

Cabinet

Date of Meeting: 10th November 2020

Report Title: Crowd Funding

Portfolio Holder: Cllr Nick Mannion, Portfolio Holder for Environment and Regeneration

Cllr Mick Warren Portfolio Holder for Communities

Senior Officer: Mark Palethorpe – Executive Director People

Frank Jordan –Executive Director Place

1. Report Summary

- 1.1. Crowd funding has the potential to allow the Council to target and deliver social value in public sector contracts towards local need, influencing local corporate social responsibility to have the greatest impact on the needs of the borough and give a unified approach to grant funding across the Council by providing a centralised platform for locally generated project ideas.
- 1.2. Crowd funding is the process of allowing projects to advertise for funding, usually through an online platform. This allows large groups of people to make small individual financial contributions to the project and also is a platform that potential investors and grant providers can access to review proposed projects for suitability for larger funding contributions.
- 1.3. A new policy will be required to provide a transparent basis for the use of crowd funding in accordance with the requirements of the Corporate Grants Policy and there it is proposed that this would be amended accordingly as outlined in Appendix A.
- 1.4. It will be necessary to procure a provider to work with Cheshire East Council to set up and manage a facility. The provider will bring both the technical expertise and the experience of crowd funding in a local authority context.

From research it will estimate for every £1 the council invests into community projects through Crowdfunding it will result in an additional £3 providing a 300% expected return on investment.

2. Recommendations

2.1. That Cabinet

1. Approve the draft Crowd Funding Policy as a sub-policy document to the Grant Policy as set out in appendix A.
2. Delegate authority to the Executive Director People to procure a platform provider to enable the authority to implement a crowd funding solution.

3. Reasons for Recommendations

- 3.1. The Council wants to support the local community as it recovers from the effects of the COVID pandemic and provide opportunities for locally conceived projects to benefit local priorities.
- 3.2. The Council needs to remain current with the technologies it makes use of in order to carry out its varied functions in the best way for the people of Cheshire East.
- 3.3. The Council is responsible for disseminating grants from various sources to assist with community projects. Having a central platform for these projects to be registered will provide a more streamlined process to assist with this.
- 3.4. The Council will need to work with a provider with experience in order to ensure a smooth and usable process with built in safeguards and experience within the field. The provider will be contractually obliged to provide a robust due diligence process and will be an intermediary independent of the local authority and the project owners.
- 3.5. The Council is required by its existing policies to create clear processes and parameters for the distribution of discretionary schemes. A Crowd Funding Policy has been created and is attached to this report in Appendix A.

4. Other Options Considered

- 4.1. The option to create and manage the platform directly within the council has been considered. This option is not considered to be preferable as a procured partner would bring expertise, experience and tested software saving time and money for the authority.
- 4.2. The option to do nothing has been considered. This would deny the authority the benefits of a crowd funding platform and so is not considered to be preferable.

5. Background

- 5.1. Many local authorities, including those in the Liverpool City Region and West Sussex County Council are using crowd funding as a mechanism for funding their own local projects and also for giving a platform to other local projects that are seeking funding solutions.
- 5.2. While the Council must give financial priority to core services there are many other aspects of local life that the Council needs to concern itself with. Accessing crowd funding allows the authority to initiate projects which the community can be invited to participate in.
- 5.3. Examples of Council led projects that could benefit from crowd funding as an enabling income source are those referenced within the Carbon Neutral Action Plan and the Environment Strategy including green infrastructure and sequestration projects to reduce carbon and improve local amenity. Crowdfunding will also attract and enable conversations in communities to be had and to think how residents individually and collectively can contribute towards Carbon Neutrality.
- 5.4. The local authority is charged with disseminating various grants for specific purposes within the Borough. Having a centralised platform for the projects able to use these grants would provide added efficiency to the authority.
- 5.5. Enabling community groups to add their projects to a central platform provides those projects with exposure and the ability to raise funds and other assistance that they would not otherwise have had.
- 5.6. A council led platform provides a level of security and assurance to residents who are considering providing contributions to these projects. The need therefore for all projects to go through a robust system of due diligence is required and will form a central part of the procurement of a partner provider. Additionally, the partner will need to demonstrate their commitment to IT security as part of the procurement process.
- 5.7. As noted within our Social Value Procurement Policy (Approved 2016) we are requiring recipients of public contracts to make a contribution to social value within the area. A single platform of local projects provides an outlet for this social value funding. This has not had the impact locally across the public sector that it was intended too, to date. Recent training delivered to public sector staff across Cheshire and Merseyside highlighted issues that providers of public sector contracts did not understand how they could contribute resource or inward invest into projects that would demonstrate social value. This policy and platform will allow this take place across Cheshire East.

