

CABINET

15 December 2020

Title: An Endowment for the Social Sector in Barking and Dagenham	
Report of the Cabinet Member for Community Leadership and Engagement	
Open Report	For Decision: Yes
Wards Affected: All	Key Decision: Yes
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Summary <p>This report updates Cabinet on the latest development of BD Giving, and explores four options for the establishment of an endowment to provide a transparent and sustainable source of income for the social sector.</p> <p>In Barking and Dagenham we have a unique opportunity to leverage the borough's regeneration opportunity and create a lasting legacy for the benefit of the Borough. While this will require commitments and political will in the near future, it will see long-term benefits for our residents and community groups by providing a permanent and sustainable source of income that will fund community projects long term.</p> <p>Barking and Dagenham Council has been widely commended on its efforts to work with the voluntary, community and social enterprise sector (VCSE) to address the challenges faced by residents and channel their ideas, energy and ambitions to make positive change in the community. We have made significant progress in the past five years in working collaboratively with our partners in the Social Sector towards achieving our shared goals for the community in the Borough Manifesto.</p> <p>This progress made and commitment is reflected and built upon in the Council's new Corporate Plan (2020-2022), which states that the Council will work with partners and the community to develop platforms and networks; the wider social infrastructure of the Borough; to make it as easy as possible for residents to participate however they choose.</p> <p>The innovative process that has been established for allocating the Neighbourhood Community Infrastructure Levy (NCIL) reflect this bold commitment towards changing the relationship and embrace a more collaborative way of working with the community. In October 2018, Cabinet agreed to channel NCIL funding towards a new grants programme for the VCSE - the Neighbourhood Fund - and the establishment of a Residents Panel to lead the process and input into decisions on the allocation of grants. It also agreed to create a legacy for the community by developing an endowment to fund community projects long term.</p>	

The Corporate Plan also states that the Council will build on the progress made in recent years by enhancing its collaboration and partnership with the social sector, notably through the development of the local giving model to make it easier for people and organisations to give to causes that matter.

In recent months, BD Giving has played an essential role in the Borough's response to the Covid-19 pandemic. In collaboration with Lankelly Chase Foundation and Barking and Dagenham Renew, they launched the Covid-19 Rapid Response Fund (worth £100k). This fund was applied for and distributed through a participatory process to groups from across the borough. This significant investment into the borough from a new funder was made possible by the relationships built between the Council, the social sector and funders such as the Lankelly Chase Foundation.

The Barking and Dagenham Covid-19 Impact Report on the VCSE Sector, commissioned by the BD Collective and conducted by Civil Society Consulting, highlighted the positive impact of BD Giving's Rapid Response Fund, the surge in collaboration in the social sector driven in part by BD Giving and described BD Giving as a 'much trusted ally' for the social sector.

The next ten years will see considerable investment continue to be made in the borough in the form of new developments and infrastructure. The creation of an endowment fund will capitalise on this investment, leverage additional donations, and reflect the Council's commitment to partnership working and increased participation, whilst providing a transparent and sustainable source of income that will fund community projects long term.

Recommendation(s)

The Cabinet is recommended to:

- (i) Note the decision by Barking and Dagenham Renew's Board of Trustees, in agreement with Barking and Dagenham Giving's Steering Group, to formally integrate the Borough's giving scheme within Renew's charitable vehicle from July 2020 and appoint a new Board of Trustees;
- (ii) Note the official change of name of Barking and Dagenham Renew charity to Barking and Dagenham Giving;
- (iii) Agree to support Option C to link the endowment to the local giving model by establishing the fund under Barking and Dagenham Giving's new charitable vehicle, with a specially appointed Board responsible for the strategic oversight of the fund, as well as the implementation of its investment, withdrawal and usage policies; and
- (iv) Delegate authority to the Director of Strategy and Participation, in consultation with the Director of Law and Governance, the Cabinet Member for Community Leadership and Engagement and in collaboration with the social sector, to agree the governance arrangements and Memorandum of Understanding for the Endowment Fund on behalf of the Council.

Reason(s)

Cabinet should agree these recommendations to develop the council's approach to supporting the vital role of the VCSE sector and the local giving model. This is in line with the shared long-term vision for the borough as set out in the Borough Manifesto. The creation of a central endowment will also see long-term benefits for our residents and community groups by providing a permanent and sustainable source of income that will fund community projects long term.

This is also in line with the council's new Performance Framework, which has Participation and Engagement and the building of the capacity of the social sector at the heart of it. These sit and work alongside the new Corporate Plan to ensure that 'no-one is left behind'.

In the Corporate Plan, it is stated that the Council's relationship with the social sector is critical to our collective ability to enable participation and that through new partnerships with the social sector we will develop a local giving model to make it easier for people and organisations to give to causes that matter.

Cabinet should agree these recommendations because the creation of an endowment fund for the social sector will reflect the Council's above commitment to partnership working and increased participation. The fund will provide an inclusive and sustainable source of income and become a permanent part of the borough's public wealth with its benefits to be shared across current and future generations. This requires political commitment and will in the immediate future but it will bring huge benefits to our residents and communities in the long-term.

