

# CITY CHANGE FUND REVIEW – PAPER ONE

How The City Change Fund Works, July 2023



## What is the City Change Fund (CCF)?

1. The City Change Fund (CCF) is Plymouth City Council's (PCC's) approach to distributing the 'neighbourhood proportion' of the Community Infrastructure Levy (CIL) within the city. This is done using the [Crowdfund Plymouth platform](#) on the [Crowdfunder UK website](#) and has been operational since 4 March 2015. This is not a grant scheme. Rather, when the Council uses its discretion to make a pledge to a project from its CCF, it is doing so as part of the 'crowd'.
2. This paper sets out the background to the CCF, describes how the Fund works, and explains the considerations the Council will take into account when deciding whether or not to pledge and at what level.

## What is Crowdfunder?

3. Crowdfunder is a reward-based online platform that helps turn ideas into reality with the power of the crowd. A project and accompanying video are uploaded onto the website and people support a project by pledging funds in return for rewards. It's an all or nothing model, if the fundraising target is reached the project receives the money, if it is unsuccessful no money is taken.

## What is the Community Infrastructure Levy (CIL)?

4. CIL is a charge that local authorities can set on new development in order to raise funds to help fund infrastructure, facilities and services – such as schools or transport improvements – which are needed to support growth and new homes and businesses across an area. This charge was introduced through the Community Infrastructure Levy Regulations (2010).
5. Whilst most of the money raised through CIL is used to keep the city running and is spent on infrastructure such as roads, schools and parks, a minimum of 15 per cent should be spent on priorities agreed with the local community in areas where development has taken place. This is the money which is distributed through Crowdfunder and called the City Change Fund.
6. Regulations 59A and 59C of the CIL Regulations set out the provisions relating to the 'neighbourhood proportion'. Given that the CCF is a delivery mechanism for distributing the neighbourhood proportion, CCF funds can only be allocated where the Council is satisfied that the requirements of the CIL Regulations are met. This is in addition to the need for project also to satisfy the requirements of Crowdfunder. See paragraph 12 below for more detail on the limitations of Regulation 59C.

### **Why Crowdfunding?**

7. The CCF was informed by engagement with local people and groups who felt disempowered by traditional funding models. These were reported to be heavy on process and often with onerous requirements. This was felt to disadvantage smaller groups in particular and their potential to help address quality of life issues in the city.
8. The Council felt Crowdfund Plymouth would offer the best approach. Using an online platform such as Crowdfunder would allow for transparency in decision making and the proof of public buy-in by only pledging towards a project when it reached 25 per cent of the final target. It demonstrates genuine citizen engagement with projects coming from the community and pledges being made by the 'crowd'.
9. By also being able to transfer the funds to Crowdfunder first, who then distribute the funding on the instruction of the Council, it also cuts out a lot of the internal admin processes and enables the Council to allocate more money for projects rather than administration. The process allows decisions to be made quickly and also allows the time to harness different money and funding streams.
10. Crowdfunder offers two funding models, 'flexible funding', where what is pledged is given to the project whether they meet their end target or not and an 'all or nothing' model where a project only received the pledges if a project reaches its end target. The CCF will only pledge on projects on the 'all or nothing' model given the importance of demonstrating community support and engagement in projects and to ensure that the project will happen and with no unspecified expenditure.
11. Since launching the project, the CCF has won numerous national and international awards and has been featured in numerous publications, including the government's Housing White Paper: ['Fixing our broken housing market'](#).

### **What kind of projects can be supported through the City Change Fund?**

12. Given that the CCF is the Council's primary method of using the CIL 'neighbourhood proportion', its use is bound by legal requirements as set out in the CIL Regulations, particularly Regulation 59C. This means that the fund must be used to support the provision, improvement, replacement, operation, or maintenance of infrastructure or anything else that is concerned with addressing the demands that development places on an area. Some examples might include:
  - Family/community type projects that improve the environment or activities in local neighbourhoods.
  - Projects that develop skills, support student integration in the city, or support students staying on and starting up businesses.
  - Projects that promote local food, healthy eating or support small local businesses to thrive.
  - Projects that make local shopping areas safer, more attractive and with better facilities for the local community.
  - Projects that support the local community through the cost of living crisis, provided they meet the other criteria.

