

Item 3

Local Community Bank

For discussion and direction.

Summary

This paper provides Members with further details on the development of a local community bank and sets out some proposed next steps to further develop the policy and influence key players.

Recommendations

1. Members consider and comment on the proposed approach to establish a local community bank detailed in paragraphs 6 to 11.
2. Members agree the proposed action to take forward the policy in paragraph 12.

Action

As directed by the Programme Board.

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Local Community Bank

Background

1. The LGA is campaigning for the establishment of a local community bank. The bank would take a place based approach to investing devolved funding in the voluntary and community sectors (VCS) and would support the development of the Big Society locally.
2. Culture Tourism and Sport Programme Board Members received a brief update from the Chair at their last meeting and lead members have received a high level policy paper on this issue. The LGA has also had initial discussions with a number of lottery distributors and recently hosted an officer level meeting with a small number of local authorities to further develop this proposal. This paper sets out the proposed policy and actions to take forward lobbying and influencing on this agenda.

The case for a local community bank

3. Traditionally funding for the voluntary and community sectors is via grant giving from a plethora of national and regional bodies. This is complex, confusing and inefficient. Multiple funding providers operating at local, regional and national level each have different priorities, processes and requirements to access funding.
4. This web of funding providers causes confusion and unnecessary complexity within the system which we believe 'locks out' small and inexperienced groups from accessing investment. This complexity also causes duplication and waste; the Quest review of the lottery application process estimated the cost of applying for a grant was over £2,000¹. Finally, the system too often places decision making with remote national distributors and providers, often focused on nationally or regionally set priorities rather than local concerns and needs.
5. The government announced in the recent Spending Review its intention to progress with community budgets in 16 areas. A place based approach to investing in the voluntary and community sector through a local community bank is in line with this and by bringing the community and local partners together to make decisions over funding will address the issues of inefficiency, complexity and accessibility outlined in the previous paragraphs.

¹ A review of the lottery application process, Quality, Efficiency and Standards Team, 2000

The role and operation of a local community bank.

6. A locally owned community bank would:
 - 6.1 Empower and involve local people in community funding, and bring this investment more in line with local needs and priorities.
 - 6.2 Increase the reach of investment into the community.
 - 6.3 Ensure a joined up approach by bringing decision making together in one place.
 - 6.4 Increase transparency and reduce barriers to access for funds by simplifying the system and placing decision making within the local area.
 - 6.5 Present a more efficient approach to funding the VCS by sharing services and cutting through bureaucracy.

7. A locally owned community bank could potentially be supported by a range of sources:
 - 7.1 Government departments: potentially through direct provision of existing funding targeted at the VCS. It is not envisaged that this proposal would overtake large grant funding which make up core funding of large VCS organisations.
 - 7.2 National lottery distributors: it is proposed that contributions to the national bank take place through voluntary participation in the scheme. It is not envisaged that such a bank would overtake large long term funding programmes run by lottery distributors and government departments. The LGA has had initial conversations with a number of lottery distributors who are currently reviewing their small grants programmes.
 - 7.3 Selected private sector companies: it is envisaged that the bank would have potential to lever in funding from other sources at a local level.
 - 7.4 Local authorities and local partners: it is suggested that local authority and partner contribution to the scheme should take place at the local level and should be a matter for local discretion.

8. We propose that there should be flexibility for local areas to come together to invest funding in a way that makes sense locally. Spatially this might range from ward or local authority level to sub regional or regional groupings.

9. Similarly, we would not wish to prescribe the structure or governance arrangements of such a bank. Many areas for example have strong community development foundations, funders' forums or local strategic partnerships which may be locally appropriate. The proposal would seek to build upon local relationships and networks rather than impose any further governance models upon local areas.

Item 3

10. Accountability of the use of funding should be to local people and to contributors to the fund. In line with the focus on increased transparency this should involve clear and transparent decision making arrangements at local level which involve local people and democratically elected councillors and a simple means of reporting against outcomes and spend. There are a number of possible mechanisms to ensure transparency over spend and decision making and it is proposed that these are further developed with contributors. These might include:
 - 10.1 agreeing a set of investment principles with contributors,
 - 10.2 annual reports on spend and decisions, and
 - 10.3 via a share holding model whereby each contributing body 'buys' a share in the fund through their level of financial contribution which is then translated into a commitment that a specified proportion of funding will be directed towards related outcomes at a local level.

11. Similarly, there are a number of options around the administration of funding to local areas. For example the fund could be administered as a central 'pot' into which distributors, government and other organisations contribute at the national level and which is then distributed out (either notionally or actually) to local areas. The formula for funding allocation to local areas should be simple and transparent.

Proposed next steps.

12. To take this proposal forward it is proposed that the following actions are undertaken:
 - 12.1 Mapping work with lottery distributors and local authorities to identify small grants programmes that may be alternatively delivered via local mechanisms;
 - 12.2 Councillor White and Councillor Castle to discuss the proposal with NEF;
 - 12.3 Early discussions at both official and political level with Cabinet Office and DCMS to inform their approach to the distribution of lottery funding and small grant giving nationally;
 - 12.4 Further discussions with lottery distributors;
 - 12.5 Round table meeting with local authorities, representatives from the voluntary and community sector, government, community development foundations and lottery distributors to seek to develop a common approach and offer.

Financial Implications

13. There are no additional financial implications arising from this report.