



Submission to the Technical Consultation on the design of a Community Wealth Fund in England

As co-chairs of the APPG for 'left behind' neighbourhoods we are delighted to have the opportunity to respond to the government's technical consultation on the design principles underpinning a Community Wealth Fund (CWF). We strongly believe that a CWF should maintain its original hyper-local, neighbourhood focus and 'least first' approach to investment, so that it meets the needs of England's most 'left behind' neighbourhoods.

For more information on the CWF and the government's technical consultation, please read the update produced by the APPG on its [website](#).

Questions in the Technical Consultation

Breadth versus depth of funding

Should a CWF focus on supporting a smaller number of communities with larger pots of funding or a greater number of communities with smaller pots of funding?

In its response to the consultation on the distribution of dormant assets in England published earlier this year, government was clear about the key objectives and core characteristics of the CWF. It stated that the CWF's first objective is to improve social infrastructure in "neighbourhoods", and the first of its seven core characteristics is that it is "targeted at the hyper-local: smaller than Local Authority level... (and) must target communities of less than 10,000 residents."

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We were dismayed therefore to read in the technical consultation document that government has changed its mind on what we had assumed were essential design features of the CWF, with government now intending that the CWF will target in the first instance “communities in small towns of less than 20,000 people.” This is a significant change to what a CWF was designed to do, and not only has serious implications for the breadth and depth of the new Fund, but most importantly risks undermining the CWF from the very start. Changing the focus from ‘neighbourhoods’ to ‘small towns’ and effectively doubling the size of the beneficiary community not only fundamentally alters its nature, and severs the link with what the evidence base tells us works best for area-based regeneration, but will also:

- dilute the CWF’s impact, by spreading funding across a much larger population area, and weakening the link between inputs, activities, outputs, outcomes and impact
- threaten its efficacy by making it harder to build trust and foster and maintain the local relationships and networks that are associated with improved wellbeing, resilience and the stock of local social capital across a neighbourhood, which provides a foundation for economic growth.

A hyper-local or neighbourhood focus should be a key design principle of the CWF, alongside its other intrinsic features, ie a source of long-term funding predicated on resident-led decision making with appropriate capacity building support. The latest research and practical experience of area-based programmes supports this contention. Drawing on the lessons learned and what has worked best in place-based regeneration, the 2019 University of Cambridge in-depth analysis of 40 years of regeneration initiatives found that the “evidence does suggest that a geographic

focus of around 10,000 people is helpful.”¹ This has been confirmed by more recent research, such as Onward’s 2021 review of the last 60 years of regeneration policy, which recommended that “regeneration happens at the appropriate geographic level, which for many activities will be the neighbourhood level.”²

This finding is also supported by learning from practice. At its May 2023 meeting the APPG looked specifically at the design and implementation of the CWF,³ exploring the impact of the Big Local programme and what could be achieved at the neighbourhood level through relatively modest pots of funding. Evidence suggests that a meaningful neighbourhood that people can relate to, and where social bonds can best be nurtured and developed, is critical to the success of place-based regeneration. It also underpins the accountability and governance of the CWF, with direct accountability to neighbours and peers providing an effective fraud deterrent rooted in the prospect of reputational risk to transgressors.

Under the Big Local programme, 150 communities each received £1.15 million of long-term funding, which with an average population size of 7,394 residents represented a per capita award of £156 over the 10-15 year period, a sufficient quantum to effect meaningful resident-led change. Adjusting for inflation, this would be an award today of £1.7 million,⁴ which from a total pot of £87.5 million over the first four years would benefit just over 50 similar-sized neighbourhoods, reaching under a quarter of ‘left behind’ neighbourhoods. This would be a pragmatic and evidence-based approach to achieving depth and breadth, and is in line with government’s preferred Option B, with “a greater number of communities receive smaller pots of funding.”

¹ https://localtrust.org.uk/wp-content/uploads/2019/10/Achieving-local-economic-change_Oct_2019.pdf

² <https://www.ukonward.com/wp-content/uploads/2021/09/Turnaround-Publication-3.pdf>

³ <https://www.appg-leftbehindneighbourhoods.org.uk/session/the-community-wealth-fund-and-dormant-assets-funding/>

⁴ <https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>

We would recommend that government reverts to a hyper-local focus for the CWF, and for the CWF to effect meaningful change and be more than simply another small scale, pilot project, for it to commit to releasing at least two future tranches of similar sized funding for the years 2028-32 and 2032-36.

What do you regard as the optimum amount of funding that a community should be given in total through a CWF (over roughly a 10-year period)?