- Projects that support Plymouth's response to the climate emergency and help towards making Plymouth carbon neutral by 2030.
13. Given the scale and urgency of the Climate Emergency and the cost of living crisis, the Council has decided to mainstream climate emergency objectives into the City Change Fund as well as the cost of living crisis. In practice, this means that to be eligible for a pledge, with each project will need to incorporate some meaningful action to deliver a climate-related benefit, promote positive climate action or support the local community during the cost of living crisis. The Council will be happy to provide guidance to projects on the types of things they could incorporate in their bids. This does not mean that projects which do not have climate objectives or cost of living crisis as their key driver are automatically rejected, but it is expected that all projects consider something that they can do in support of these agendas.
  14. The Council expects most of the funds to be distributed to community groups, social enterprises and organisations with a community purpose. Any project coming forward from a commercial organisation is only likely to be eligible if its focus is on the wider community, social and environmental and economic benefits of the area. The City Change Fund is not a business support grant.
  15. Only groups with a governing document in place (a constitution, a set of rules or an equivalent) are eligible for CCF funding. Where an individual has a project they would like funding for, they are encouraged to contact their local Councillors or Plymouth Octopus Project to find out about community groups that might be able to support their ideas.
  16. See Terms and Conditions (Paper Two) and Assessment Criteria (Paper Three) for details relating to eligibility for CCF funding.

### **When does the Council pledge?**

17. When a project has reached a minimum of 25 unique backers (as required by Crowdfunder's own terms and conditions) and has reached a minimum of 25 per cent of its funding target, the Council is able to make a pledge.
18. Additionally, to meet the requirements of the CIL Regulations, the Council can only pledge where there is evidence of local community support for a project. The 25 per cent threshold is used only as a proxy-measure for this, and also of importance is the extent to which this threshold is achieved by virtue of the support of the crowd rather than a few large donors. If further evidence is needed that there is genuine support from the crowd, the Council has discretion to pledge at a higher threshold.

### **What level of funding is available through the City Change Fund?**

19. The maximum that the Council is able to pledge from the CCF is 50 per cent of the funding target, capped at £30,000. The Council has discretion to pledge at less than 50 per cent and may do so, for example, where a project includes some elements which do not clearly meet its criteria for funding, or where a project has substantially over-achieved its target before the Council has made a pledge.

**Do all pledges count?**

20. Any supporter of a project is able to make a pledge. However, to protect the integrity of the City Change Fund, pledges made by the project owner or any parties with a legal interest in the project will not be counted towards the 25 per cent threshold for a City Change Fund pledge, unless there is reasoned justification. For example, if money was raised at an off-line event and then added to the online crowdfunder campaign by the project.
21. The City Council acknowledges that some supporters of projects may wish to make their pledge anonymous. However, where a project depends on a few large anonymous donations, the City Council may seek further evidence that those pledges are legitimately made. If this evidence is not forthcoming, the City Council may choose not to pledge or make funds available to the project.

**Can pledges be made to businesses and organisations struggling financially as a result of a declared local or national emergency?**

22. Projects which are solely to help businesses or organisations stay afloat as a result of a declared emergency (e.g. a pandemic) are unlikely to meet our criteria and receive a pledge. This is because the making of a pledge must satisfy the legal requirements for use of the fund as explained in paragraph 6 above.
23. However, this does not mean that every project which needs additional funding as a result of the emergency is automatically excluded. If the project meets the terms and conditions and satisfies the seven assessment criteria, then it may still be eligible. Each case is considered on its merits.
24. For example, the following types of projects may be able to meet the City Change Fund criteria:
  - A project that helps support actions linked to the Climate Emergency Action Plan.
  - A project which needs support to get through financial difficulty resulting from the emergency, where this is part of a bigger scheme that supports or manages demands in relation to the growth of the city.
  - A project that we have previously funded through the City Change Fund because it is something that supports the development of the city, but just needs some further temporary support to ensure it can continue to provide that service beyond the emergency (effectively continuing to maintain future social or other infrastructure in the city).
  - A project that is picking up services another organisation has had to drop given the impacts of the emergency, provided that these services are important to meeting the needs of a growing city.
  - A project that responds to a need arising as a result of the emergency but which is something that will continue to need to grow as the city grows.

**How do we ensure an adequate cash flow?**

25. The City Change Fund is a pot of money from the neighbourhood portion' of the Community Infrastructure Levy (CIL). Because of this, the amount of money in the pot varies throughout the year, depending on how much development has been approved, commenced and completed in Plymouth.