1. Introduction and Background

- 1.1 The Council has been on a transformation journey over the last few years, which has seen it develop a new approach to public service leadership, design and delivery. At the heart of this transformation is an ambition to develop a new relationship with the community, founded upon building resilience and enabling residents to fulfil their potential by providing them with opportunities to participate, grow and prosper.
- 1.2 Integral to this new approach, Participation and Engagement sits at the heart of the Council's new Corporate Plan and Performance Framework, seeking to stimulate participation and engagement and build capacity within the social sector.
- 1.3 In February 2019, Cabinet embedded this new approach in the 'Participation and Partnerships' Strategy for the voluntary, community and social enterprise sectorⁱ, which aims to support growth in the sector through implementing partnerships across a range of initiatives; and reshaping approaches to commissioning and giving locally.
- 1.4 In effect, the strategy calls for the development of a new support infrastructure for the third sector; to increase collaboration and trust between stakeholders; to stimulate public participation; and to channel more resources to VCSEs.

- 1.5 An important milestone was achieved with the commissioning, in July 2019, of BD_Collective. This new collaborative platform for local VCSE organisations aims to work with partners to stimulate new opportunities in the borough, intentionally growing cross-sector partnerships, connecting people, places and projects across Barking and Dagenham.
- 1.6 The Council's new Corporate Plan (2020-2022), adopted by Cabinet in May 2020 further states that the Council will build on the progress made in recent years, notably through the development of the local giving model, to make it easier for people and organisations to give to causes that matter.
- 1.7 With ever increasing pressures on Local Authorities to deal with community funding budgets, the council has looked to new ways to help civil society groups gain access to self-sustaining funding streams. A number of initiatives have been launched since 2017, including a crowdfunding platform with an attached small grants fund, the Barking and Dagenham Lottery, and a visionary approach to spending the proceeds from the Neighbourhood Community Infrastructure Levy (NCIL).
- 1.8 In December 2017ⁱⁱ, Cabinet agreed to designate the entire borough as the 'neighbourhood' for the purposes of allocating NCIL funding, thus creating a balance between distributing NCIL across areas where the impact of growth is greatest but also ensuring that other parts of the borough are not left behind.
- 1.9 In October 2018ⁱⁱⁱ, Cabinet approved a new NCIL-funded grants programme for the VCSE - the Neighbourhood Fund - and the establishment of a Residents Panel to lead the process and input into decisions on the allocation of grants to the community^{iv}.
- 1.10 It also agreed to create a legacy for the community by establishing an endowment to fund community projects long term. Once established, it was agreed that the amount available in each six-months bidding round for the Neighbourhood Fund would be capped at £150k, for a total of £300k per year, and any surplus would be deposited into the endowment.

Barking and Dagenham Giving:

- 1.11 Barking and Dagenham Giving (BD Giving) is the borough's new place-based giving scheme (PBGS)^v, a multi-stakeholder initiative aimed at bringing new resources and approaches together in Barking and Dagenham and creating fairer solutions through addressing structural inequalities and imbalance.
- 1.12 It is part of a wider 'giving' movement across London^{vi} and in the rest of the country to bring stakeholders together in local communities to tackle the issues that matter most to them^{vii}.
- 1.13 In Barking and Dagenham the scheme emerges from the work of the Local Giving Group, a group of funders which convened in 2017-2019 under the impetus of the Council and Barking and Dagenham Council for Voluntary Service.
- 1.14 In 2019, the development of the scheme accelerated thanks to a successful bid to DCMS' 'Growing Place-Based Giving Schemes' programme, which secured £100k

and the support of the Charities Aid Foundation to cover development costs. The scheme has since been involved in a number of activities in the borough (see Appendix 1).