It is essential that the right amount of funding is targeted at the most appropriate spatial level if the CWF is to achieve its desired results. Evidence heard by the APPG about the Big Local programme shows the significant impact that can be achieved through long-term investment of £1.15 million (£1.7m at today's prices) at the hyper-local level, a quantum that is sufficient to enable local residents to come together, plan and identify and begin to tackle the local issues that are most important to them and their community.

An award of this size gives communities a seat at the table with local statutory partners, forging new networks and partnerships and helping open doors that would otherwise have remained closed. The example of the Big Local programme demonstrates how it can also help communities to leverage in other sources of external funding, creating something akin to a multiplier effect and bequeathing a sustainable legacy over the long term once the initial allocation has been used.

The wider returns from an investment of this size could be considerable. Modelling presented to the APPG by Frontier Economics has also demonstrated, using robust evidence and conservative assumptions, that investing £1 million over a ten-year period in community-led social infrastructure in a 'left behind' neighbourhood could generate approximately £1.2 million of fiscal benefits and £2 million of social and economic

benefits,⁵ including a £700,000 boost in employment, skills and training opportunities for local residents.

However, this is based on a hyper-local approach to investment, and there is no evidence that suggests what has worked at the hyper-local level will translate to a much larger population size, such as small towns of 20,000 people. It is not at all clear that a CWF targeted at this spatial level will achieve the outcomes and impact that the academic research, learning from Big Local and impact-modelling has indicated could be achievable if invested directly into those neighbourhoods identified as 'left behind'.

Existing social infrastructure

Should there be a baseline social infrastructure requirement for small towns to be eligible for a CWF?

As co-chairs of the APPG for 'left behind' neighbourhoods we have long advocated for a CWF to invest specifically in those disadvantaged areas that also suffer from low levels of social infrastructure, and which as the detailed research and analysis for the APPG has shown experience worse outcomes than other, similarly deprived areas. Whilst we are in agreement with the government's preferred option that there should not be a social infrastructure baseline requirement for areas to be eligible for the CWF, we believe that it should be focussed on those specific areas experiencing the worse deprivation and that have the lowest levels of social infrastructure in the country: the 225 wards identified by foundational research as 'left behind'.⁶ Depending on the definition used of what is a 'small town', between 17 to 37 'left behind' wards can be found in small towns with a population of under 20,000, (7.6% and 16.4% of all 'left behind' neighbourhoods respectively), indicating that targeting the funds in this way will mean that they are unlikely to reach the places that most need them.

'Left behind' neighbourhoods are communities that are often on the

⁵ https://localtrust.org.uk/wp-content/uploads/2021/07/Frontier-Economics_the-impacts-of-social-infrastructure-investment.pdf

⁶ <https://localtrust.org.uk/insights/research/left-behind-understanding-communities-on-the-edge/>

periphery, disconnected to adjacent or neighbouring areas that have social infrastructure and the opportunities and connections that this brings. Poor transport connectivity is a compounding problem: 84 per cent of 'left behind' neighbourhoods have worse overall connectivity than the English average, and with 40 per cent of households in 'left behind' wards without a car compared to 26 per cent across England,⁷ the ability to travel to services and opportunities and benefit from social infrastructure is circumscribed.

As we have seen through the APPG's research, it is at the neighbourhood level that the lack of social infrastructure is most keenly felt, and where the negative impact of its deficit is manifest. For example, it was residents in 'left behind' neighbourhoods that were most exposed and hardest hit by COVID, being 7 per cent more likely to die from COVID in the first year of the pandemic than people in other deprived wards, and 46 per cent more likely the English average. Through no fault of their own, the lack of available and functioning local social infrastructure meant that 'left behind' areas also saw a lower level of response by local voluntary and community organisations to the needs of local residents: with only 3.5 local self-help mutual aid groups per 100,000 population, half that of similarly deprived areas (7.7) and around a third of the England average (10.6)⁸.

This is in sharp contrast to those few 'left behind' neighbourhoods that were also home to a resident-led Big Local partnership, and which as the APPG heard in its evidence session looking at the early impact of COVID, were able to meet new and immediate needs within the local community – from helping identify and support vulnerable residents, like Newington Big Local in Kent that worked alongside Fareshare to deliver food and medicines, to Thurnscoe Big Local in South Yorkshire which established a Relief Fund with emergency hardship grants.

This demonstrates the importance of taking a hyper-local approach, not just to measuring the presence, extent and accessibility of social infrastructure in a local community, but also to investing in its provision at the neighbourhood level where it is absent, and where residents as a result are increasingly 'left behind'. Evidence shows that people living in neighbourhoods which offer better opportunities and services, better environments, and better social infrastructure experience improved outcomes compared to those living in areas where these factors are not present. Such differences are most acute and visible when seen at the granular level, such as that of the neighbourhood or ward, and it is at this spatial level, and directed at those 'left behind' neighbourhoods most in need, that the CWF should be targeted.

