people told us and does not reflect the views of The National Lottery Community Fund. We were delighted with the response to our consultation and want to thank everyone who contributed to this important work.

Kate Beggs, NI Director National Lottery Community Fund

The Dormant Bank and Building Society Accounts Act 2008 names The National Lottery Community Fund as the distributor for dormant accounts money under direction from the Department of Finance to increase capacity, resilience and sustainability in the Northern Ireland Voluntary, Community and Social Enterprise (VCSE) sector.

We received policy directions from the Department of Finance in September 2019 and started consulting with the VCSE sector on how dormant accounts should be delivered in Northern Ireland. We met organisations across the sector, engaging over 300 people at four regional events. We hosted, facilitated and took part in 25 smaller roundtable discussions across NI. In total, we had over 700 face to face conversations, talking to people from more than 460 organisations, dealt with over 500 enquiries, received 63 written submissions and reached over 60,000 people on our digital channels.

This report highlights what we were told about capacity, resilience and sustainability in the sector, including wider systemic issues about how public funding is delivered. The responses to the consultation reflect opinions in urban and rural areas, from small community organisations to larger UK-wide voluntary organisations. We heard from age specific groups, disabled people's groups, BME communities, the women's sector, environmental organisations, sectoral infrastructure organisations, training providers, arts and sports groups and charities providing emergency services.

We heard views on the importance of strategic planning, the need for core costs, challenging funding environments and how leadership is rarely funded, and leaders don't have time or breathing space to be strategic or plan for the future.

Throughout the consultation, we posed questions discussing the definition of resilience and how that can mean many things to different people. We heard that often buzz words come and go but this can be confusing and at times meaningless to organisations and their work on the ground.

We were told about the need to strengthen boards and committees, ensuring the right mix of skills and training, putting all the appropriate policies and procedures in place to support an organisation's purpose and activities. There is also a real need for time to focus on developing digital and communication skills.

The VCSE sector told us of the need for flexibility in how funding is made available in relation to things like grant size, timeframe and funding criteria to enable and empower organisations to adapt and become sustainable.

To allow for the greatest impact over a sustained period of time, we think a tiered and phased approach will allow us to both respond to some of the immediate needs of the VCSE sector while also identifying opportunities for longer term support and development. In the first phase, we plan to offer small, flexible and responsive grant funding to build the core resilience of individual organisations. We are also planning to support larger strategic investments that leverage other funding, enable collaboration and new creative approaches to long term sustainability.

We are now developing our plans for the Dormant Accounts Fund and will be sharing these with the Department of Finance in March, who will then lay the strategic action plan in the Northern Ireland Assembly. We expect to have the first phase of the programme open for applications by June 2020.

What are Dormant Bank Accounts?

Under Section 22 of the Dormant Bank and Building Society Accounts Act 2008, the National Lottery Community Fund will distribute money under direction from the Department of Finance to increase capacity, resilience and sustainability in the Northern Ireland Voluntary, Community and Social Enterprise sector.

Over £16million has accrued over the last 10 years and to ensure this funding has maximum impact in communities across Northern Ireland, we consulted with the sector on how the money should be spent.

What are dormant bank accounts?

Dormant accounts are UK bank and building society accounts that have been untouched for 15 or more years, and where banks and building societies are unable to trace the customer who owns the account.

The dormant accounts scheme was established by the Dormant Bank and Building Society Accounts Act. Participation in the Scheme by banks and building societies is voluntary. It enables participants to channel funds from dormant accounts towards good causes in the United Kingdom through an independent body called Reclaim Fund Limited.

Banks and building societies make significant efforts to reunite people with their money and customers can reclaim their money at any point and the Reclaim Fund retains a reserve to meet reclaims from customers. Surplus funds are distributed to The National Lottery Community Fund, which in turn makes these available for good causes in England, Scotland, Wales and Northern Ireland. Each devolved administration issues policy directions on how these funds are used.

Consultation Overview

Our consultation took place between October and December 2019.

We were impressed with the immediate positive reaction to the news and how many people and organisations got in touch - within three weeks we had almost **30** offers to host and convene roundtable events across NI.

We hosted regional events in Newtownabbey, Craigavon, Derry-Londonderry and Enniskillen with over **300** people attending across the four events. We hosted, facilitated or took part in **25** roundtable discussions with over **350** VCSE representatives and had **18** smaller meetings. We received **63** written submissions as well as hundreds of emails, phone calls and conversations.

We also reviewing existing and previous consultations both in Northern Ireland and across the UK and Ireland, taking on lessons learned from these.

