

## **Agenda item 6**

### **For decision: Whether to establish a crowdfunding campaign**

Authors: Paul Wynne, Town Clerk and Mel Usher, Leader of the Council

#### **Summary**

At the last Council meeting on 13 July it was agreed to explore crowdfunding further and develop proposals to recommend at this Council meeting.

#### **Why should FTC get involved?**

Crowdfunding levers in funding from the public (“the crowd”), makes available more money for community projects and adds another level of community engagement. A successful crowdfunding exercise is also one way of measuring public support for a scheme.

Crowdfunding is designed to support one off projects, it is unlikely to be a successful model for groups who require on going funding.

From the perspective of a community group, a bespoke Frome based website with tailored advice from Crowdfunder.co.uk makes the process more tangible and easier to understand. Statistics suggest that schemes grouped in one geographical area are much more successful as they cross fertilise one another when potential contributors browse the website.

Crowdfunder will also give projects in Frome more help to succeed as part of Crowdfund Frome. A lesson learnt from the Plymouth crowdfunding campaign was that support of the Council adds a level of certainty and validity.

#### **Who are Crowdfunder.co.uk?**

They are one of many crowdfunding organisations operating in the UK. Crowdfunder.co.uk are based in Cornwall and operate nationally. They are by far the biggest UK based crowdfunder and have a proven track record of success working with a number of local authorities, including Plymouth City Council (Crowdfunder Plymouth) and Angus Council Crowdfunder Angus. They are not the only crowdfunder in the local authority market but they are the most successful. They have also reduced their normal fees by 50%. Frome is the first parish council in the country to explore its potential.

#### **How much does it cost?**

Crowdfunder.co.uk will develop with us a campaign called Crowdfunder Frome (CFF). To set up the campaign fund, it is proposed that FTC will contribute a minimum of £25k each year for two years (if CFF is successful FTC can decide to contribute a further amount).

The budget that is most appropriate to use as FTC’s contribution is the remainder of this year’s community grants budget which currently stands at £22,500. (The FTC grants scheme has been frozen to new applicants for now and it is expected that in future, applicants will

submit project bids via the crowdfunding website rather than FTC's community grants scheme). In addition to the £22,500 from the grants budget, it is proposed to take £2,500 from the General Reserve to create the £25k contribution.

It is proposed to retain £2500 in this year's grants budget for applications for £300 and under. These will be considered by the Town Clerk in consultation with the Mayor in the normal way.

There is an additional one off payment of £15,500 to set up the CFF for two years. Crowdfunder.co.uk will provide back office facilities to monitor applications, provide marketing advice to applicants, general advice to FTC and to process pledges (more of this below).

The £15,500 set up cost is proposed to come from the General Reserve.

The RFO has been consulted and, given specialist nature of this work, she recommends that Financial Regulations regarding competitive quotes are suspended.

### **How would Crowdfund Frome work?**

The campaign will be launched in October. The objective of the launch is to introduce CFF to community groups who are potential applicants, not to the public. It is down to applicants with the help of Crowdfunder.co.uk to promote their project to the public.

CFF will comprise a bespoke website and a set of campaign tools for applicants to use to promote their project.

Community groups will register an interest on the CFF website. At this stage Crowdfunder.co.uk will provide the community group with advice on how to promote their project to the public. For example, they will be advised on how to make a short video and how to upload it to the CFF website, how best to achieve coverage in the media and how to communicate effectively. Once this has been done, the community group would formally post its project on the CFF website and start marketing its project.

As the pledges begin to be made by the public, FTC and Crowdfunder.co.uk will jointly monitor them. If there is a project that is unethical, offensive in any way or potentially fraudulent it will be taken down. However, if a project doesn't meet FTC's criteria (see below) it won't be taken down, it just won't receive a contribution from FTC. It might still be successfully crowd funded anyway.

Usually, projects will be on the CCF website for between 30 and 60 days. If they have not received pledges to the value of 100% by then they will be removed and no money will be transferred.

Once a project has received public pledges equating to 25 % of total, FTC will need to decide whether to support it financially and by how much.

## How does FTC decide this? What are the criteria?

Crowdfunder.co.uk has advised that the criteria should be a slightly simplified version of the current criteria used for FTC's community grant scheme. It is proposed that FTC's contribution will be up to £5k per project, except in exceptional circumstances, and up to 50% of the project cost, again, unless there are exceptional circumstances. The criteria are at Appendix X and it is recommended these are approved.

## When does FTC decide?

Once the pledges from the public reach 25% of the total required, FTC will decide how to much contribute, if at all. There is no expectation that FTC will support every project that reaches the 25 % threshold. This is made clear in the criteria.

Making a speedy decision on whether to support a project in a matters of a few days, is essential in order to retain the funding momentum and for the project to reach 100% funding. It will not be possible to bring the grants advisory group together on numerous occasions in the year at such short notice. Instead, the recommendation is instead to delegate the decision to the Town Clerk in consultation with three nominated Cllrs, one of whom should be the chair of the Town Matters Committee, the Leader or the Mayor.

## Once FTC has committed to support a project financially, what happens then?

If a project reaches 25% and then FTC contributes, for example, a further 25%, the project will require a further 50% in public pledges. Once the target amount is reached, pledges will be automatically transferred to the community group. Crowdfunder.co.uk recommends we use Mangopay to do this. This is a secure money transfer website which has a specially designed crowdfunding section ([https://www.mangopay.com/en\\_UK/features/](https://www.mangopay.com/en_UK/features/)). Alternatively, FTC could use BACS as we do at the moment. It is recommended that the RFO investigates Mangopay and is delegated to decide which payment method to use.

### Recommendations

1. In the circumstances and on the RFO's recommendation, suspend the Financial Regulations regarding competitive quotes and delegate to the Town Clerk, in consultation with the Leader, to sign a two-year contract worth £15,500 with Crowdfunder.co.uk to establish and launch a Crowdfund Frome campaign. This amount to come from the General Reserve.
2. To support community projects via crowdfunding, make available £25k this year (2016/17) and the same amount in 2017/18. This year this amount will come from the grants budget (£22,500) and the General Reserve (£2,500). In 2017/18 the contribution to be determined through the budget process
3. The RFO to decide the most appropriate method of making the grant award
4. Approve the scheme approval criteria at [Appendix 1](#)
5. Delegate the decision of whether to approve FTC contributions and the amount, to the Town Clerk in consultation with three Cllrs
6. To this end, elect either the Chair of the Town Matters Committee, the Leader or the Mayor and two other Cllrs