We urge government to reconsider focussing the CWF in the first instance only at a small towns level, and to take account of the investment and social infrastructure needs of those neighbourhoods that have the least.

Should small towns be allocated funding from a CWF, or should there be a competitive bidding process to determine which small towns receive funding?

APPG research has demonstrated that a competitive bidding process for the CWF would be inappropriate. We are therefore in agreement with government's preferred option that the Fund should be allocative, but believe that this allocation should be made at the neighbourhood level, and to those wards identified objectively as the most 'left behind', rather than allocated to small towns as a whole.

A key reason for this is that the CWF is intended to invest in those areas, such as neighbourhoods identified as 'left behind', that have to date not received their fair share of funding. The foundational research that first identified 'left behind' wards reported that on average "funding per head for

⁷ https://www.appg-leftbehindneighbourhoods.org.uk/wp-content/uploads/2021/03/APPG_LBN_Connecting-Communities_HD-1.pdf

⁸ <https://www.appg-leftbehindneighbourhoods.org.uk/wp-content/uploads/2020/07/Communities-at-risk-the-early-impact-of-COVID-19-on-left-behind-neighbourhoods.pdf>

local government services is lower than the average, not just for England but for deprived areas generally.”⁹ Research subsequently commissioned by the APPG found that despite their high levels of community need, ‘left behind’ neighbourhoods fall considerably behind not only the national average but also other, similarly deprived areas, when it comes to attracting funding and investment.

For example, in terms of the amount of grant-funding received from key charitable funders between 2004 to 2021, ‘left behind’ neighbourhoods received £7.77 per head — less than half the proportion received by other deprived areas (£19.31) and well below the English average as a whole (£12.23).¹⁰ During the pandemic ‘left behind’ areas received less COVID-specific charitable grant funding compared to other deprived areas, with organisations in ‘left behind’ wards receiving less than half the funding per head in COVID-related grants from UK charitable foundations (£21,182 per 100,000 population) than other deprived areas (£50,054), and approximately one third that of England as a whole (£60,312).¹¹

The data suggests that disadvantaged areas with low levels of social infrastructure and social capital lack the community capacity needed to secure sources of external funding – including when compared to other equally disadvantaged areas, but which are better connected, and have stronger local networks, and resources and community organisations needed to plan and organise grant applications. The skills profile of ‘left behind’ neighbourhoods also puts them at a disadvantage in accessing competitive funding compared to other areas, with less local access to the sort of financial, legal, and technical skills and experience needed to prepare and submit bids.¹²

In addition to being at such a structural disadvantage, there are also concerns

about the bureaucratic and administrative costs associated with competitive bidding processes *per se*, and the opportunity costs of unsuccessful applications, which are likely to be higher for areas with lower levels of community capacity to start with. To prevent ‘left behind’ neighbourhoods once again missing out on investment that is so urgently needed, and to fulfil the original remit of the CWF, we believe that funding should be distributed on a non-competitive basis, and allocated according to levels of disadvantage and community need identified and measured objectively at the hyper-local, neighbourhood level.

How beneficiaries are selected

How should beneficiaries be selected to receive funding from a CWF?

We have always argued that alongside a strategic, long-term focus on neighbourhoods, and a bottom-up process that invests power and resources with local people, a ‘least first’ approach is needed to levelling up, with investment targeted first at those areas that have the least, and which need it the most. This is particularly important given both the urgency of the situation facing ‘left behind’ areas, and that community capacity building and neighbourhood regeneration is a long-term proposition. The CWF is a crucial component of the policy change that is needed to help achieve our shared positive vision for transforming ‘left behind’ neighbourhoods, and is a once-in-a-generation opportunity for transformational change, provided it is targeted accordingly, which the government’s current approach will not achieve.

Built into the model of a CWF that we have long advocated for is the prioritisation of beneficiaries using quantitative data. Given that areas with the highest levels of deprivation and community need are often overlooked or masked when the data is aggregated together with other

⁹ https://localtrust.org.uk/wp-content/uploads/2019/08/local_trust_oci_left_behind_research_august_2019.pdf

¹⁰ <https://www.appg-leftbehindneighbourhoods.org.uk/wp-content/uploads/2021/06/APPG-Community-Data-Dive-Report-for-APPG-S7.pdf>

¹¹ <https://www.appg-leftbehindneighbourhoods.org.uk/wp-content/uploads/2020/07/Communities-at-risk-the-early-impact-of-COVID-19-on-left-behind-neighbourhoods.pdf>