Throughout the consultation we reiterated that Dormant Accounts funding is not the same as National Lottery funding.

The policy directions issued to us by the Department of Finance state that this funding ‘**should benefit the third sector in Northern Ireland, through projects/work primarily delivered by voluntary, community and social enterprise organisations to increase capacity, grow resilience and encourage sustainability**’.

We outlined a number of detailed questions, based on the policy directions, in our [consultation framework](#), including:

- What are the existing barriers to resilience in the VCSE sector?
- In what ways does the sector need to build its capacity?
- What does a sustainable third sector look like?
- How could this funding support the sector to build its capacity and sustainability?

As the consultation progressed, we saw the breadth and diversity of the VCSE sector reflected in the conversations we had and responses we received. There was general agreement that while Dormant Accounts funding should meet the needs of a diverse sector, it cannot be all things to all people. With that in mind we posed more specific questions such as:

- Tell us the two or three main things Dormant Accounts funding could do that would have the greatest impact.
- If Dormant Accounts funding achieved its aims of increased resilience, capacity and sustainability, what would the third sector look like in five years’ time?

We talked to people about Dormant Accounts funding

Events and Discussions

 **47** events & roundtables

 over **460** organisations represented

 **700** face to face conversations

 over **500** enquiries

 **63** written submissions

Online

 **1140** blog views

 **61,438** total social media reach

 Twitter **50,370**

 Facebook **11,068**

Our events focused on:

- What are the key things that could or need to change to build the VCSE sector's resilience, capacity and sustainability?
- How can dormant accounts funding address resilience, capacity and sustainability in the VCSE sector?

We shared what we heard as we went along through blogs and email and in conversations more generally. Halfway through the consultation, we released a more in-depth blog on what we'd heard to date. While the list wasn't exhaustive it gave a sense of what we were hearing and posed some more specific questions to inform thinking and discussion.

The responses to the consultation reflect opinions in urban and rural areas, from small locally embedded community organisations to larger UK-wide voluntary organisations. We also received responses from age specific groups, those specialising in working with people with disabilities, BME communities, environmental organisations, sectoral infrastructure organisations, training providers, arts and sports groups and charities providing emergency services.

What We Heard

The Dormant Accounts policy directions focus on improving the capacity, resilience and sustainability of the VCSE sector. Consulting under these directions, we heard about lots of issues which this funding could be used to address. We also heard about deep rooted and systemic issues in relation to funding and policy and how the sector operates more broadly.

Some issues will require a long-term approach, with better collaboration between the VCSE sector, government and other statutory bodies. For other issues, action could be taken quite quickly either by one part of the sector or individual organisations. We recognise that there is no single solution to support the development of the VCSE sector. Cross-sectoral and long-term collaboration is key to changing the direction of travel.

Whilst we heard a lot about some really challenging issues in the sector, organisations also told us about their positive experiences of working with funders when it is responsive to their needs rather than dictated by strict criteria. There was also a real endorsement of relational approaches, built on trust and allowing for flexibility and change.

We also heard some comments about the use of language, both by funders and in general. We posed questions discussing the definition of resilience and how that can mean many things to different people. We heard that often buzz words come and go but this can be confusing and at times meaningless to organisations and their work on the ground.

Organisations in urban and rural areas mainly talked about the same issues in relation to resilience, capacity and sustainability. However, in terms of delivery, we heard a lot about how it costs more to deliver in rural areas than in urban areas so investment in rural areas needs to be higher in order to achieve equitable outcomes.

There is a need for flexibility in how funding is made available in relation to things like grant size, timeframe and funding criteria to enable and empower organisations to adapt and become sustainable. There was also a clearly articulated need for a varied, tiered and phased approach to the fund's distribution to meet the diverse and wide needs of the sector.

We know that it will also be important to continually review and learn from our processes, alongside learning from our funding, with meaningful and ongoing engagement with the sector about future changes.

There was recognition that while welcome, Dormant Accounts funding is still a limited pot of money and should be directed toward initiatives that can have the greatest impact on the sector. With this in mind, there was general consensus that the funding should prioritise things that typically don't attract other investment, funding or resourcing.

Our consultation identified a number of key themes.

Funding environment

Reductions in both funding and public donations have led to an increasingly unpredictable economic environment for VCSE organisations. The sector is facing severe financial pressures and uncertainty due to successive years of annual budgeting and cuts. This continues to threaten the financial viability of VCSE organisations as they are being asked to do more with less, while adapting to increasing levels of regulation and bureaucracy.