- 1.15 At its core, BD Giving's vision is that the stubborn issues of poverty and inequality can be addressed by working together. It is a platform for local people, businesses, third sector organisations and funders to commit their ideas, energy and resources to strengthening the things that matter locally.
- 1.16 It is an ambitious, inclusive and independent convener, passionate about collaborative working and with strong insight into the local priorities.
- 1.17 As well as a platform, BD Giving also aims to become a brand, an umbrella for giving initiatives that are taking place in the borough, and which align with its core values:
 - Facilitate collaboration and increase trust between stakeholders within and across the public, private and third sectors.
 - Involve people with lived experience and residents facing issues of severe and multiple disadvantage, enabling them to grow their sense of agency and be more optimistic about the future.
 - Increase and diversify the resources available to the voluntary and community sector, focus on impact, and build resilience in local communities.
- 1.18 Through its partnership with BD Renew and Lankelly Chase Foundation, BD Giving has been exploring new forms of participatory grant-making, by focusing on changing power dynamics around funding and putting more focus on building relationships of trust. This approach saw the successful delivery of a £100k Rapid Response Fund through a community-led process across May and June^{viii}.
- 1.19 In July 2020, following a one-year development period hosted by the Council, Barking and Dagenham Giving merged with Barking and Dagenham Renew - another product of the Council's vision for a fair regeneration of the borough - to form an independent charity with the ambition of making the borough's growing economy work for everyone.
- 1.20 This follows a decision by Barking and Dagenham Renew's Board of Trustees, in agreement with Barking and Dagenham Giving's Steering Group and the Council to formally integrate the borough's giving scheme within Renew's charitable vehicle and appoint a new Board of Trustees whilst keeping the Council involved in an advising capacity.
- 1.21 This creates an opportunity to bring the Council and partners closer together in setting joint priorities and ambitions, and building trust across stakeholders, in line with the ambitions set out in the Borough Manifesto and the VCSE strategy. Crucially, this allows Barking and Dagenham Giving to leverage BD Renew and the Council's partnership with Lankelly Chase Foundation to cover its development costs, whilst also accessing other funding opportunities available to charities^{ix}.
- 1.22 It was also agreed to change the name of Barking and Dagenham Renew to Barking and Dagenham Giving to reflect the charity's broadening remit, whilst remaining aligned with its constitution.

1.23 The new transitory Board was appointed in August 2020, with the addition of Ian Parkes (ELBA) and Ioannis Mathioudakis (BDCVS) to the existing Board of Trustees, as well as Monica Needs (LBBD) in an advisory capacity. In addition, Ian Parkes was appointed as Chair following the stepping down of Avril McIntyre.

2. Proposal and Issues

The Endowment:

- 2.1 The endowment is part of a series of innovations initiated by the Council to strengthen the borough's VCSE, and one that has the potential to increase its sustainability in the long term. Like the Neighbourhood Fund, its main source of funding is the levy collected from new developments in the borough, specifically the neighbourhood portion of the Community Infrastructure Levy (NCIL)^x.
- 2.2 Endowments funds are a type of financial mechanisms that have been used for decades by states and the public sector around the world to reduce inequalities, with varying levels of civil society engagement^{xi}. In the UK, the latest proposal is Danny Kruger MP's Levelling Up Communities Fund. As part of the establishment of the fund, the proposal suggests that provision should also be made to ensure that the process of making spending decisions - and the projects which are actually funded - empower communities as much as possible, arguing that how funds are allocated can matter as much as what is funded^{xii}. Other proposals for such funds have been made by the IPPR Commission on Economic Justice^{xiii}, and the RSA with a Universal Basic Opportunity Fund^{xiv}.
- 2.3 In its latest report, 'The Power of People, Partnerships and Place', London Funders comments that Barking and Dagenham is breaking new grounds in developing place-based giving in a borough with relatively few financial assets^{xv}. Currently no other place-based giving schemes across London have successfully established an endowment and funders have indicated that they were looking at Barking and Dagenham's leadership in this regard^{xvi}.
- 2.4 A number of inspiring models exist to inform the Council's vision to create a legacy fund for the community. Existing high-profile examples include Islington's longstanding Cripplegate foundation in London^{xvii}, and Bristol's £30+ million Quartet Community Foundation endowment^{xviii}.
- 2.5 Although the scale of funding immediately available for Barking and Dagenham's endowment is by no means comparable to Islington or Bristol's examples, it is hoped that through its vision and leadership, Barking and Dagenham can lay the ground for an ambitious new mechanism for funding local VCSEs, attract more donations to the borough, and create a lasting legacy for future generations.

Current funding and trajectory

- 2.6 CIL funding is entirely dependent on development in the borough. The housing trajectory in Barking and Dagenham has programmed development up until 2044/45, but it is important to note that the collection of CIL will eventually slow down as development projects reach completion. This is why we have a unique opportunity to capitalise on these developments and to create a lasting legacy for the borough and benefit residents for many years to come.

- 2.7 The next ten years will see considerable investment continue to be made in the borough in the form of new developments and infrastructure, again representing this unique opportunity. The creation of an endowment fund will capitalise on this opportunity and investment, leverage additional donations, and reflect the Council's commitment to partnership working and increased participation, whilst providing a transparent and sustainable source of income that will fund community projects long term.
- 2.8 There is a risk that whilst the endowment remains in the Council's portfolio it will not maximise its potential financial return. Some investors will not invest in a council managed fund and the rate of interest will be less than if the endowment is external to the council. The level of this risk increases the longer these funds are held in Council's portfolio.
- 2.9 It is a complex task to estimate how much NCIL will be collected over the trajectory period, given that there are different rates for different areas, and exemptions that apply to social housing. These past four years, the amount collected has oscillated between £100k and £250k per annum. However, based on the borough's housing trajectory Be First estimate that in the next few years the collection could exceed £500k per annum with levels of investment in the borough expected to continue for the next ten years.
- 2.10 It is unlikely that receipts would arrive smoothly with some bumper and lean years to negotiate. Extraordinary events, such as the coronavirus outbreak, can also significantly affect the collection of NCIL. At the time of writing, the impact of the lockdown on the new developments are already being felt and income estimates for the period 2020-2021 have been revised downward.
- 2.11 In addition to the income from NCIL it was agreed that some CSR contributions from commercial negotiations could be designated to further pump prime the endowment. This will lead to an additional £250,000 in 2020-21 with further contributions in the future.

