

Committee	Dated:
City Bridge Trust	24 th November 2016
Subject: Strategic Initiative -Trust for London/Crowdfunding Pilot	Public
Report of: Chief Grants Officer	For Decision

Summary

CBT and Trust for London wish to build on their excellent working relationship and propose a small crowdfunding pilot in London. This will help inform each organisations' funding approaches being considered as part of their own strategic reviews: it will test whether this mechanism of crowdfunding could generate new and innovative ideas for tackling poverty in London; reach new organisations who would not naturally approach these funders; amplify existing funding and speed up our small grant-making processes.

Recommendation

Members are asked to:

- Agree a grant of £62,000 to Trust for London (£50,000 for match funding to projects and £12,000 (Inc. VAT) towards the costs of managing, administering and evaluating the pilot crowdfunding programme).

Main Report

Background

1. Crowdfunding is a way of raising finance by asking a large number of people each for a small amount of money. Until recently, financing a project or venture involved asking a few people for large sums of money. Crowdfunding switches this idea around, using the internet to talk to hundreds, if not thousands of potential funders to raise money.
2. Nesta's recent report: 'Crowdfunding Good Causes' (June 2016), highlighted that whilst crowdfunding makes up less than 0.5% of giving in the UK, it has significant potential to fund projects with a social purpose. Its survey of 450 organisations found that whilst a high proportion of organisations were aware of crowdfunding, relatively few had used it.
3. Nesta's report also noted that: the lack of crowdfunding skills and knowledge was the biggest barrier; the opportunity to fund innovative projects was appealing; the positive impact on volunteering, fundraising and campaigning were all seen as influential factors; and 43% of organisations were likely to use crowdfunding in the next 12 months. It made a number of recommendations to grant funders:

- Invest in crowdfunding skills and capacity building.
- Integrate crowdfunding into existing funding schemes and programmes through match funding.
- Support transition from crowdfunding projects to developing sustainable organisations.
- Set up referral schemes from grant funders and social investors to crowdfunding platforms.
- Test and measure the effect of crowdfunding.

Potential Benefits

4. CBT and Trust for London are keen to explore how crowdfunding might:
 - Generate new and innovative ideas for tackling poverty in London.
 - Reach new organisations who would not naturally approach CBT or Trust for London.
 - Amplify CBT and Trust for London's funding.
 - Speed up our small grant-making process.
5. Testing this methodology would enable the trusts to learn more about this approach, as well as evaluate the benefits and share the learning.
6. This pilot is timely as it will help inform the respective organisations' funding approaches being considered as part of their own strategic reviews. The partnership with Trust for London is already strong, as is reflected in the existing 'Moving on up' project, and the Chairman of CBT and CBT Committee member Mr Lord also sit on their Board.

Project details

7. For the purposes of testing out the potential benefits of this approach, a pilot programme is proposed, working through Trust for London. This project would also partner with Crowdfunder and The Social Innovation Partnership (TSIP) to deliver the project.
8. A dedicated 'campaign' page would be established on the Crowdfunder website to promote the funding, and a digital application form created. In conjunction with Trust for London, CBT will decide which questions to ask on the application form, and how much information to obtain from the organisations to ensure the right level of due diligence is undertaken.
9. Projects that will form part of this pilot will initially be required to raise 25% of their target, then Trust for London in partnership with CBT will pledge 50% of their target in match funding (capped at £10k), leaving the organisation a further 25% to raise. The grants will only be made once the target figure has been reached and there is usually a tight timescale for reaching their targets. This is to create momentum and a sense of urgency, which Crowdfunder advise, seems to work.

10. Crowdfunder will deliver a series of support services, as detailed below:

- **One to one crowdfunding coaching:** Build capacity and improve success by providing projects with direct access to crowdfunding coaches. This will include 100 hours of coaching so that participant organisations receive the best possible chance of success.
- **Train the trainer session/s:** Crowdfunder's experts will provide selected individuals or groups with online training session/s to learn how to offer crowdfunding coaching and deliver crowdfunding workshops. They will offer half and full day sessions as well as a one-day workshop with both CBT and Trust for London staff, to ensure they fully understand the crowdfunding process.
- **Virtual workshop/s (Hangouts):** Build capacity and improve success within the crowdfunding campaign by providing projects with access to their online crowdfunding workshop/s. These focus on understanding the elements of a successful crowdfunding campaign, choosing your goal, creating rewards and designing your pitch. This will include 4 virtual workshops throughout the campaign, with content tailored to the timing and needs of attendees.

11. In order to deliver this project, Trust for London will commission 'Crowdfunder' which is a social enterprise set up as a limited company, with a strong social purpose and TSIP which is an advisor to public, private and social sector organisations seeking to maximise their social impact. TSIP will undertake the evaluation and research elements of the project. Note: Crowdfunder will charge 5% (plus VAT) on all income raised by the projects, if successful.