26. To ensure an adequate cash flow going forward, a traffic light system will be used against the following 'trigger points' to open and pause the fund as appropriate:
- **Green** – the Council has more than £100,000 of CIL funds available; no change to the operation of the fund
  - **Amber** – the Council has less than £100,000 of CIL funds available and projects should be aware that money is running low
  - **Red** – the Council has less than £50,000 of CIL funds available and so will pause funding on projects for a minimum of 3 months and review. The fund will then reopen once we again have at least £100,000 in the City Change Fund pot
27. This status will be published and updated on the Council's and Crowdfunder's website. This will ensure that projects can be aware in advance of the availability of funds.
28. During periods while the main fund is paused, it is still possible and acceptable to pledge on projects within a 'made' Neighbourhood Plan area if there are sufficient funds in 'Pot Two' for that area (see Paragraph 4 of Paper 5 and Paragraph 8 of Paper 6). However, to ensure that sufficient monies are transferred to and available with Crowdfunder (see Paragraphs 9, 10 and 11 of Paper 5) at a point that meets a project's campaign timescales for the Council to pledge, it is recommended that project owners liaise with the Infrastructure Planning Team in advance of launching their campaign. This will allow for preliminary checks and discussion to take place and for funds to be transferred if it is anticipated that the project can be pledged on. (Also see Paragraphs 13 and 14 of Paper 5)

### **How does the City Change Fund work in practice?**

29. See below for the usual steps for the group/organisation seeking the funding:

STEP ONE – Check the status of the City Change Fund to ensure the fund is open.

STEP TWO - Check that the group/organisation and project are able to comply with the terms and conditions of the Council and satisfy all of the Assessment Criteria. These are published on the Council's website. If in doubt, further guidance can be sought from the Infrastructure Planning Team.

STEP THREE - Upload the project onto Crowdfunder UK. If projects are struggling to use the Crowdfunder UK website, Crowdfunder offers technical support and advice. By this stage, project owners are strongly encouraged to contact their local Councillor to make sure they know about the project.

STEP FOUR - By tagging 'Plymouth' as the location of the project, the project owner is then prompted and sign up to the Council's Grant Terms and Conditions and, if they deem themselves eligible and seek to be considered under the City Change Fund, they are then required to sign the terms and conditions. As part of this process and through the Crowdfunder website, the project owner is also asked to do a self-assessment of how they consider their project satisfies the Assessment Criteria. Through an online crowdfunder dashboard the Council are able to view signed Grant Terms and Conditions forms for each project and the project owner's self-assessment of the Assessment Criteria.

STEP FIVE – Launch the project on Crowdfunder. We recommend that the project should be live for a minimum of four weeks to ensure that the Council has sufficient time to undertake its processes and pledge at a sufficiently early stage.

STEP SIX – The Council does its own assessment and check against the criteria and the terms and conditions, asking for further information from the project if required.

STEP SEVEN – Once the project reaches 25 per cent of its target, Crowdfunder will pledge 50 per cent of the projects target (to a maximum of £30,000).

STEP EIGHT – If a project receives a pledge from the CCF, a congratulatory letter is sent to them, along with their signed Grant Terms and Conditions form and a progress report template.

STEP NINE – Implementation and monitoring of the project in accordance with the CCF terms and conditions, including the submission of the progress report one year, two years and three years after the funding was released. In certain circumstances (for example, if the project is to build a piece of infrastructure) it may be the case that a lesser amount of progress reports will need to be submitted. This will be with the agreement of the Council.

### **Other funding agencies**

30. Where another funding agency makes or is considering making a pledge, the City Council may seek a conversation with that agency to ensure that the principle set out in paragraph 7 (proof of public buy-in) is able to be maintained. These conversations could potentially influence the level of pledge made from the City Change Fund.

### **Community shares**

31. For projects which are providing community shares, officers will seek legal and expert input from Economic Development and Legal Services to ensure that there are no adverse financial implications for the City Council. Any dividend which is to be paid to the City Council will either be reinvested or claimed back and ring-fenced back into the City Change Fund unless otherwise agreed.

### **National and local elections and ‘purdah’**

32. As a result of restrictions on local councils before a local or national election, the City Change Fund will be suspended during a pre-defined ‘pre-election’ or ‘purdah’ period. The Council will not be able to make a pledge on any projects whose crowdfund start or target date falls within this purdah period.