This environment poses significant challenges for the sector that are not all related to less funding being available. Other issues include short-term and outcome-based funding models, a concentration on objectives set out by funders which create longer term inefficiencies, an absence of core funding and increased bureaucracy and duplication.

We heard a lot about the need for greater flexibility in funding and for stronger communication and collaboration across funders and between funders and the sector. In an environment of less funding there is also increased bureaucracy, not only with public sector contracts, but also in relation to independent and charitable funding. This can be overwhelming and disproportionate to the level of funding available. This problem is exacerbated by the varied monitoring and reporting systems required by different funders, again directly impacting on the organisational capacity of VCSE organisations.

Funders (both public and private) should engage better with the sector to reduce bureaucracy. This includes reducing the complexity of processes for: applying for funding; tendering for contracts; procurement; and reporting as all of these can disproportionately affect smaller organisations.

There is also a sense that VCSE organisations are increasingly at risk of 'mission drift' as a result of service development becoming defined by funding and relationships with the public sector. More constructive engagement is needed between the public sector and VCSE organisations to develop their mutual understanding. The VCSE sector requires support and development to communicate its value and contribution to the public sector. The public sector also needs to explore more meaningful ways and approaches of engaging directly with the VCSE sector to increase its understanding and recognise its contribution, value and expertise.

Short term funding is also a major issue. Organisations lack the time and space to think strategically because they are caught in short-term funding cycles - this means an inordinate amount of time is being used to chase funding. This adds pressure to volunteers and staff who eventually take on so many additional tasks that they burn out, leave and are not replaced.

It also hinders strategic planning and promotes crisis-planning, which in turn nurtures uncertainty and negatively impacts on personal and organisational health. Fixed term contracts make it difficult for the sector to be attractive as a career choice alongside other financial challenges, such as statutory restrictions on pension levels and sick pay. The lack of succession planning was highlighted as a looming crisis in the sector.

Governance and Strategic Planning

Many organisations, particularly those small to medium in size, are overstretched in meeting the day to day demands of service delivery and have very limited time or resources to lift their heads and think about, never mind invest in, strategic planning. In order to support organisations to adequately prepare and plan there is a need for better recognition that resources are required to do this.

There are similar issues in relation to governance. This includes strengthening boards, committees and governance structures, ensuring the right mix of skills and training and putting the appropriate policies and procedures in place to support an organisation's purposes and activities.

Building a more resilient VSCE sector requires strong relationships across organisations and there is a need to invest in this, alongside sustained leadership development. The issues of renewal and succession planning for VCSE organisations at both board level, and at an organisational level in terms of leaders, staff and volunteers are critical to creating sustainability and increasing resilience across VCSE sector.

Core costs

One of the most frequent messages heard was in relation to core costs. We were told that core costs are being reduced through public sector cuts and restrictions imposed by other funders. As a result, organisations have used reserves, cut investment in their own capacity, reduced expenditure on training, and frozen staff salaries, while staff have increased their working hours - all to avoid reducing the support they provide day-to-day.

Organisations are struggling to resource important activities such as business development, communications and networking, which is further compounded by the administrative burden of bureaucratic funding and reporting requirements. Without dedicated resourcing or support, there is a concern that these functions are becoming increasingly overlooked. These challenges in securing funding to meet essential business costs inhibit innovation, the capacity for organisations to grow and look forward and often put unacceptable pressures on the sector's staff and service delivery.

Income generation, diversification and social finance

Income generation is seen as a specialised area which smaller organisations told us they struggle with due to a lack of inhouse skills or resources. There is greater support needed for the sector to respond and adapt to the changing funding landscape, including increasing awareness, knowledge and understanding of the different social investment and finance options available. Organisations require support to consider options for diversifying their income and to explore more sustainable or alternative funding/business models.

While it is recognised that the VCSE sector needs to explore new business models and alternatives to support delivery, there is also acknowledgement that social enterprise or other business models are not always an appropriate solution. There is a need to build relationships between funders and policy makers to support the VCSE sector in making the case for reduced bureaucracy, greater flexibility and the need for full cost recovery funding.

Beyond income generation, we also spoke to people about different forms of social finance and income diversification. While there was an understanding that this type of work is needed, we

heard more about the sector not being ready for different forms of finance. However, there is an appetite for work or funding to address this skills gap.

Many organisations struggled with the notion of loan finance but there was an appreciation for the need to develop a practical understanding of business development and income diversification models. However, this is inhibited by the lack of time to explore and implement such an undertaking as it is outside of the scope of day to day project delivery and service provision.

