COMMUNITY WEALTH FUND

How would the Community Wealth Fund work in practice?

A new endowment

We propose the Fund should be a new independent endowment, which would enable:

- long-term finance, extending well beyond usual public sector time horizons and funding cycles;
- secure funding independent of public fundraising and grants, contributing to more equitable outcomes;
- a patient approach which allows for learning; and
- greater potential to attract private sector and philanthropic capital for elements of the work.

The challenge is to build an endowment to match the scale of the problem. Drawing upon the past decade of research and evaluation at Local Trust, we have assessed that the best prospect for securing the necessary level of investment is through the next wave of dormant or orphaned assets. Government is legislating to build on the success of the existing scheme for dormant bank accounts created by an Act of Parliament in 2008, by extending it to pensions, annuities, life insurance, dividends, shares and bonds for which no owner can be traced.

We call upon the Government to commit funding from the Dormant Assets Scheme to create the Community Wealth Fund. We are also seeking to match this funding through corporate support, private philanthropy and the National Debt Fund.

In January 2021 the Government estimated that at least £880m could be released from dormant bonds, stocks, securities, shares, insurance and pension funds. Currently, this funding is earmarked for spending on “social and environmental purposes.” We believe this funding should be used to create the Community Wealth Fund, which would have a transformational impact on levelling up the country.

In addition, we have worked with Fair4All Finance on a proposal which, if accepted by the High Court, would release £200m of seed capital from the National Debt Fund to form the initial injection of capital into the Community Wealth Fund. This funding would help to create a larger pot that would form the basis of the CWF’s endowment.

Distribution principles

The principles established for the distribution of the Community Wealth Fund draw on learning and evaluation from past and current programmes designed to regenerate deprived neighbourhoods, supported by both government and independent funders:

- funding decisions should be made by communities in ‘left behind’ neighbourhoods, accompanied by appropriate support to build local capacity;
- investment should be provided over the long term (i.e., 10-15 year timescales);
- communities should be incentivised to co-produce services and facilities with the local public sector and to develop strong relationships with the private sector;

- concerted efforts to link communities with economic opportunities in the wider geographical area; and
- ongoing consideration of the sustainability of projects and the legacy left in communities when their programme funding is exhausted.

The appropriate scale is the neighbourhood level: many very deprived localities are surrounded by more prosperous areas and feeling 'left behind' is related to peoples' experience of living in a particular neighbourhood.

There is a growing body of data which shows that giving communities budgetary control over neighbourhood regeneration reaps broader benefits to society, particularly in regard to improving health outcomes. However, 'left behind' communities need targeted support in order to build confidence and capacity to plan improvements to the local area, develop community research and engagement strategies, and to design and administer suitable programmes of activity.

Long-term investment (i.e., 10-15 years) is needed to turn around the neighbourhoods that are most 'left behind'. Our experience shows that these areas can take a couple of years to get to the stage of developing and agreeing a viable improvement plan that has broad community support (Local Trust, 2019b).

Adequate attention must also be paid to the sustainability and legacy of local action. Community leaders need to be supported to develop and implement strategies for increasing community wealth by developing an asset base of sustainable community facilities, community- or worker-owned businesses and micro-enterprise, and strong networks across the public and private sector to secure contracts and job opportunities for residents.

The geographical remit of the Fund

Any community-led, place-based initiative should use a level of geography immediately recognisable to the communities benefitting, in order to invoke the 'natural communities' with which people self-identify.

Learning from other place-based funding initiatives suggests that if an area is too small it risks encouraging individualistic rather than community or collectivist responses to investment decisions. At the same time, larger areas that extend across multiple communities of identity or geography and lack an identifiable 'place' in the eyes of local people are ill-suited for nurturing effective resident-led, long-term approaches to economic and social regeneration that strengthen communities.

Research into what works for local economic growth suggests a population of around 10,000 people is ideal (CCHPR, 2019).

Delivery mechanism

Building community confidence and capacity at the neighbourhood level will require delegating spending decisions to residents of the most 'left behind' areas.