	15-16	16-17	17-18	18-19	19-20	20-21*
INCOME						
NCIL	£281	£202,676	£124,473	£139,743	£559,012	£450,000
CSR	0	0	0	0	0	£250,000
TOTAL INCOME	£281	£202,676	£124,473	£139,743	£559,012	£700,000
EXPENDITURE						
Neighbourhood Fund	£0	£0	£0	£0	£219,877	£300,000
TOTAL EXPENDITURE	£0	£0	£0	£0	£219,877	£300,000
NET INCOME	£281	£202,676	£124,473	£139,743	£339,135	£400,000
CUMULATIVE NET INCOME	£281	£202,957	£327,430	£467,173	£806,308	£1,206,308

Table 1 - Projected income from NCIL and CSR - *Estimates

2.12 As of March 2020, the total amount of NCIL collected since 2015 was £1,026,185. The introduction of the Neighbourhood Fund in 2019, with grants totalling £219,877k, means that as of March 2020, the sum of £806,308 is available for the endowment fund.

3. Options Appraisal

3.1 Barking and Dagenham Council has been commended on its efforts to hand over power and responsibility to civil society^{xi}. The innovative process that has been established for allocating NCIL - through the Residents Panel - and the decision to create an endowment reflect this commitment towards changing its relationship with the community.

3.2 In this context, it is proposed to establish a mechanism that will reflect the Council's vision, whilst providing a permanent, inclusive and sustainable source of income for the social sector. The approach will be reflected in the governance and operations of the endowment fund, through:

- An inclusive governance arrangement ensuring representation of key stakeholders and council advisors on the Board and taking responsibility for how the fund is managed, invested, and how decisions concerning the distribution of annual returns are made.
- Procedures for involving the wider community in setting the overall direction of the fund, enabling it to input into the periodical reviews of its investment and distribution policies, as well as reporting mechanisms^{xx}.
- A careful balance between the needs of current generations with those of future generations. This translates into two practical requirements: (1) to create a permanent fund that will grow over time, e.g. ensuring that annual payout does not exceed the annual return^{xxi} and, (2) to agree on ambitious ethical guidelines and to monitor the investments to ensure that - as a minimum - this money is not funding unsustainable or unethical activities.

3.3 An important question concerns the preferred vehicle for the endowment. This report presents four models for consideration which include keeping the endowment as a restricted fund managed by the council, establishing the endowment as a separate charity, transferring the fund to Barking and Dagenham Giving, or transferring the fund to an existing community foundation. These options are listed in the table below:

Option	Benefits		
	Short term	Medium term	Long term
A - Endowment as restricted fund managed by LBBDD - but with some shared control with the community	<ul style="list-style-type: none"> - Does not require any changes - Savings on management costs 		

B - Endowment as separate charity with own Board of Trustees	<ul style="list-style-type: none"> - Tax exemption - Independence from any one organisation - 	<ul style="list-style-type: none"> - Higher return on investment 	<ul style="list-style-type: none"> - More buy in from corporates
C - Integration of the endowment with Barking and Dagenham Giving - but with own Management Board (Preferred option)	<ul style="list-style-type: none"> - Tax exemption - Independence from any one organisation - Economies of scale 	<ul style="list-style-type: none"> - Higher return on investment - Strong alignment with BD values 	<ul style="list-style-type: none"> - Leadership (trailblazing) - More buy in from corporates
D - Transferring the fund to an existing community foundation	<ul style="list-style-type: none"> - Experience in managing community funds - Economies of scale - Independence from any one organisation 		

Table 2 - Options for consideration as vehicles for the endowment

Option A - Endowment as a restricted fund managed by the Council

- 3.4 Option A means that the endowment would remain as a restricted fund within the Council and a mechanism would be set up to ensure that the distribution of funds would be done in consultation with the social sector. This might be done by ensuring a representation of key stakeholders on the endowment's Board of Directors.
- 3.5 This option presents the advantage that it will remove management costs as the fund will be managed through its highly secure and reliable investment portfolio. However, the Council's policies on risk mean a potentially lower return on investment, even when taking into account saved admin fees.
- 3.6 In addition, this option presents some additional risks and challenges which may limit the ability of the endowment to become a growing and sustainable source of income for the sector:
- Not being based in a charitable vehicle means that external contributors will not be able to claim tax relief for donations into the endowment fund.
 - Changing political cycles could mean that a restricted fund could be diverted partly or entirely to be affected to other priorities, in a way that might not benefit the social sector directly.
 - It would be a missed opportunity to show leadership and commitment to building capacity and financial resilience in the social sector, and to link this initiative to the local giving model and the broader vision for civil society in Barking and Dagenham.

