


Grants Scrutiny Sub Committee 3 rd May 2017	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director, Resources	Unrestricted
Crowdfunding Initiative – Match Funding Decision Making Process	

Originating Officer(s)	Steve Hill - Head of Benefits Services Mohammed Ahad – Community Programmes Officer
Wards affected	All wards
Key Decision?	Yes
Community Plan Theme	All

EXECUTIVE SUMMARY

A key action within the Council’s Voluntary and Community Sector (VCS) Strategy (2016-19) is to identify potential external funding sources to expand and diversify the resource base of local VCS organisations. With a reduction in public sector funding a method to diversify income has been to encourage organisations to crowdfund. The Council has recently entered into an agreement with the crowdfunding portal, Spacehive, to pilot support to local VCS organisations who are crowdfunding for projects.

As part of supporting organisations with their crowdfunding, the Council will make available match funding through its Innovation Fund for successful organisations that submit an application and meet relevant criteria. This report details a factsheet on the Innovation Fund and the proposed decision making process for consideration by the Grants Determination Sub-Committee.

RECOMMENDATIONS

Grants Determination Sub Committee are recommended to:

1. Consider and agree the process for awarding matchfunding for crowdfunded projects through the Innovation Fund as detailed in paragraph 3.8 and 3.9.
2. Authorise the Corporate Director Resources, after consultation with an officer panel including an external grant funder, to determine all match funding issues and to report quarterly to the Grants Determination Sub-Committee.
3. Consider and agree the criteria for the Innovation Fund and related information set out in the fact sheet for the Innovation Fund as detailed in Appendix A.

1. REASONS FOR THE DECISIONS

- 1.1 The crowdfunding initiative will allow the Council to meet an action it has committed to in relation to supporting VCS organisations diversify its funding streams.
- 1.2 The Council is keen to encourage and support innovation in the sector and acknowledges that this will require some funding to enable the sector to pilot new initiatives and approaches to service delivery and support.
- 1.3 Linking the Innovation Fund with match funding for crowdfunded projects allows the Council to maximise its resources by, in essence, doubling the amount available to implement innovative projects.
- 1.4 The use of crowdfunding ensures that projects that the community want are supported by the Council as the community directly contribute to the projects.

2. ALTERNATIVE OPTIONS

- 2.1 The Grants Determination Sub-Committee may choose not to approve the process, which includes delegating decisions for awarding matchfunding for crowdfunded projects through the Innovation Fund. As the delegation is aimed at ensuring decisions can be taken quickly if the criteria and funding targets are met, this could impact negatively on the projects timeline. The Grants Determination Sub-Committee may want to amend the criteria and information set out in the fact sheet for the innovation fund.

3. DETAILS OF REPORT

- 3.1 A key action within the Tower Hamlets VCS Strategy (2016-19) is to identify potential external funding sources to expand and diversify the resource base of local VCS organisations. With a reduction in public sector funding a method to diversify income is to encourage organisations to crowd fund. The Council has recently entered into an agreement with the crowdfunding portal, Spacehive, to support local VCS organisations crowdfund for projects. As part of supporting organisations with their crowdfunding, the Council will make available match funding through its innovation fund for successful organisations that submit an application and meet relevant criteria. This report details the criteria (included in the fact sheet) and the proposed decision making process for consideration by the Grants Determination Sub-Committee. The criteria and approach will need to take account of and reflect the different approach to project funding through crowdfunding initiatives, which is significantly more flexible and accessible than traditional grant making approaches. The proposed approach, particularly regarding the assessment, is consistent with that used by other Councils such as Manchester City Council as well as the Greater London Authority.
- 3.2 Spacehive is a crowdfunding platform for civic projects that is used by individuals and organisations to fund projects which improve community spaces. This can be anything from a town centre Wi-Fi network, to a community

café or festival. Anybody from local people, to businesses and corporates can pledge to the fundraising project to make it happen.