We had detailed discussions about the value of grants and loans. While there was a lot of support for grants, the consultation did reflect that Dormant Accounts funding should be seen as an investment into the sector.

Volunteering

The changing nature of volunteering and the complexity of regulation has discouraged people from taking on trustee or committee roles with the result that many committees have not changed in over 10 years. We heard that people are reluctant to take on management responsibilities because of the realisation that they may be held personally responsible or accountable for organisations' activities.

However, we also heard that volunteering is changing - people are becoming more interested in roles that shape an organisation. With the breadth of skills required (safeguarding, governance, digital, GDPR, impact measurement, fundraising, tendering) our consultation raised the notion of whether we are expecting too much from volunteers. Should Dormant Accounts funding allow organisations to buy in this expertise when required?

Infrastructure/Sector Support Organisations

There was little to no consensus on how dormant accounts funding should be used in relation to infrastructure or sectoral support. Some told us that this funding should go directly to local groups whereas others talked about the need to invest in infrastructure organisations that support particular parts of the sector.

We know that infrastructure organisations struggle to generate income through traditional charitable giving models as this type of work does not attract donations. There is also a need to recognise that in some areas, particularly rural, support networks have been eroded due to funding cuts.

While there is a need for skills development, there is also a need to review and question current structures and systems. It was suggested that there was a need for funding for existing VCSE infrastructure networks to provide administrative and financial support as this could lift bureaucratic burdens from hard pressed volunteers. We also heard that this could provide an opportunity to map out what is already happening to reduce potential duplication.

Either way there is a need to ensure balance between direct support for smaller organisations while maximising the benefits of collective support networks.

Collaboration

There was recognition that there needs to be more partnership working and collaboration to enhance service delivery and avoid duplication in the sector. However meaningful collaboration and networking requires support and investment; collaboration should be enabled, not enforced.

This spans across many levels from exploring mergers to practical sharing of back office staff/resources to learning from other organisations working in similar areas.

There is also a need for the sector to amplify its collective voice to influence and campaign on key issues which include but are not limited to funding and sustainability. This is linked to ongoing issues around the sector's ability to gather and demonstrate its impact. Often government funding does not support policy or advocacy posts, further weakening the voice of the sector to challenge disparities and encourage better understanding and collaboration between sectors.

Issues Facing Specific Parts of the Sector

Most of what we heard was consistent with the comments above. However, some parts of the sector reflected other issues outlined below.

Disability sector

Disability organisations don't feel they have access to decision makers and people in positions of power in Northern Ireland. This is in comparison to elsewhere in UK or EU. People said they felt vulnerable because of Brexit and what that will mean regarding EU equality legislation and protections. There was a general frustration that government produces disability strategies but doesn't allocate money for implementation.

People with disabilities expressed the need to develop their campaigning and lobbying skills around negative attitudes to disability. It is important that any funding applications are disability proofed. But most importantly, supporting people with disabilities shouldn't be a stand-alone fund - it doesn't need to be separate - instead we should weave this into the ethos of how we work and what we fund; similarly, the wider VCSE sector should do the same.

BME sector

There is still a belief that for many diversity and inclusion are simply buzz words. The closure of the NI Council for Ethnic Minorities has had a negative impact on this sector and that gap is not being filled by Council-led structures. There is a need for support to map out existing services/groups, to establish peer support networks and multi-year core costs to underpin development work.

The BME sector faces added challenges around stereotyping, creating a toxic environment in which to develop relationships not just across communities but with statutory authorities. There are particular challenges with accessing statutory funding as policy initiatives are still focused on the Catholic/Protestant divide.

BME organisations also find that having reserves and/or an ability to generate income can be seen as positive on the one hand whilst also being used by funders and decision makers as an excuse to withhold support.

Women's sector

The barriers faced by the women's sector are historic and systemic. We heard strong messages from the women's sector that to target the unsustainability of and lack of resilience in the VCSE sector, we should take the pursuit of gender equality as a key part of the solution and not an afterthought once funding distribution models have been decided.

Wider policy contexts including austerity and welfare reform have been shown to disproportionately impact women especially in disadvantaged and rural areas.

There were also clear messages that big voluntary organisations in Northern Ireland are often patriarchal and male dominated with clear lessons to learn from England that such organisations acting as 'mentors' to smaller, women-lead groups does not work and should be avoided.

Social Enterprises

Social enterprises play a valuable role in the development and sustainability of the VCSE sector. There has been significant growth in this part of the sector over the last number of years.

However, they need to find a mechanism to target growth and investment. There was also a recognition that many organisations are working in challenging situations that can hinder this type of growth.

