

Title of meeting: Cabinet

Date of meeting: 22 November 2022

Subject: Crowdfunder Portsmouth Platform funding

Report by: Tristan Samuels
Director of Regeneration

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Wards affected: All

Key decision: Yes/No

Full Council decision: Yes/No

1. Purpose of report

- 1.1. To review the impact of the crowdfunding platform 'Crowdfund Portsmouth' on the city since its inception on 30 November 2019, and the funding requirements for the scheme to continue beyond 30 November 2022
- 1.2. To consider the proposal to continue using Crowdfunder UK as the crowdfunding platform for Portsmouth City Council, thereby extending the existing their contract for a further year from end of November 2022. The paper also highlights that a continuation of using Crowdfunder UK would provide a seamless support to contribute to economic growth and inclusive community amenities in the city and provide value for money.
- 1.3. To identify and allocate an additional spend to support the ongoing development of the Crowdfunder platform to support Portsmouth businesses for a period of 10 months* in year 4 of:

Crowdfunder platform and support	£28,200
Grant funding for businesses	£40,000
Total investment	<u>£68,200</u>

Please note the platform can also continue to use CIL (community infrastructure levy) funds and allocate that using the same profile and increasing reach for this funding. CIL is a separate project and unrelated to this central work.

*Procuring 10 months for year 4 of delivery saves the council £3,960 (£3,300 plus VAT) and pauses delivery in July and August which are traditionally slow months of interest.

2. Recommendations

- (i) That the Council supports an extension of the contract with Crowdfunder UK at a cost of £28,200 for 1 year (10 months of delivery) and looks to seek a self-service model for any further delivery (removing Crowdfunder support) if this finds approval to reduce costs in subsequent years.
- (ii) That the Council supports a further top-up of £40,000 to the Small Business Fund to enable further business creation and growth, which will support a minimum of 8 match funded projects.
- (iii) That recommendations 2 (i) and 2 (ii) are funded by the Council's 2022/23 share of the UK Shared Prosperity Fund

3. Background

- 3.1 In the report October 2019, £30,000 was approved by the council to provide the city with a new bespoke and enhanced service from Crowdfunder UK. This £30,000 paid for a three-year contract with Crowdfunder UK to establish and maintain the platform.
- 3.2 An additional £40,000 was approved at the same time to provide council's match funding for a business grant scheme called 'Small Business Fund'. The aim of the scheme is to support business start-ups and business growth that deliver outcomes in support of the council's Economic Development and Regeneration Strategy 2019 - 2036. Scheme guidance and criteria for the Small Business Fund, along with information on Portsmouth business crowdfunding activities are detailed on this website link <https://www.crowdfunder.co.uk/funds/crowdfund-portsmouth>
- 3.3 The scheme also had a top-up of further £30,000 in July 2020 to support the 'Pay It Forward' campaign which was designed to help businesses who have been adversely affected by COVID-19 to receive the help they needed, particularly those who have not been supported with government funding packages. The scheme therefore aims to help small eligible businesses to access immediate alternative revenue stream, and a local community of business support.
- 3.4 To date, Crowdfunder Portsmouth has supported 34 projects with a total of £105,730 pledged from Portsmouth City Council (3 grant streams, including CIL) with a further £212,068 from the crowd. The projects supported have been across a range of sectors from food retail to cultural and creative industries. The scheme also leveraged £20,000 from external sources. £105,730 of council funds has levered in £20,000 of other funds. Information on this can be found in Appendix 2, *Crowdfunder Portsmouth Review 2022*.
- 3.5 The CIL Transformation Fund (CTF) has been formally active for 1 year and as such to date the scheme has supported 3 projects with a total of £7,000 pledged

from Ward CIL (community infrastructure levy) with a further £7,460 from the crowd. It should also be noted that a further project has recently been approved and a pledge of £1,500 has been made towards the project. In addition, a further match funding application is currently pending and is on the Council's Members Information Service to secure a £2,500 match funding from the CTF.