- 3.3 The crowdfunding model brings accountability, excitement, transparency, collaboration, and accessibility to raising funds. The model stimulates civic projects to leverage funding from the crowd and at the same time attracts bigger funders both in the public and private sectors, particularly due to the connection that people have with the spaces and places they live in. The fact that the local community are pledging to a project is evidence that the projects have the support of the local community and they want to see it delivered.
- 3.4 Other London Boroughs as well as the GLA and London Councils have embraced the concept of crowdfunding – with the GLA having recently launched a new £400,000 initiative to support projects through Spacehive.

Tower Hamlets Innovation Fund

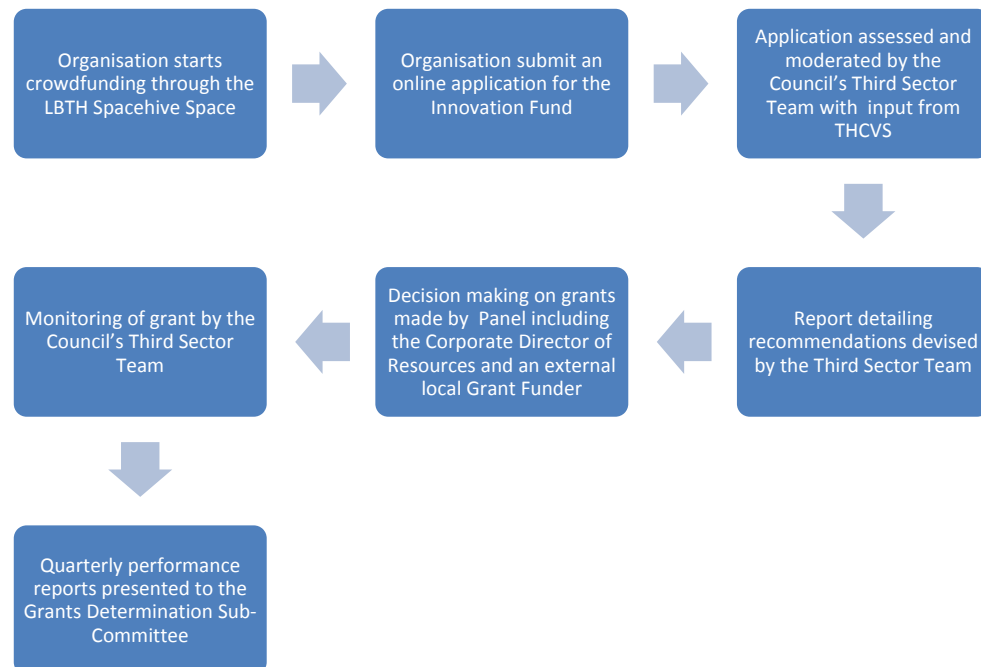
- 3.5 The Council is keen to encourage and support innovation in the sector and acknowledged that this would require some funding to enable the sector to pilot new initiatives and approaches to service delivery and support. The creation of an Innovation Fund was expected to support the sector “test and learn” new ways of working, new initiatives and new delivery models that if successful could be scaled up and commissioned more formally. As a result Commissioners, at their Decision Making Meeting on the 12th April 2016, agreed to the creation of an Innovation Fund with an allocation of £120,000. It is recommended that organisations will be able to apply for match funding of up to £10,000 for their crowdfunded projects.
- 3.6 To link the Spacehive crowdfunding initiative together with the Innovation Fund means that a minimum of £240,000 would be available to pilot innovative projects in the borough.

Decision making process

- 3.7 A key criteria for organisations crowdfunding through portals such as Spacehive is that they must raise their funding target before the agreed deadline, failure to do so results in the organisation not receiving any of the funds raised with all payments being returned to their source. With this, it is paramount that any decision on match funding through the Innovation Fund takes place at the earliest opportunity possible in order to ensure that organisations are not at risk of losing out on the amounts they have raised.
- 3.8 With the need to make decisions in a timely and responsive manner, it is recommended that decision making is delegated to an Officer panel chaired by the Corporate Director for Resources. Decisions will be made in strict accordance to the eligibility criteria and demonstration that the project is consistent with local priorities as detailed in the Community and Strategic Plans and Voluntary and Community Sector Strategy. In addition to this and to increase transparency in the process it is recommended that an external grant funder is also involved in the process. Performance reports will be presented to the Grants Determination Sub-Committee on a quarterly basis detailing

organisations that have been funded, whether they have met their target and updates on the implementation of their projects.