Option B - Establishment of the endowment as a separate charity

- 3.7 Option B means that the endowment would be established as a separate Fund/Charity, with its own Board of Trustees - an option that is deemed permissible

under the CIL Regulations^{xxii}. Representation from the Council would be guaranteed by the presence of a Council officer at the board in an advisory capacity.

- 3.8 This existence outside the local authority means that the endowment would benefit from the tax exemption available to charities and that it could anticipate a higher annual return on investment^{xxiii}, which means it would start to distribute money from year 1 and grow over time. A recent study by SEI Investments^{xxiv} found that 53% of the top 200 charities had an investment objective of their assets keeping pace with inflation and generating an annual income of 3-4% on the assets to spend by way of grants each year.
- 3.9 Furthermore, the separation of the fund from the Council would strengthen the Board's ability to secure additional donations^{xxv} and demonstrate leadership on the Council's commitment to build social infrastructure and grow participation in the borough.
- 3.10 However, establishing the endowment as a separate charity would also generate core costs which would divert some of the money generated by the fund. In addition, it would create a weak link with Barking and Dagenham Giving, where the fund would be distant from the activities supported through the local giving model.

Option C (PREFERRED OPTION) - Integration with Barking and Dagenham Giving

- 3.11 Under Option C, the endowment would be hosted by Barking and Dagenham Giving, but would be established as its own Board of Directors with an advisor from the Council^{xxvi}. This representation from LBBDD would entail Council officers sitting on the board in an advisory capacity. The proposed process would operate like a community-owned unit trust, managed by a subcommittee appointed by the BD Giving Board, which would include professional fund managers, and could be monitored by an independent Ethical Advisory Board. Barking and Dagenham Giving would facilitate the mechanism to involve the public in decisions concerning the management, investment and distribution of funding.
- 3.12 In addition, an MoU would be put in place between the Council and Barking and Dagenham Giving to protect the Council's investment for our residents and the social sector who support them. The MoU would outline the nature of the investment and the reporting requirements needed both for Community Infrastructure Levy regulations specifically^{xxvii} and supporting the Borough Manifesto. There is a potential need for Community Infrastructure Levy funds to be ringfenced within the endowment and actively reviewed in order to demonstrate they are being used as per the funding regulations. This mechanism would be outlined and detailed in the MoU. This MoU would be agreed by the Director of Policy and Participation, in consultation with the Director of Law and Governance and the Deputy Leader of the Council, on behalf of the Council. This shall be done in collaboration with the social sector. This MoU would be reviewed and refreshed on an annual basis, reporting on how NCIL funds are being spent in the Borough.
- 3.13 This would enable the fund to operate autonomously, whilst receiving administrative support from the charity's staff, following a tested model that many charities have in place, e.g. Canal & River Trust, Cancer Research, National Trust, Children's

Investment Fund Foundation, City Bridge Trust, Church Commissioners, Leverhulme Trust, Garfield Weston Foundation, Esmée Fairbairn Foundation.

- 3.14 In addition to the advantages listed under Option B, this model has the advantage of avoiding duplication by integrating the local giving model, and pooling resources together to better support Barking and Dagenham Giving's objectives, whilst making use of the charity's power to invest funds^{xxviii}. The MoU and officer advisors will ensure this all operates appropriately.
- 3.15 This option would also send a strong signal to other funders and corporates with a stake in the borough, and the fund itself could become a magnet to attract philanthropic donations. Through its relationships, Barking and Dagenham Giving would work to grow the fund and increase the amount of annual returns available for redistribution and investments in the community.

Option D - Transferring the fund to an existing Community Foundation

- 3.16 The last option would see the fund transferred to an existing community foundation, such as East End Community Foundation or London Community Foundation to be managed for the benefit of Barking and Dagenham community.
- 3.17 This option would have the advantage of benefiting from these foundation's vast experience in managing community funds and benefit from their position in the market and vast portfolios of investments.
- 3.18 However, this would amount to outsourcing the endowment and somewhat erode its link to Barking and Dagenham, local stakeholders and the community

4. Consultation

- 4.1 Consultation has taken place with the Social Sector via the BD_Collective.
- 4.2 Consultation has also taken place with Members through the Participation and Engagement Members' Group, Portfolio Meetings of the Member for Community Leadership and Engagement and at Leader and Deputy Leaders Meetings.
- 4.3 The proposals in this report were considered and endorsed by the Corporate Strategy Group at its meeting on the 15 October 2020.

5. Financial Implications

Implications completed by Sandra Pillinger Group Accountant.

- 5.1 The balance of NCIL funds at the end of 2019/20 is £806k. This is the net position taking into account NCIL funding received to the end of 2019/20 less Neighbourhood Fund expenditure in 2019/20. The amount of NCIL received each year will fluctuate depending on the level and type of development. NCIL funding received in 2019/20 was £551k including funding received for administration.
- 5.2 Currently the NCIL funding is used to finance a grants programme known as the Neighbourhood Fund. This programme will continue with two bidding rounds per year with up to a total of £300k pa issued in grant funding.