These neighbourhoods lack existing community capacity – meaning there may be no charities or voluntary organisations active within the local area. As such, a framework that minimises bureaucratic barriers (i.e., around incorporation) is needed to ensure that local people can plan, deploy funding, and take effective action while receiving appropriate support with delivery. Our proposed mechanism is comprised of the following elements:

- *Plans* – each neighbourhood receiving an award from the Fund would be required to develop a community vision, list of priorities and formal plan for how the funds allocated to the area would be spent. Small grants would be provided for the community research and consultation necessary to develop a robust plan. Main programme funds would not be released until a credible plan, with broad community support, has been approved.

- *Community boards* - each neighbourhood would be required to set up a board, with at least 75 per cent representation of local residents. Other members would be co-opted: for example, from the local authority, health service, community foundation or other funder. The role of the community board would be to develop the plan and oversee its implementation. These boards should reflect diversity in the neighbourhoods they represent.

- *Accountable bodies* – these organisations would manage and report on the use of funds, ensuring transparency. Typically, they would be a well-respected local voluntary and community organisation (for example a CVS or community foundation). They would likely employ staff and deliver activities on behalf of the community board. They would need to maintain the trust and confidence of all sections of the community.

- *Mentors* – experienced community development or regeneration specialists retained to work for a few days a month to support funded communities: for example, ensuring they are accessing appropriate advice, information and support and making good progress.

- *National guidance* – the provision of national guidance: for example, on community accountability and the development of plans.

- *Local guidance* – communities would be required to develop their own guidance on issues like conflict of interest and reporting to their local community.

- *Support programme* – the support programme would include peer learning based on thematic or geographic clusters (as this is the form of support people most welcome and report that they most benefit from) and consultancy from specialists on issues such as building development, local enterprise support, community engagement strategies and achieving accountability.

- *Community leadership programme* – effective delivery will depend on the quality of local leadership. Community board members and workers would be given support in the form of one-to-one coaching and access to peer networking and action learning. Cohorts of public sector leaders committed to working in a facilitative way with 'left behind' communities would also be supported and trained as part of a skills exchange with their community colleagues.

- *Training and apprenticeships* – communities would be encouraged to recruit one or more workers to help them to deliver their planned programme of activities. Our experience shows that volunteer community board members can be reluctant to recruit workers, preferring to save money for the community by doing the work themselves. However, ultimately this takes its toll on these individuals. Investment would be made in an apprenticeship scheme and training for local residents to enable them to become community workers in time, providing new job opportunities for local people (Local Trust, 2019b).

The hyperlocal nature of the programme will help to secure its accountability and legitimacy. If neighbours disagree with a decision taken, they are highly likely to let their peers know. Inevitably, disputes or conflicts will arise in neighbourhoods about priorities and the allocation of resources. However, this is both normal and healthy. Communities will be encouraged to work through such disagreements, with support from mentors - and in extreme cases trained mediators - this, in turn, builds confidence, resilience and responsibility in individuals and the community.

Programme strands

The Community Wealth Fund would have one primary and two supporting programme strands. The primary strand would be significant awards to 'left behind' neighbourhoods to build:

- *Social infrastructure and community capacity* – focusing on strengthening community leadership, ensuring areas have places to meet that are high quality and sustainable, and a range of community groups and initiatives. Funding would be supplemented with support to build their confidence and capacity to consult and engage their peers and design and oversee their local programme of activity (as outlined above).

The two supporting programme strands would be:

- *Place-based collaboration* – additional funding and support would be provided to incentivise the building of partnerships between the funded neighbourhoods and other key institutions in the area, including local government, major employers, other key players (i.e., hospitals, universities, schools).

- *Strong civil society ecologies* – a national initiative would be developed to strengthen civil society infrastructure such as CVS and other community anchor organisations who play a vital role in supporting civic action, ensuring 'left behind' neighbourhoods have the services and facilities they need. This initiative would also seek to encourage and promote place-based giving and the strengthening of the community foundation movement in support of 'left behind' areas.

We are also asking Government to allocate an appropriate proportion of the proposed UK Shared Prosperity Fund (and other mainstream economic development programmes such as the Towns Fund) to community economic development in 'left behind' neighbourhoods. This blend of finance - the CWF to build social capital and seed new community rooted organisations, coupled with investment in community economic development from the UKSPF - would be transformative and allow neighbourhoods to improve their prospects over the long term (Community Wealth Fund Alliance, 2019).