12. TSIP's research and reporting elements will have two main aims:

- To capture the experiences and learning of combining crowd and grant funding;
- To explore the additionality between crowdfunding and matched grant awards.

13. The output of this work will be a short report with recommendations reflecting the funding process, lessons learnt and any value added.

14. It is envisaged that this project will start in January 2017.

Criteria

15. The proposed criteria of the project would be:

- Theme: Reducing poverty in London - It is suggested that this is quite broad to attract a good mix of projects, causes and activities.
- Project Size: Open, to attract a wide range of projects.

- Max match per project: £10,000.
- Max match ratio: 50% - so a project with a target of £5k would get £2.5k match, a project with a £30K target would get £10K max.
- Timescales: Projects to start within 3 months of reaching their fundraising target, and last a max of 1 year.
- Eligible organisations: All those who are currently eligible to apply for CBT's funding.

Decisions

16. As all match funding awards will be capped at £10,000, funding decisions would be delegated to the CBT Chief Grants Officer in conjunction with Trust for London's Director of Policy & Grants and Director of Special Initiatives and Evaluation, in consultation with the Grants Teams from both organisations to ensure the right skills and expertise are employed. Any Member who would like to be involved at the decision making stage would be very welcome. The grants to the organisation would be made from trust form London as the accountable body and 'holder' of the grants fund.

Costs

17. The total costs of the funding package would be £124,000 (Inc. VAT). The costs will be split between CBT and Trust for London equally. Each funder would provide £50,000 for match funding and £12,000 (Inc. VAT) towards the costs of Crowdfunder and TSIP to manage, promote, administer and evaluate a pilot crowdfunding programme.

Financial observations

18. Audited accounts for the year ended 31st December 2015 show a strong balance sheet with listed investments and investment properties amounting to £295.8m. These investments generate the majority of the charity's income, providing £7.6m or 84% of income in 2015.
19. After expenditure, the charity incurred a net operating loss of £6.3m which after net gains and losses on investments and revaluation of the Trust's fixed assets generated a surplus of £5.9m as shown below.
20. The Trust's policy is not to maintain any unrestricted reserves as on-going working capital is available from the endowment under the total return on investments policy adopted.

Year end at 31 December	2015 Audited Accounts
Income and Expenditure	£
Income	9,023,725
Expenditure	(15,342,173)
<i>Net income/ (expenditure) before gains and losses</i>	<i>(6,318,448)</i>
Net gains/ (losses) on investments	11,023,071
Net revaluation gains on fixed assets for own use	1,174,611
Restricted Funds Subsidiaries' Surplus	25,725
Restricted Central Fund & City Church Fund Deficit	(34,078)
Endowment Funds Surplus	5,887,587
Total Surplus / (Deficit)	5,879,234
Surplus as a % of turnover	65%
Cost of Generating funds (% of income)	1,321,497 (14.6%)
Free unrestricted reserves	
Unrestricted free reserves held at Year End*	-
How many months' worth of expenditure	-
Reserves Policy target	-
How many months' worth of expenditure	-
Free reserves over/(under) target	-

Conclusion

21. This is a good opportunity to work collaboratively with another funder to investigate a new approach that may assist in tackling poverty in London, through using a crowdfunding mechanism to generate and distribute funds.
22. The report outlining the lessons learnt, value added, and recommendations will be brought to this committee once completed and shared with other funders and organisations.

Summary of recommendations

Members are asked to:

- Agree a grant of £62,000 to Trust for London (£50,000 for match funding to projects and £12,000 (Inc. VAT) towards the costs of managing, administering and evaluating the pilot crowdfunding programme).

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Summary Assessment of Strategic Initiative for Committee Decision

FILTERS	
<i>Will The pro-active grant:</i>	
Further the Trust's Vision and Mission (a fairer London & tackling disadvantage)?	Yes
Support work within one of existing Investing in Londoners programmes (IiL)?	Yes
Or, meet a clear need that has arisen since(IiL) were agreed?	N/A
Have the potential for impact beyond that of an individual reactive grant or number of individual grants?	Yes
Be affordable within the agreed annual budget (from the Trust alone or in combination with other funders) and, looking forward, leave sufficient budget to meet anticipated pro-active grants for the remainder of the financial year?	Yes
Be made to an organisation(s) that conforms to the Trust's eligibility criteria and has the capacity and expertise to deliver the work?	Yes

PRIORITISATION GUIDANCE	
Evidence	
Is there external and/or internal research and information that supports the need for the proposed grant?	Yes
Is there external and/or internal research and information that indicates the approach proposed in the grant will be successful?	Yes
Is there evidence that indicates the work will be hard to fund from other sources?	Yes
Impact	
Will the grant tackle a root cause(s), or positively influence policy or practice?	Yes
Will the work/approach funded be replicable?	Yes
Does the grant provide an opportunity to strengthen Civil Society in London?	Yes
Is the work sustainable beyond the period of the grant?	Yes
Can the impact of the work be measured through evaluation?	Yes