- 3.6 The projects supported have been across a range of sectors from greening projects, sport/leisure facilities, infrastructure to support the running and provision for community centres to cultural and creative projects.
- 3.7 Prior to the CTF being added to the platform, Ward CIL pledged funds through the platform as 'offline pledges' towards the 'Bring Back the Southsea Dinosaur' (£5,000) and the Orchard Park Project (£17,000), to which three ward contributions were secured. The pledges were added manually so are not included in the formal totals. In addition, the Orchard Park Project also leveraged £10,000 from an external source (Sports England).
- 3.8 The Economic Development team has seen great benefits of working closely with Crowdfunder UK through the regular drop-in sessions with the business community, particularly those who are previously hard to reach businesses and community groups. A series of case studies have also been produced and promoted which helped to increase the awareness of a local council business grants scheme.
- 3.9 In [March 2021 Cabinet approved](#) the commissioning of a city wide CIL Neighbourhood crowdfunding scheme, known as the CIL Transformation Fund (CTF). An earmarked reserve of £50,000 was approved to provide funding of up to 50% of the total project cost, up to the maximum of £5,000 per project to support schemes that comply with the requirements of [CIL Regulations 59F](#) to deliver outcome in support of the provision, improvement, replacement, operation or maintenance of infrastructure within the city.
- 3.10 Community orientated projects could be eligible for match funding through the Councils Neighbourhood Community Infrastructure Levy (CIL) process through its CIL scheme on the platform. The grants for CIL will be specifically for community led projects and therefore need to follow separate procedures and recognise specific national regulations.
- 3.11 Match funding, if awarded, will only be released if the project meets its fundraising target from the crowd. The Crowdfunder UK manages and supports fundraisers to do an effective fundraising campaign, as well as helping to navigate and identify other relevant funders to maximise their success rate.
- 3.12 Appendix 2 details a summary of all projects supported since 1 December 2019, including additional funds leveraged from the crowd and external funding sources.

4. Reasons for recommendations

- 4.1.1 The estimated costs of continuing to manage the Crowdfunder UK platform would be a further £28,200 for part of 1 years as full service. This will pay for



Crowdfunder UK to continue to deliver a specialised support package including the following:

- Manage the digital funding campaign - communicating the high level aims and objectives of the campaign the funding and coaching opportunities available, detailing the fund criteria and linking through to an application form
- The Fund match platform - this is a digital platform providing the tools needed to make informed decisions on projects to support, ensure the validity of those projects, verification process, and securely transfer funds to those projects.
- Applications and Reports - simple online applications, completed as part of the process of creating a crowdfunding campaign will be used to gather eligibility information and enable the decision-making process.
- Dashboard - a dashboard will be provided, enabling the commissioning team to make live pledges on projects they want to support.
- Fund Wallets - wallets enable funds to be deposited and live pledges to be made, which are distributed once the project has successfully hit their target, and relevant checks completed.
- Fund matching enabling - managing an automated system for when a relevant project registers with site, and fills in relevant information, it will be alerted to the funding available for them and signposted to these pages to fill in the simple application form.
- Market and coaching support - to maximise the opportunity for potential projects to be made aware of the funding and support opportunities to help them build skills and capacity so they can raise the funds they need.
- Accelerator program - deliver three accelerator programs in each year which ensures projects have access to peer support as well as guidance and support from the crowdfunding provider's own coaches.
- Evaluation process - to supply analytical and evaluation reports as part of measuring the effectiveness of the platform.

4.2.1.1 The Small Business Fund currently has a balance of £11,770, and so a further £40,000 is required to top-up the Small Business Fund so that it could continue to support more businesses over the next year.

5. Integrated impact assessment

No identified concerns - inclusive funding stream

6. Legal implications

6.1 Legal Services can advise and assist with the documentation of the proposed extension to the existing Crowdfunder contract having regard to the Council's Contract Procedure Rules.

6.2 The potential risk concerning the availability of the UKSPF funding is noted but it is understood that this is not considered to be substantial.



7. Director of Finance's comments

- 7.1 The report requested that £68,500 is funded from the Council's allocation for the UK Shared Prosperity fund. This is appropriate use of the grant funding and is affordable as set out in the Council's UKSPF investment case
- 7.2 There is a small risk that the investment case will not be approved by the Department for levelling up. If the investment case is not accepted and the funds do not come to Portsmouth, then an alternative funding source is identified by the Portfolio holder.

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Signed by: Tristan Samuels
Director of Regeneration

Appendices:

Background list of documents: Section 100D of the Local Government Act 1972

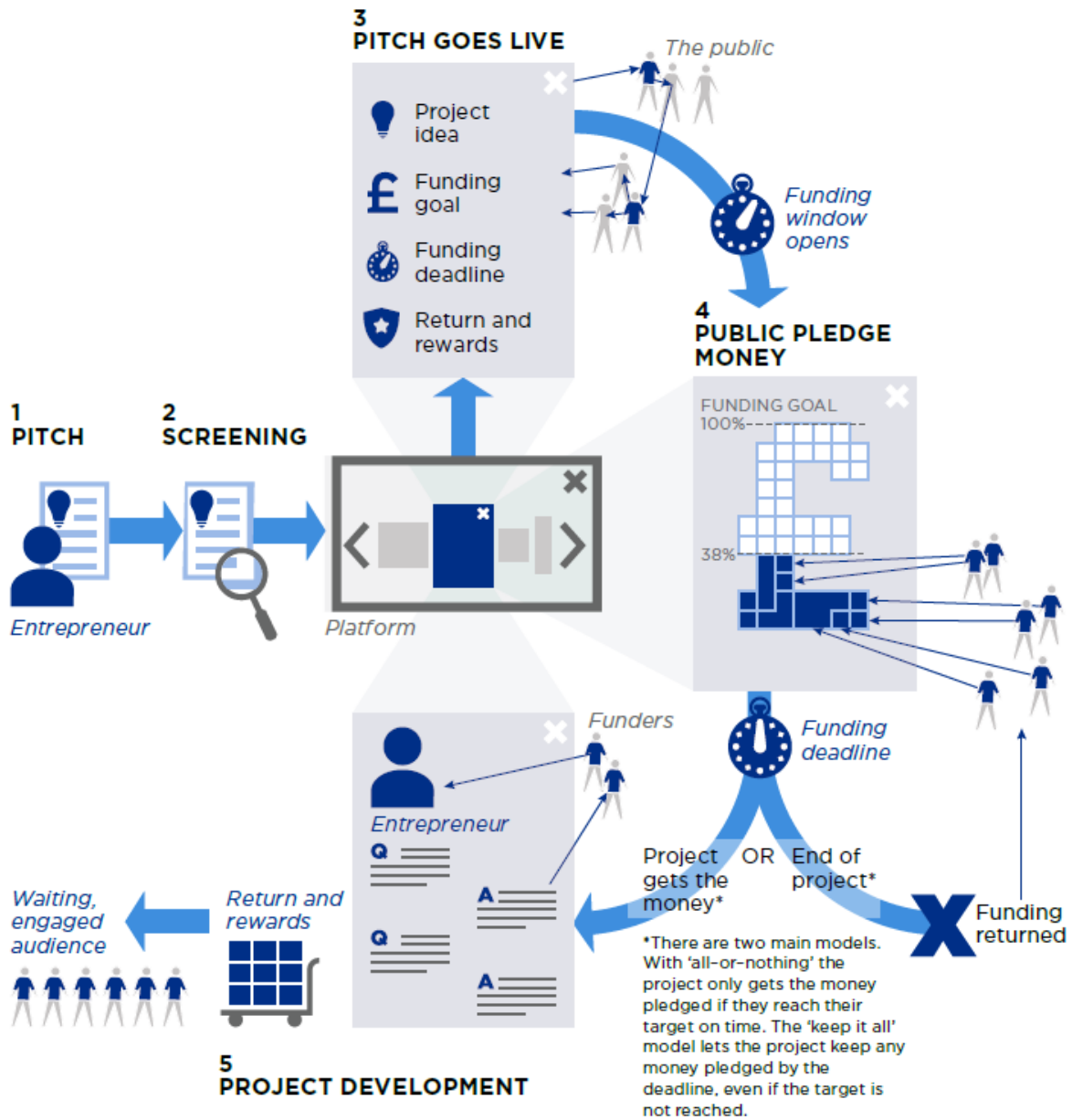
The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Crowdfund Portsmouth Proposal	Appendix 1
Crowdfunder Portsmouth Review	Appendix 2
Example Crowdfunder process	Appendix 3 (below)

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by:

Appendix 3: Example crowdfunding process



(Source: Crowdfunding Good Causes, NESTA, June 2016)

Crowdfund Portsmouth

Eligibility

The Council is only able to match fund projects that are being delivered by constituted organisations. This includes businesses, community groups, social enterprises, residents or traders associations, local charities, schools, and neighbourhood forums. This is because individuals are not able to be recipients of public money.

Criteria

Match funding pledges from the Council are awarded on the basis that projects can demonstrate that they are in line with CIL Transformation Fund (CTF) criteria

Further Essential criteria

- The project must be local to the PO1 to PO6 postcode and benefit local businesses, people who live or work in it
- The project must have regard to equalities and diversity. It must therefore be inclusive and accessible to everyone.
- The project must have strong local support, shown through a vibrant crowdfunding campaign.

Key process (to be delivered by the crowdfunding provider)

1. Crowdfunder UK will carry out a verification process which takes place before a project is given the green light to post onto the platform, should ensure that proscribed organisations do not have the opportunity to go live with their fundraising. In addition, the Council will be alerted to projects before they go live so will be able to raise an alarm on anything suspicious at a very early stage and the much higher visibility on the website once a project does go live means that the “eyes of the crowd” offer an additional level of scrutiny for suspicious groups/activities.
Verification is all about finding and rectifying weaknesses and problems before any fundraising is done and finding the points of failure before a project starts rather than afterwards which reduces risk for investors and significantly improves project deliverability.
2. Fundraising process commences and a project delivery contract is agreed and when their funding target is reached, council officers will assess suitable funding bids against the CIL criteria and process and send on to Cabinet Member for decision making.
3. Project delivery commences and payment is transferred to applicant. The project delivery contract is legally bound to ensure the funds raised are spent delivering the project as set out on the platform, and if not due to negligence or fraud, or if the delivered project is 'substantially different' from that originally promoted to the funders, the applicant would be liable and could be taken to court by either Crowdfunder UK or any of the project funders.
4. Evaluation process carried out by Crowdfunder UK.