- 5.3 The balance of NCIL funding will be used to create an endowment fund with a preferred option that the endowment is hosted by BD Giving. BD Giving will be able to grow the fund by attracting contributions which will provide greater scope for investment in community projects.
- 5.4 The endowment fund will also benefit from Corporate Social Responsibility payments. To date £250,00 has been received from a commercial investment arrangement.

6. Legal Implications

Implications completed by Dr Paul Feild Senior Governance Solicitor

- 6.1 The Community Infrastructure Levy (CIL) was established by the Planning Act 2008. The Council considered the use of a Neighbourhood CIL at Cabinet on 16 October 2018 and it further determined that the whole of the borough would be a neighbourhood.
- 6.2 Of the CIL funds, 15% of the CIL can be used for “Neighbourhood” projects. The legislation envisages this would be used by parish councils or community councils to assist with their neighbourhood plans. The Government Guidance confirms that: “if there is no parish, town or community council, the charging authority will retain the levy receipts but should engage with the communities where development has taken place and agree with them how best to spend the neighbourhood funding”. Barking and Dagenham does not have any parish or community councils and so instead may directly use the NCIL fund. This explains why the Cabinet determined that the whole of the Borough would be a neighbourhood for the purposes of the NCIL fund.
- 6.3 The NCIL funding role needs to be compliant with Regulation 59C of the Community Infrastructure Regulations 2010 (as amended). In using the funds any payments made must firstly qualify the requirement that the money will fund “(a) the provision, improvement, replacement, operation or maintenance of infrastructure; or (b) anything else that is concerned with addressing the demands that development places on an area”
- 6.4 The NCIL funds may be spent to address neighbourhood issues which can be borough-wide for an endowment and fund community projects, so long as funds distributed from the endowment are used for the purposes outlined. The Guidance confirms the levy to be used to fund a very broad range of facilities such as play areas, parks and green spaces, cultural and sports facilities, academies and free schools, district heating schemes and police stations and other community safety facilities. This flexibility gives Authorities the opportunity to choose what infrastructure they need to deliver their relevant Local Plan.
- 6.5 It therefore follows the proposed NCIL neighbourhood endowment fund objectives must be consistent with Regulation 59 and in the absence of a neighbourhood plan establish, following engagement with the borough communities, agreed priorities to spend the NCIL funding. The Guidance further advises that Charging authorities should set out clearly and transparently their approach to engaging with neighbourhoods using their regular communication tools e.g. website, newsletters,

etc. The use of neighbourhood funds should therefore match priorities expressed by local communities, and its spending decisions be evidenced. These steps should be carried out irrespective of the options A, B or C above.

- 6.6 In terms of implementation Option A will be straightforward and efficient in terms of skills and ability to carry out widespread consultation and analysis together with effective implementation and measurement of success. Option B of a charity while superficially attractive, is administratively expensive with burdensome Charity Commissions regulations and compliance obligations.
- 6.7 Option C where the proposal is to work with an existing body will add a greater dimension particularly in terms of community engagement. It will need to be set on a formal basis with clear parameters set for spending and ensuring compliance with priorities set by the Council in accordance with Regulation 59.

7. Other Implications

- 7.1 **Risk Management** – An MoU would be put in place between the Council and Barking and Dagenham Giving to protect the Council's investment for our residents and the social sector who support them. Furthermore, this proposal to create an endowment that will provide a sustainable source of income for the Social Sector has a direct correlation with one of the Council's strategic risks which is as follows:

A small Third sector may mean the Authority is unable to sufficiently reduce demand for its own services, leading to unsatisfied residents, increased costs and ultimately a failure to meet performance targets.

This proposal to create a central endowment which will help to build the capacity of the Social Sector will actually mitigate against the risk detailed above.

- 7.2 **Contractual Issues** – The MoU referred to above will ensure the NCIL funding is spent in line with Community Infrastructure Levy regulations and the funding will be ringfenced to ensure appropriate reporting and alignment with agreed borough manifesto outcomes.
- 7.3 **Corporate Policy and Equality Impact** - This proposal is in line with the Council's newly agreed Corporate Plan and Performance Framework for 2020-2022 as by proposing to create an endowment that will provide a sustainable source of income for the Social Sector, it will help to build the capacity of the Social Sector which is itself a priority laid out in the Corporate Plan and Performance Framework.

Furthermore, as outlined in Appendix 2, the Equality Impact Assessment, this proposal to create a central endowment for the Social Sector will provide community groups across the Borough with a sustainable source of funding. This will help them to provide services to residents of all backgrounds, improve inclusion across the Borough, meeting needs and delivering positive social and economic outcomes for all residents.