The creation of start-up hubs could help new enterprises and there is a need to learn more about different types of investment finance and do a proper mapping exercise of skills gaps across the social enterprise sector. There was also the suggestion of using dormant account funds to raise awareness of the potential benefits of asset transfer.

Environmental sector

There is a perception that funding is skewed towards larger environmental groups with no real acknowledgement of the value to health and wellbeing outcomes smaller groups provide e.g. through social farms and gardens; this leads to competition and mistrust. Many organisations spend too much time on evaluation and learning due to the lack of common frameworks across funders.

Sustainability should be about more than attaining financial resilience in the medium to long term - sourcing material and/or component parts from renewable sources and in turn reducing or eliminating negative impacts on the environment. Projects supported by this fund should meet identified social and environmental goals/targets.

In terms of sustainability, we were also told that there are no community land trusts in Northern Ireland. Dormant Accounts funding could provide an opportunity to develop capacity to open up community ownership schemes.

Arts sector

The arts sector highlighted a lack of investment and cuts to the budgets of arts and cultural organisations. It was felt that there is a lack of understanding by policy makers on the social impact/civic role of the arts. There was a need for 'emergency' funding for immediate issues as they arise that might not require a lot of investment but do need it quickly.

There are many freelance/individual artists in the sector and some experience challenges around mental health and individual resilience - there is a need to be able to support collectives as well as more formal organisations.

There was reference to the entire 'arts ecosystem' and smaller organisations and individual freelancers within that who are often unable to apply for existing resilience support due to income restrictions. There is a perception that the work of individuals is not valued particularly in terms of limited financial support, poor terms and conditions and inadequate pay, which all leads to financial insecurity.

Sports

We heard how many in this sector find it difficult to get help with capital maintenance and equipment costs, while also facing the challenge of staff retention and attracting volunteers. There is a lack of digital infrastructure to develop communications and marketing skills base and find financing. Ongoing training and regulatory compliance such as safeguarding also continue to be key challenges.

There is a challenge between individual clubs and governing bodies, in terms of how investment should be made and at what levels. It was noted that minority sports do not get promoted to the same extent as the big players such as football. However, sports like football feel they are constantly battling against the perception of wealth in terms of domestic vs professional levels. There are challenges as many sports operate on an all-Ireland level, with key strategies operating in this way; this leads to disparities between North and South, particularly when it comes to funding.

Heritage sector

When looking at the sustainability of the sector, it is important to realise the value of heritage buildings, particularly in terms of their potential for enterprise opportunities; the role of heritage and tourism can also have a positive impact on the resilience and sustainability of VCSE organisations. Many groups operating in this space need their skillsets developed to generate income to run these types of buildings in the long term.

There are further opportunities to realise the benefits of community asset transfer. Skills could be developed to plan for these, rather than groups jumping from project to project based funding in order to survive. There is a certain skillset required to take on loans - this level of capacity needs mapped out more broadly to better understand successful progress.

Charities providing Emergency Services

Charities providing emergency services such as air ambulances or search and rescue, sit slightly apart from other organisations in the sector. These organisations highlighted that due to their nature, there isn't a need for overarching infrastructure or sectoral support - they all operate independently of one another but fall under a general title of 'emergency services' with very little room for crossover as their services are so specific.

There is a need for large based capital projects that could be used to leverage finance. There is also a need for long term investment into structures like general equipment, communications systems, vehicles, as well as base running and training costs. There are challenges around fundraising for this type of work as people want to fund the service delivery but not the background costs.

We are reviewing the consultation responses and developing delivery plans for the Dormant Accounts Fund.

We are using wider learning including how dormant accounts have been delivered across the UK and Ireland to develop the programme here in Northern Ireland. We are looking at other funding streams and pieces of work on resilience, capacity and sustainability of the third sector more broadly to inform our approach.

We will be sharing our plans for this fund with the Department of Finance in March, who will then lay the strategic action plan in the Northern Ireland Assembly. We expect to have the first phase of the programme open for applications by June.

To allow for the greatest impact over a sustained period of time, we think a tiered and phased approach will allow us to both respond to some of the immediate needs of the VCSE sector while also identifying opportunities for longer term support and development.

In the first phase, we plan to offer small, flexible and responsive grant funding to build the core resilience of individual organisations. We are also planning to support larger strategic investments that leverage other funding, enable collaboration and new creative approaches to long term sustainability.

We are continuing to engage closely with the sector and colleagues and organisations more widely as we further develop our plans for this fund.