We know from experience of similar programmes in which deprived communities have a budget to improve their neighbourhoods that they tend to start by prioritising investment in places to meet and community engagement. Often, once they have grown in confidence and capacity, they move on to tackle more complex issues like addressing unemployment, gang crime or domestic abuse (Local Trust, 2019b).

Additional funding and support will also be needed to encourage communities receiving awards to engage with and develop networks and, potentially, partnerships and collaborations across the public and private sector. In the case of local authorities, the objective would be to help secure more responsive services, including through processes such as community commissioning and social prescribing and to help build community wealth through local procurement and recruitment drives targeted at 'left behind' areas. There would also be a focus on helping communities in 'left behind' neighbourhoods develop their connections with businesses in both the local and broader geographic area. The COVID-19 pandemic has shown the value of communities having good public and private sector networks. Strong cross sectoral relationships have been key to effective local community responses.

The communities receiving awards through the programme will only be able to meet the needs of their residents and respond to their aspirations if they have a support system of local civil society organisations. Such groups would help deliver community plans by managing and accounting for their funding and could also be commissioned to assist in providing activities, services and facilities. Our proposal therefore calls for a portion of the Community Wealth Fund to be dedicated to developing strong civil society ecologies in the most 'left behind' neighbourhoods. Part of the brief for this work will be to secure stronger civil society infrastructure in the form of CVS and community foundations, enabling them to provide services and raise and distribute funds to the most 'left behind' neighbourhoods.

Programme phases

The programme would be established in three phases:

Phase 1: Laying the foundations (year 1)

This phase would lay the foundations for delivery: an appropriately skilled and qualified investment manager would be selected on the basis of an open tendering process; communities would be selected to participate; staff and mentors would be recruited; a funding and contacts management system and an evaluation and learning framework would be developed; a website would be set up and award announcement and guidance materials would be drafted; potential specialist support providers would be mapped and contracted, supporting programme strands would be scoped.

Phase 2: Engaging with areas (year 1 through year 2

Once communities had been selected and a skeleton team was in place the first awards would be announced and mentoring and learning and networking events would begin.

Phase 3: Delivery

The core of the programme would be awards to 'left behind' areas. In addition, the two supporting strands of work would also be delivered.

The components of the core funding and support programme would be:

- *Grants* – selected communities would receive an award of £1m to spend over 10 to 15 years (within this amount they would need to agree a fee with their accountable organisation for its work administrating and monitoring the funding and perhaps additional activities like employing staff and running community events).

- *Learning and networking and cluster events* – one large-scale event each year and a series of peer-to-peer learning and networking events would be organised to share learning, to motivate, link and connect and encourage a spirit of challenge and critical thinking in the neighbourhoods selected to participate. In addition, areas could be clustered geographically or around specific themes, for example housing, high levels of unemployment, coastal.

- *Community leadership* – participants would have access to individual and group sessions, including personal coaching, to develop their leadership approach, leadership in others, and to guide strategy.

- *Mentors* – would act as a critical friend, providing information, advice, guidance and constructive challenge to support the community board.

- *Support offers* – access to a group of organisations that can give fresh insight on an underlying issue or expert support to deliver a key project.

Funding

The table below shows different financing and spending scenarios for the Community Wealth Fund. On the £2bn line are some assumptions about other fundraising as an illustration. Attempts would be made to raise funding from other sources to supplement investment from dormant assets.

Financing

Size of permanent endowment	Dormant Assets (1)	National Fund (2)	Philanthropy (3)
£2bn	£880m	£200m	£920m
£1bn	£440m	£200m	£360m

1. £880m from the new wave of assets (numbers taken from financial estimates of RFL and the government response to consultation on expanded dormant assets scheme).
2. The High Court is currently considering whether the £600m in the National Fund, which was originally set up to relieve the national debt (a charitable purpose which is no longer feasible) might be released for another charitable purpose. We have made representations that £200m should be released for the CWF.
3. We are working with the Per Cent club on a project to encourage FTSE 300 companies to donate either a tiny fraction of their share capital or a portion of retained profits to the CWF. We also believe that we would be able to attract funding from individual donors including ‘left behind’ area diaspora.