Many people are still reliant on the help of service delivery organisations to make ends meet. A number of VCSE organisations provide vital support to residents, many of which present one or more protected characteristics. Other organisations offer services, which address problems that disproportionately affect certain groups.

A lot of these organisations help address local structural inequalities. The development of a permanent endowment will lay the foundation for strengthening the Social Sector in Barking and Dagenham and supporting these groups.

Public Background Papers Used in the Preparation of the Report:

ⁱ Participation and Partnerships. A strategy for strengthening the voluntary, community and social enterprise sector in Barking and Dagenham (2019), available at: <https://www.lbbd.gov.uk/sites/default/files/attachments/Participation-and-Partnerships-LBBD-VCSE-Strategy-2019.pdf> (last consulted: Sep 2020)

ⁱⁱ Minutes of Cabinet (12 December 2017), available at: <http://modgov.lbbd.gov.uk/internet/documents/g9426/Printed%20minutes%20Tuesday%2012-Dec-2017%2019.00%20Cabinet.pdf?T=1> (last consulted: Sep 2020).

ⁱⁱⁱ Neighbourhood Community Infrastructure Levy Policy (16 October 2018), available at: <http://modgov.lbbd.gov.uk/internet/documents/s126454/NCIL%20Report.pdf> (last consulted: Sep 2020)

^{iv} Prior to the establishment of the endowment, it allowed the Director of Policy and Participation, in consultation with the Director of Inclusive Growth, the Cabinet Member for Community Leadership and Engagement, the Cabinet Member for Regeneration and Social Housing and the Cabinet Member for Finance, Performance and Core Services, to approve grants for a maximum of £400k per year and to take the necessary steps to adjust the process, as appropriate, as NCIL embeds in the borough.

^v London Funders describes PBGS as 'a partnership, initiative or organisation which brings new resources and approaches into a borough, uses existing resources more effectively, and creates better solutions through working together. Key activities include some or all of fundraising, volunteering, in-kind giving, grant-making, capacity-building, influencing and convening.'

^{vi} There are now 14 active place-based giving schemes in London and 6 in development (<https://londonsgiving.org.uk/>)

^{vii} Walker, C., (2018), 'Place based giving schemes. Funding, engaging and creating stronger communities', The Researchery, available at: <shorturl.at/hkmDI> (last consulted: Sep 2020).

^{viii} For more information see: <https://bdgiving.org.uk/news/rrf/how-the-rapid-response-fund-was-allocated/>

^{ix} A bid was submitted in February to City Bridge Trust' Connecting the Capital programme for five years of core funding totalling £288,500. A decision in this regard is expected over the course of the summer.

^x Regulation 59C of the Community Infrastructure Levy (CIL) Regulations provides that the neighbourhood part of CIL receipts must be used to support the development of the local council's area or any part of that area, by funding: (a) The provision, improvement, replacement, operation or maintenance of infrastructure; or (b) Anything else that is concerned with addressing the demands that development places on an area.

^{xi} "Around the world, these have mostly taken the form of sovereign wealth funds (there are over 80 SWF in 60 states worldwide), with other models including social wealth funds (e.g. the Shetland Charitable Trust, the Crown Estate) and more recently citizens wealth funds (e.g. Alaska Permanent Fund). Most sovereign wealth funds have been created from the proceeds of oil however few of these act as a progressive force. Most have little accountability and are non-transparent investment arms of the state. Social wealth funds differ from SWF in that they are collectively owned funds, created and managed by the state but with clear social goals, e.g. the provision of free social care. A third model, the citizens wealth funds are managed independently from the state and are owned directly by citizens." In Cummine, A., (2016), "Citizens' Wealth. Why (and how) sovereign funds should be managed by the people for the people", Yale University Press

^{xii} "Levelling up our communities: Proposals for a new social covenant", A report for Government by Danny Kruger MP, September 2020, available at: <https://www.dannykruger.org.uk/sites/www.dannykruger.org.uk/files/2020-09/Levelling%20Up%20Our%20Communities-Danny%20Kruger.pdf> (last consulted Sep 2020).

^{xiii} Roberts, C.; Lawrence, M., (2018), "Our Common Wealth. A Citizens' Wealth Fund for the UK", *Policy Paper*, IPPR Commission on Economic Justice, available at: <https://www.ippr.org/files/2018-04/cej-our-common-wealth-march-2018.pdf> (last consulted: Sep 2020).

^{xiv} Painter, A.; Thorold, J., Cooke, J., (2018), "Pathways to Universal Basic Income. The Case for a Universal Basic Opportunity Fund", RSA Action Research Centre, available at: https://www.thersa.org/globalassets/pdfs/reports/rsa_pathways-to-universal-basic-income-report.pdf (last consulted: Sep 2020).

^{xv} London Funders (2020), 'The power of people, partnerships and place. Lessons from six years of London's Giving', available at: <https://londonsgiving.org.uk/sites/default/files/uploads/PPPP%20Lessons%20from%20London%27s%20Giving%20-%20full%20report.pdf> (last consulted: Sep 2020).