It is therefore proposed that the decision making process for the innovation fund is as follows:



4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 The Council's contribution to any single match funding project will be limited to a maximum of £10,000 per project and will be funded through the £120,000 'Innovation Fund' agreed by Commissioners, at their Decision Making Meeting on the 12th April 2016. The commitment will be a one off contribution to support innovative projects within the borough.
- 4.2 The arrangements with Spacehive to support this initiative will cost approximately £35k per annum and will be funded through budgets set aside to deliver the Voluntary and Community Sector (VCS) Strategy.

5. LEGAL COMMENTS

- 5.1. The Council has power to make the grants under section 1 of the Localism Act 2011 which gives the Council the general power of competence. This means that the Council has the power to do anything which an ordinary human being could do, unless statute specifically restricts the Council for acting in the way it wishes. It appears that there is no specific legislation prohibiting the making of grants of this nature.

- 5.2. However, the Council must satisfy itself that the giving of any such grant would not constitute State Aid for the purposes of European Law. At £10,000 each as a maximum the grants themselves are likely to fall below the de minimis threshold that applies to State Aid and it is also unlikely that an organisation resident in another member state would be interested in providing services in the UK of a type similar to that which a grantee would carry out.
- 5.3. However, having said this the Council needs to maintain a record and have cognisance of the cumulative effect of the grants both in terms of the total given out generally and as regards the particular recipients of the grant.
- 5.4. It is notable that the Council may only give a grant where the grantee has no other pecuniary interest in the scheme. For example, that the grantee does not make a profit. In the event that a pecuniary interest is present it is likely that the particular scheme would be considered Procurement Activity and should be treated as a procurement exercise under a separate regime and in accordance with the Council's Constitution.
- 5.5. It is significant that the Council has cognisance of the other organisations who have provided grant funding as part of the Crowd. This is particularly important given the fact that the body of the report details an application procedure which runs alongside the collection of the crowd fund i.e. it will not be obvious at the time of the application from where the other funds are coming. The Council needs to ensure that the Council is only bound into ventures with organisations that in the ordinary course of events are of a type with which the Council should deal.
- 5.6. The Council needs to ensure that the application procedure is fair open and transparent and each application is assessed in accordance with the published criteria of the fund. This is because the Council funds are held under a fiduciary duty for members of the public generally. Therefore, within the constraints of the rules of the fund, the money should be open to all to make an application.
- 5.7. The Council has a duty to achieve Best Value in respect of its expenditures. This is by virtue of Section 3 of the Local Government Act 1999. The Council must satisfy itself that the giving of any grant represents Best Value. This means that it will have to ensure that any grant is made under terms that enable monitoring to demonstrate that the money achieves the appropriate outcomes for which it was given.
- 5.8. The Council and in particular the fund panel need to be particularly aware as to how each scheme may affect person with a protected characteristic for the purposes of the Equality Act 2010. A review should be undertaken of the grants given on a regular basis to ensure that funds are distributed appropriately and in a manner consistent with the Council's Equality Duty under section 149 of the Act. In particular the Council should ensure that it has taken appropriate measures to understand the impact any decision might have in respect of such persons when considering the Council's involvement in respect of a particular application

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The contribution of voluntary and community sector organisations to delivering One Tower Hamlets objectives and priorities are explicitly recognised in the Council's Voluntary and Community Sector strategy. Organisations play a key role in delivering services that address inequality, improve cohesion and increase community leadership: the deliveries of these services are real examples of 'One Tower Hamlets' in practice.
- 6.2 The opportunities offered through the Innovation Fund and the Spacehive initiative will play a key role in delivering the aims of One Tower Hamlets.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 The proposed matched funded arrangements will maximise use of available innovation funding, delivery and outcomes for the community. Matched funding arrangements will encourage engagement from the local community.
- 7.2 Eligibility criteria requires projects to demonstrate and deliver proposals that meet the Council's priorities detailed in the Community and Strategic Plans and Voluntary and Community Sector Strategy.
- 7.3 Applicants applying for higher level awards will need to demonstrate a high quality offer and good value for money, with sufficient matched funding from other sources.
- 7.4 The proposal delivers on the VCS Strategy objective to identify potential external funding sources to expand and diversify the resource base of local voluntary and community sector organisations.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 There are no direct SAGE implications arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 A number of different risks arise from any funding of external organisations. The key risks are:
- The funding may not be fully utilised i.e. allocations remain unspent and outcomes are not maximised
 - The funding may be used for purposes that have not been agreed e.g. in the case of fraud
 - The organisations may not be able to secure additional funding necessary to deliver the agreed activities
 - The organisation may not in the event have the capacity to achieve the contracted outputs/outcomes
- 9.2 To ensure that risks are minimised, each project/organisation will be required to comply with the standard Grant Agreement terms and these will be monitored on a proportionate basis.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 The Innovation Fund may cover a broad spectrum of activities some of which are key drivers in contributing to the reduction in crime and disorder; these include:

- Improving community cohesion
- Getting people into employment
- Providing timely advice and advocacy
- Supporting 'at risk' individuals

11. SAFEGUARDING IMPLICATIONS

11.1 As part of the application process organisations will be required to provide details of their safeguarding policy if appropriate. The Grant Agreement that funded organisations enter into commits them to complying with a number of requirements in relation to safeguarding.

11.2 If the organisation provides services to persons under 18 or to vulnerable adults and employs staff or volunteers in a position whose duties include caring for, training, supervising or being responsible in some way for children or vulnerable adults or who have access to records or information about any of these types of individuals, the organisation must ensure that all such staff and volunteers receive an Enhanced Check For Regulated Activity for the purposes of the Protection of Freedoms Act 2012 (Disclosure and Barring Service Transfer of Functions) Order 2012 before such staff and volunteers commence relevant activities.

Linked Reports, Appendices and Background Documents

Linked Report:

- **Support for VCS and New Innovation Fund – Commissioners Decision**
Making Meeting, Tuesday 12th April 2016

Appendices:

- **Appendix A – Innovation Fund draft factsheet**

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None

Officer contact details for documents: Steve Hill, Head of Benefits Services
Phone: 020 7364 7252 **Email:** steve.hill@towerhamlets.gov.uk



DRAFT FACTSHEET

Tower Hamlets Innovation Fund (Crowdfunding)

For 2017/18 the Council is offering a match funding grants scheme for crowdfunded projects

Purpose of the fund	<p>The Tower Hamlets Innovation Fund is designed specifically to provide match funding support of up to £10,000 to organisations based and working in Tower Hamlets. Organisations would need to crowd fund through Spacehive for the remainder of their target.</p> <p>These grants are available to encourage organisations to test new projects, activities and ways of working. As there will be less focus on monitoring outputs and outcomes, organisations will have flexibility to be as innovative as possible.</p> <p>Projects should, nevertheless help the delivery of the priorities and target outcomes outlined within Tower Hamlets Community and Strategic Plans and Voluntary and Community Sector (VCS) Strategy.</p>
Are you eligible?	<p>To be eligible for this grant your organisation must:</p> <ul style="list-style-type: none"> Must currently be crowdfunding on the Tower Hamlets Council's Spacehive page. Be a not-for-profit group based-in Tower Hamlets
Things that are likely to be supported	<p>Examples of projects and activities that we would be interested in supporting includes the following, however we are flexible and keen to hear about projects in general that 'think out of the box'.</p> <ul style="list-style-type: none"> Pilot projects or activities exploring the delivery of new activities or approaches which make Tower Hamlets a greater place to live, work and play. Innovative projects or activities that bring different sections of the community together, that may not usually come together. Projects and activities where an organisation wants to experiment something that is outside of their normal area of work and would like the opportunity to 'just try it' Projects and activities that look at using new and emerging technologies including social media as a way of achieving their outcomes. Projects and activities that involve organisations that have not previously worked together coming together.