Permanent endowment

Size of fund	Average annual return	Awards	Programme infrastructure and support for areas	Strategic investment to strengthen community infrastructure
£2bn	£80m	£40m - £1m to 40 areas annually. They spend it over 10-15 years	£30m - mentoring, peer support and learning, technical support and a community leadership development programme.	£10m - projects to support a strong ecology of community action for example, establishing community foundations for deprived areas.

£1bn	£40m	£20m - £1m to 20 areas as above	£15m - as above	£5m - as above

NB This assumes a return of 4 per cent net over the long term.

Theory of change

The theory of change for the Fund will be fully developed with communities and evaluation partners. Our outline theory of change, based on learning from other programmes is that, with appropriate support, residents in areas suffering deprivation can develop and deliver activities which bring the community together, as well as provide services and facilities which better meet their needs. With a relatively small annual spend they can, over time, develop capacity to partner with organisations from the public and private sectors to raise more significant additional investment to improve their areas. This can include large scale investment to improve economic prospects through, for example, community owned affordable housing or renewable energy schemes and initiatives to support local enterprise and business development.

Foundational Element - experience is that over years one to five

Individuals benefit from regular small-scale activities; there is a reduction in social isolation and an increase in confidence and aspiration, especially amongst young people, and an increase in volunteering and community engagement; the creation of and greater access to employment opportunities and to relationships to help people establish social and other enterprises and the meeting of basic needs through, for example, foodbanks. New community and voluntary organisations are created and small-scale initiatives secure other grant funding and contracts.

Physical and environmental improvements: for example, improvements to green and public spaces. New and improved community hubs provide a safe space and a base for essential community services. Residents have increased confidence to articulate their needs and represent them in local political and consultative forums; they have a greater sense of agency and belief in their ability to make things happen – and there is greater community cohesion.

Embedding community control - over five to ten years

More confident communities start to tackle more complex social problems, for example, gangs and serious crime. They take on bigger and more ambitious projects: for example, community housing and energy schemes. There is a greater focus on work to address unemployment and health issues and to give children and young people more opportunities. Stronger and more significant partnerships will be developed with the public and private sectors locally to secure better services and also to access employment and contracting opportunities for residents. Local high streets will be regenerated making them attractive places to visit through the development of community businesses and ‘pop up’ arts projects and other community ventures.

(Local Trust, 2019b and TSRC, 2020a).

Confident engaged communities – over ten to fifteen years

Communities will be skilled at fundraising, bringing funding into their neighbourhood for major projects. They will be more focused on work to build wealth locally and to develop a bank of community assets and income generating projects to sustain community activities into the future. They will be fostering a vibrant local community and voluntary sector, high levels of engagement in community activities and strong social capital. They will be delivering a range of services in their neighbourhood in partnership with their local authorities including health and social care services particularly preventative services which result in major cost savings.

Over the fifteen years of the programme, we would expect to see population-level health improvements and improvements in educational attainment, as well as higher participation in higher education. We also expect perceptions of neighbourhoods to have improved significantly and to see a marked increase in economic activity.

Evaluation

The Fund evaluation would assess the contribution that its investment was making to the development of social infrastructure and civic assets in the 'left behind' areas supported. It would also assess the extent to which social connections were being strengthened, networks and collaborations with the public and private sector emerging, community confidence and capacity growing and a more supportive civil society ecology developing. The evaluation would examine the link between these changes and perceptions of place, socio-economic outcomes and community wealth over the medium- to long-term, as well as assessing changes at a population-level in health and employment outcomes, educational attainment and participation in higher education.

The evaluation would explore themes such as community leadership, partnerships with the public and private sector and the effectiveness of the support provided to neighbourhoods, as well as how best to enable strong civil society ecologies.

Evaluation would include a randomised control element. This would match the areas in which investment was being made with other similar 'control' neighbourhoods and assess whether socio-economic outcomes – health (physical and mental), employment, educational attainment, higher education participation and child poverty – were improved in the programme areas relative to 'control' areas over the long term.

All evaluation work would be independent, externally commissioned from experienced and credible providers and quality assured. In addition, the Fund would appoint a learning partner to support continuous improvement. The intention would be to test or pilot aspects of the work in a small way first and then to scale up those shown to be most effective and to draw out learning for other organisations and government departments.