^{xvi} See for instance: "Growing Place-Based Giving. End of Programme Report to DCMS", Charities Aid Foundation, August 2020, available at: <https://www.cafonline.org/docs/default-source/about-us-publications/growing-place-based-giving-end-of-programme-report.pdf> (last consulted: Sep 2020).

^{xvii} In Islington, Cripplegate Foundation is one of the founders of Islington Giving and a major investor in the scheme. As one of London's oldest foundations, Cripplegate's mission is to address poverty and inequality through its strong partnership with residents, voluntary organisations, businesses and funders. It has adopted a relational approach to grant-making and involves the community in decision-making. Cripplegate mobilises its endowment for this purpose, distributing £1m-£2m per year to the Islington community.

^{xviii} Bristol's Quartet Community Foundation was originally founded in 1986. Over the past 30 years, Quartet has made grants of over £41m and built a permanent endowment of almost £26 million. It distributes around 1,000 grants each year to VCS groups across the West of England, thereby providing a sustainable source of income to the social sector.

^{xix} Kruger MP, D., (2020), *Op cit*.

^{xx} The CIL Regulations do not prescribe a specific process for agreeing how NCIL should be spent but suggest that charging authorities should use existing community consultation and engagement processes. The consultation should be proportionate to the level of levy receipts and the scale of the proposed development to which the funding relates.

^{xxi} A non-functional or investment permanent endowment where the asset must be preserved but can be invested and the income from such investment (for instance the interest on bonds or the dividend on shares) can be spent so long as they are distributed in accordance with the designated charitable purpose.

^{xxii} Note from Cadwalader, Wickersham & Taft LLP (May 2020): "If a charging authority retains NCIL, it can use those funds on the wider range of spending that is available to local councils under Regulation 59C of the CIL Regulations which specifies that CIL receipts may be used to "support the development of the local council's area, or any part of that area, by funding ... anything... that is concerned with addressing the demands that development places on an area." This language is broad-ranging and given that the proposed purpose of the fund is to "create an autonomous, transparent and sustainable source of income for Barking and Dagenham communities", it should follow that investing NCIL through the fund with the aim of applying the return on investment to develop the community would be permissible as it would be used to support the development of the area. If the fund was set up within an independent charity, we see no reason why this would make the application of the NCIL to the endowment impermissible, particularly if the objective of the charity was also to support the development of the local council's area."

^{xxiii} The policies on risk of local government tend to favour security to financial return. Following its policies the council is able to obtain an annual return of approximately 1.5%, whereas most community foundations, e.g. Quartet Community Foundation in Bristol, or Two Ridings Community Foundation in the North are able to attract annual returns of 4%. A conversation with CCLA Fund Managers confirmed that annual returns of 3-4% could be expected under their ethical investment fund, and this after paying the admin fee.

^{xxiv} SEI (2018), 'Study: How Charities Could Use Dynamic Management to Optimise Their Spending', available at: <https://seic.com/en-gb/knowledge-center/study-how-charities-could-use-dynamic-management-optimize-their-spending#> (last consulted: Sep 2020).

^{xxv} There are indications that the corporate sector will be less enticed to contribute to a fund that is perceived to be owned and managed by the local authority. Even if the fund is entirely ring fenced to ensure that it is used solely for its charitable purpose, there may be issues with the optics of having the fund sitting in the local authority, and the lack of political and financial independence that would ensue.

^{xxvi} Legal advice suggests that according to its Articles of Association filed on Companies House, Barking and Dagenham Giving already possesses a positive power to invest to further the objects of the charity.

^{xxvii} Note from Cadwalader, Wickersham & Taft LLP (May 2020): "Government advice dictates that charging authorities should engage with the communities where development has taken place and agree with them how best to spend the neighbourhood funding. Charging authorities should set out clearly and transparently their approach to engaging with neighbourhoods using their regular communication tools for example, website, newsletters, etc. The use of neighbourhood funds should therefore match priorities expressed by local communities, including priorities set out formally in neighbourhood plans. In accordance with the CIL Regulations, where authorities pass funds to other bodies, this should be on the condition that the other body will provide information back to the authority on how contributions have been spent that reported year, and how they intend to spend future contributions, to inform infrastructure funding statements. (Paragraph: 173 Reference ID: 25-173-20190901, Revision date: 01 09 2019). Therefore, BDG should be able to show that it has engaged with the community and that setting up the endowment within an independent charity helps to achieve the priorities expressed by the community. Government guidance indicates that the level of engagement should be proportionate to the level of levy receipts and the scale of the proposed development to which the neighbourhood funding relates."

^{xxviii} Note from Cadwalader, Wickersham & Taft LLP (May 2020): "It appears that there is no restriction on investment of funds but actually a positive power to invest funds [as outlined in Section 3 (Powers) of the charity's constitution]."

List of Appendices:

- **Appendix 1** – BD Giving activities list
- **Appendix 2** – Equality Impact Assessment