<p>Things that are unlikely to be supported</p>	<p>The Tower Hamlets Innovation Fund will not normally support the activities, services and functions outlined below – this list is not exhaustive:</p> <ul style="list-style-type: none"> • Activities which promote a political party or is of a religious nature • A project/initiative which is part of the applicant's day-to-day work, including ongoing staff costs related to such work • For the delivery of activities or services for which the organisation is already in receipt of grant funding either from LBTH or other funder(s) • Any costs incurred in putting together an application for this Fund • Day-to-day running costs of your organisation (for example, utility bills, rent or insurance) • Contingency funds to cover unforeseen or upcoming general organisational running costs • Work associated with land or building projects where the ownership or lease is not yet in place • The cost of fundraising activities for your organisation or others • Items that are purchased on behalf of another organisation • Costs for the repayment of loans/interest or for the payment of fines • A project or activity that cannot be completed within 12 months of receiving the grant
<p>Funding and payment</p>	<p>The maximum match funding amount that can be awarded is £10,000</p> <ol style="list-style-type: none"> 1. However, you should not merely apply for the maximum available grant (or close to it) just because it's the stated maximum. Your application must clearly demonstrate: <ul style="list-style-type: none"> • costs that would reasonably be expected and justified • demonstration of sound budgeting and financial management • good value for money 2. All costs associated with the venture must be justified, fully broken down explained in satisfactory detail for applications to be properly evaluated 3. Where an application includes the hire or purchase of equipment, items must be properly costed on the basis of quotations from recognised suppliers – the source and details of quotations must also be clearly set out within the application 4. Any project expenditure incurred prior to signing of your Grant Offer Letter will not be eligible to be claimed as part of your grant 5. Funding will only be released once there is evidence that the organisation has met its crowdfunding target.

<p>Application process</p>	<p>Application Forms can be accessed from the Tower Hamlets website: http://www.towerhamlets.gov.uk/lgs/851-900/871_community_grants.aspx</p> <ul style="list-style-type: none"> • Please note that the time from submission of your application to the initial grant payment could take up to 6 weeks. • Applicants must therefore bear this in mind when crowdfunding through Spacehive. • There are no deadlines for this fund – applications can be submitted at any time • When we receive your completed application we will confirm receipt, let you know if you need to provide further information, and give an indication of the estimated timeframe for a decision • Once the final decision has been made regarding your application we will contact you to confirm whether or not you have been successful.
<p>Assessing Your Application</p>	<p>The assessment process for funding will include the completion of an application form which details how your project is innovative and is consistent with the Councils Community and Strategic Plans, as well as the Voluntary and Community Sector Strategy. In addition to this marks will also be awarded for public support and the effort of the projects creator. This will include in particular:</p> <ul style="list-style-type: none"> • Comments on campaign page • Comments/messages to social media account • Number of unique pledges • Number of unique pledges by organisations • Average size of pledge • Clarity in Project Description copy • Detail in presenting cost items • Relevance of video on campaign page • Number of comments replied to on social media and campaign page • Number of posts sent out on social media accounts • Number of updates sent to funders • Number of known events organised relating to campaign <p>In addition to the above, the assessment process will also consider the following:</p> <ul style="list-style-type: none"> • Ensuring the applicant organisation meets the Eligibility Criteria • Establishing if the activities/services for which funding is sought are suitable to be funded under this programme and are consistent with the expressed purpose of the fund • Considering if the application is clear as to what is being asked for and testing that costings are accurate, appropriate and represent good value for money • Determining if the need/demand for the activity or project has been adequately and accurately demonstrated • Considering the outcome/difference the activity will make within the context of the targeted beneficiaries / the local community as a whole

Payment Arrangements	Grant award payments for this programme will be agreed as part of the Grant Offer Letter negotiation process.
Monitoring Requirements	<p>You will be required to provide appropriate evidence to demonstrate the successful delivery/completion of your funded activity.</p> <ul style="list-style-type: none">• The required evidence will be clearly set out within your Grant Offer Letter• Depending on the nature of the activity being supported, monitoring visits may be necessary: this will also be made clear within the Grant Offer Letter.
Further Information or Clarification	<p>If you require any further information or clarification with regard to any of the items contained within this Factsheet, please contact: thirdsector@towerhamlets.gov.uk</p> <p>You may also write to us at the address below.</p> <p>Third Sector Team Tower Hamlets Council Mulberry Place 5 Clove Crescent London E14 2BG</p>