- 5.8. It is not anticipated that all of the projects on the platform will be in receipt of funding from Cheshire East. However, the platform will provide good exposure and strong income potential for projects.
- 5.9. The selected provider will have a contractual relationship with Cheshire East Council and will therefore be held to appropriate standards of performance and practice throughout the life of the contract.
- 5.10. The Cheshire East Council Corporate Grants Policy requires that a Policy must be created for each discretionary scheme. A Crowd Funding policy has therefore been created and is included in Appendix A to this paper.
- 5.11. This report was presented on 1st October at the Corporate Overview and Scrutiny Committee with the policy and proposal to be noted. A summary of comments and things to consider when taking this forward were outlined below:
- whether any potential excess funds could be used to support councils and partners in neighbouring areas, to support the wider green agenda;
 - whether the council would need to consult with residents about this new policy, in the same way that they are with annual council tax setting;
 - how sustainable this approach to raising funds and supporting local projects was;
 - what the specific costs the council and other organisations would need to pay to support this approach in the longer-term;
 - what kind of mechanism would be used to monitor unused monies coming back to the council; and
 - concern that the £100k outset fee required to be paid by the council could potentially be used elsewhere to support the Covid-19 response.
- 5.12. In summary, it is recognised that members would want regular briefings including reporting back to Corporate Overview and Scrutiny if recommendations are approved along with a set of commonly asked questions and answers. It is also noted further engagement will be required with the Voluntary, Community and Faith Sector.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. If the recommendations are approved there are risks that need to be managed. In addressing these it is recommended that:
- 6.1.1.1. the policy identifies which projects are not to be considered suitable for Council support.
- 6.1.1.2. the role of the platform provider be carefully considered in terms of the responsibilities of the provider to vet projects and the due diligence that is to be undertaken for any given project.

6.1.1.3. a suitably robust contract is put in place with the platform provider identifying the obligations of the platform provider.

6.1.1.4. the policy ensures that project promoters are aware that if funding targets are not achieved the Council is not in any way obliged to make up the difference.

6.1.1.5. that projects in receipt of Crowd Funding are appropriately monitored to ensure that funds paid over are expended in support of the project's goals and not otherwise dissipated.

6.2. Finance Implications

6.2.1. The expenditure required for this project will be £100,000 and this will be a revenue spend across three years; the spend for year 1 will be £40,000 and years 2 and 3 will be £30,000 in each year. The financial benefits of the project will come in the form of efficiency savings, leverage against projects and social value payments from public sector contracts.

6.2.2. No payment will be committed until such time as contracts are completed therefore the only sum to be spent at risk is the cost of carrying out the procurement.

6.2.3. The revenue funds will come from existing budgets and no additional approval is required within this financial year. The budgets to be used are the Carbon revenue budget, the Communities revenue budget and the Brighter Futures Transformation Programme Commercial Workstream budget. The breakdown from each budget is shown below.

	Year 1 – (2020-21)	Year 2 – (2021-22)	Year 3 – (2022-23)
BFTP	£20,000	£10,000	£10,000
Carbon	£10,000	£10,000	£10,000
Communities	£10,000	£10,000	£10,000

6.3. Policy Implications

6.3.1. The Crowd Funding policy will be implemented if agreed by Cabinet.

6.4. Equality Implications

6.4.1. An Equality Impact assessment is in the process of being completed.

6.5. Human Resources Implications

6.5.1. A new policy is being introduced which will have a minor impact on human resources.

6.6. Risk Management Implications

6.6.1. There will be some additional risks to manage due to the council having a new platform as noted in 6.1.

6.6.2. The policy in Appendix A provides detailed parameters for projects that will and will not be suitable for crowd funding on our platform and this will reduce risks.

6.6.3. The Crowdfunding platform will be procured, any associated risks will be mitigated through a robust procurement process.

6.7. Rural Communities Implications

6.7.1. Rural communities will be able to access the platform for their projects and rural grants will be able to be disseminated through the platform.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. Projects associated with these groups will be able to access the platform and grants will be able to be disseminated through the platform.

6.9. Public Health Implications

6.9.1. There will be various projects that will be expected to be proposed that will have a positive impact on Public Health. We will take a targeted approach to ensure we are receiving community applications that have the greatest impact on our areas most prevalent to health inequalities

6.10. Climate Change Implications

6.10.1. It is anticipated that a significant number of low carbon projects will use this platform to access funding.

7. Ward Members Affected

7.1. The implications of this decision will apply across the borough.

8. Access to Information

8.1. The draft Crowd Funding Policy is appended to this report in appendix A.

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

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