



## **Dormant Assets will fund community wealth fund(s)**

*"We want to continue delivering the greatest impact by placing more decision-making power into the hands of those who know and understand their neighbourhoods best, allowing them to identify and support the local priorities that matter most to them".*

Lucy Frazer MP, Secretary of State, and Stuart Andrew MP, Minister, DCMS

### **Government response to the consultation on the English portion of dormant assets funding**

On 7<sup>th</sup> March 2023, in its response to the 2022 public consultation on the future use of the English portion of the proceeds from the expanded dormant assets scheme, the government announced that community wealth funds will be a new fourth beneficiary. This is subject to passing the secondary legislation needed to enshrine community wealth funds as a named cause alongside youth, financial inclusion, and social investment wholesalers, which government decided will remain beneficiaries of the scheme. In parallel, government will hold a technical consultation on the design of community wealth funds, "to ensure minimal delay as to when a community wealth fund could begin to receive dormant assets funding".

The public consultation on the future 'broad social and environmental purposes' of the English portion of the expanded dormant assets scheme ran from 16 July to 9 October 2022 receiving 3,300 written responses. Following a successful campaign by the Community Wealth Fund Alliance (CWFA) 'community wealth funds' were defined and written onto the face of the Dormant Assets Bill 2022 as a potential new beneficiary and were referenced as such in the public consultation.

The financial services industry estimates that £738 million will be available initially under the scheme in England, which could mean up to £1 billion is released over time. However, the flow of funds will be lumpy for the first few years after the scheme goes live meaning there is some uncertainty about the rate at which they will be distributed.

### **Government endorsement of community wealth funds as a new cause**

In its response to the consultation, government noted the "widespread agreement for the scheme to include a community wealth fund as a new cause", that it was the second most popular choice as respondents' first priority (with over a quarter of respondents - 26% - considering them more important than the existing causes); and the most common second priority. Overall, 71% of respondents agreed or strongly agreed that community wealth funds should be a new cause of the expanded scheme. As a result of the widespread public support and its alignment with the essential and desirable criteria that government had specified in the consultation (such as alignment 'with key government policy priorities, including securing voluntary industry support'), government "considered there to be sufficient evidence that a community wealth fund would produce a sustained, meaningful, and high-impact change in recipient communities".

Government accepted that it would "empower local people to determine what initiatives are most needed in their neighbourhood, to distribute resources locally to meet this need, and be able to take pride in and ownership of its impact." It noted that the long-term nature of dormant assets funding was particularly suited to community wealth funds, removing the time pressures on areas to spend money, and that it would also contribute to broader government policy ambitions of addressing inequalities within regions.

Government addressed fears that community wealth funds could lead to ineffective use of funding and eroded accountability by committing to ensure that the design of a community wealth fund would take this into account through a 'well-governed' structure.

### **Objectives and characteristics of a dormant assets-funded community wealth fund**

The government accepted most of the points made by the CWFA and its supporters in relation to the purpose, objectives, characteristics and operating principles underpinning a CWF, reflecting much of the language contained in their submissions to the consultation.

The three key objectives of a community wealth fund:

- 1) To improve social infrastructure in neighbourhoods with relatively high deprivation and/or low social capital
- 2) To empower local people to identify needs and make decisions on what is best for their community
- 3) To contribute to reducing inequalities and enhancing community cohesion and integration

The seven core characteristics of a community wealth fund:

1. **Targeted at the hyper-local level:** smaller than Local Authority level, a community wealth fund must target communities of less than 10,000 residents.

2. **Beneficiary communities are those in particular need:** eligible neighbourhoods will be those that are experiencing high levels of deprivation and/or low social capital. This will also take into account the different and diverse needs of communities, both urban and rural.
3. **Local people have a stake in the process and resident-led decision-making is at its core:** people who live in a community are best placed to determine what it most needs. A community wealth fund should empower communities to identify the outcomes that are important to them and support them to achieve these ambitions. This could include support for complementary causes such as financial inclusion and education or youth initiatives.
4. **Long-term funding:** in order to be effective in its objectives and allow for learning over time, a community wealth fund must be equipped to distribute money over 10 years – although we would expect to see tangible progress made within five years, per the fifth essential criteria.
5. **Capacity-building is embedded:** a community wealth fund must have a focus on building social capacity and developing skills, experience, and knowledge to increase the likelihood of communities being able to maintain improvements in the long term. Developing sufficient financial literacy skills is likely to be a component of this to ensure a community wealth fund is managed and governed effectively.
6. **The additionality principle is upheld:** a community wealth fund must not replace or undercut central or local government money going to the same projects.
7. **Robust governance and evaluation are built in:** to ensure long-term impact, a community wealth fund must dedicate sufficient resources for high-quality evaluation and ensure that the findings are transparent, and learnings are actioned.

However, whilst these broad objectives and characteristics were largely understood by respondents, the government highlighted specific significant differences in the views of community wealth fund advocates in how the fund would be achieved in practice:

- **identifying recipients**, such as what data sets should be used to identify eligible communities, and whether the funding should be allocated or be subject to a bidding process.
- **a theory of change**, such as what specific outcomes should be measured and how the long-term impact of these would be evaluated
- **the degree of support with decision-making**, including whether communities should freely determine the types of initiatives to fund or if thematic parameters should be provided to encourage high-impact and/or well-evidenced approaches
- **its general operation**, including whether a community wealth fund should be operated by one organisation or by multiple boards that distribute the money to communities
- **governance structures**, including reporting and how to ensure the additionality principle is upheld

## Next steps

### Secondary legislation

Funding cannot flow to community wealth fund(s) until the government introduces the secondary legislation needed to name them as a recipient of the English portion of dormant assets.

### Statement of intent

The proportion of funding to be allocated to each cause will be based on an “evidence-led analysis of need in the four sectors”. Government will make an announcement on this at the end of the year. It is clear that no decision has yet been made on what organisation(s) will distribute the funding for community wealth funds,

### The technical consultation

The government recognises that the community wealth fund is a “long-term programme of work”, with the ambition that it will be “fit for purpose, sufficiently resilient, and flexible enough to meet the complex and changing needs of neighbourhoods and communities across England over time”. As well as addressing the specific differences in approach to a community wealth fund highlighted by the government, the technical consultation will seek views on:

- how to structure a community wealth fund so as to create a sustainable, well-functioning and transparent funding mechanism
- how best to accomplish appropriate levels of governance and reporting
- how local people will be supported to make the right spending decisions for their areas
- how spending should be monitored to ensure accountability and value for money
- developing a robust set of criteria to ensure that it complements taxpayer funded initiatives and avoids projects that are the statutory duty of local or central government

## Links

[DCMS Press Release](#)

[DCMS response to the consultation](#)

[CWFA response to the Dormant Assets consultation](#)