¹² <https://www.appg-leftbehindneighbourhoods.org.uk/wp-content/uploads/2020/09/OCSI-Economic-Data-dive-for-the-APPG.pdf>

more affluent and better connected neighbourhoods nearby, it makes sense when identifying and prioritising beneficiaries to use datasets that are available with the required level of granularity. The Community Needs Index (CNI) is a particularly suitable way of identifying eligible communities for the CWF, particularly when combined with the Index of Multiple Deprivation (IMD), which together have been used to identify England's 225 most 'left behind' neighbourhoods, which can be found across the country, particularly across the north and midlands, and the south east coast.¹³

The CNI was developed by Oxford Consultants for Social Inclusion (OCSI), a longstanding research partner of the APPG, to provide a quantitative definition of 'left behind' areas, identified as being those wards that are ranked in the ten per cent most deprived across both the IMD and the CNI. As an evidence-based measure to map areas with low levels of social infrastructure, the CNI brings together more than 15 indicators at the hyper-local level across three domains: civic assets (community spaces and places), connectedness (digital, physical and social connectivity), and an active and engaged community (participation in civic life and the strength of the civil society sector).¹⁴ Referenced in the Levelling Up White Paper as an objective way of measuring social capital, the CNI is also used by government to identify priority areas based on the strength of civil society and other community factors, such as by the Department for Culture, Media and Sport (DCMS) 'Know Your Neighbourhood Fund,' and by local authorities in relation to targeting the UK Shared Prosperity Fund.

Enabling the mapping of the different and diverse needs of communities, from rural and urban, to peri-urban and coastal communities, the CNI provides the flexibility and scope to report at different levels of geography, including at ward and Lower Layer Super Output Area (LSOA) level. When

combined with the IMD, it is uniquely well-placed to accurately target the CWF at those hyper-local 'left behind' wards that are most in need of long-term investment, but which can often be overlooked when using data at the local authority level. Through the APPG's work and our recent inquiry into levelling up we have heard at first hand the complex and multiple challenges local residents of areas identified as 'left behind' often face in their daily lives, and the inequalities that limit their opportunities and potential compared to other places:

- 'left behind' neighbourhoods have worse outcomes than the English average – and also than other deprived areas – across all key socio-economic indicators
- 'left behind' neighbourhoods have lower levels of social capital, trust and civic participation
- 'left behind' neighbourhoods have been hit particularly hard by the COVID-19 pandemic and its economic and social consequences
- a combination of high levels of indebtedness, financial insecurity and fuel poverty means 'left behind' neighbourhoods are particularly vulnerable to the current cost of living crisis.

With the government's objective that the CWF "delivers targeted, local investment to those places experiencing high levels of deprivation and/or low social capital", we believe that 'left behind' neighbourhoods as identified through the IMD and CNI should be the logical starting place as beneficiary communities for the CWF. For the CWF to fulfil its original purpose and potential, and have the greatest chance of achieving the biggest impact in the 'left behind' communities that need it most, beneficiaries should be selected objectively and prioritised according to levels of disadvantage and need, as measured using the most robust, appropriate and insightful data at a granular, hyper-local level.

¹³ <https://localtrust.org.uk/wp-content/uploads/2020/07/Left-Behind-Areas-IMD-2019-REVISED-SLIDE-DECK-with-revised-unemployment-slide-Read-Only-copy.pdf>

¹⁴ <https://localtrust.org.uk/new-community-needs-index-cni-2023/>

Nature of local decision-making

Communities should be free to determine the best way(s) of meeting local priorities

The starting point of a CWF, in the government's response to the consultation on the distribution of dormant assets in England, is 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." We share this neighbourhood-focused and resident-led vision for the CWF, and believe that communities themselves should be trusted and supported to make informed decisions about how to best use the funding available. We are in agreement therefore with government's preferred option that communities should be free to determine local priorities – but that this process works best for those communities at the neighbourhood or ward level, as government had originally stipulated, rather than at larger spatial levels such as small towns, which is now the government's intended approach.

Communities being free to decide on spending through the CWF aligns with the evidence heard by the APPG that local people are the experts on the issues facing their neighbourhood, with unique knowledge, unparalleled insight and experience of the needs and aspirations of the local community. Combined with 'skin in the game', this means that they are best placed to determine the type of local initiatives to fund. Whilst 'left behind' neighbourhoods may share common features with each other in terms of being disadvantaged areas with low levels of social infrastructure, they experience their own specific challenges which require locally-tailored solutions. The purpose of the CWF is to help local people devise and commission these solutions, with evidence from the Big Local programme pointing to the benefits of putting communities in the driving seat over the sort of local change that is needed through control over spending and decision-making.

As MPs, we know that the residents of the communities we represent in our constituencies all have aspirations for their

local area, and strengths and assets on which to build, as well as sometimes facing considerable challenges. For those areas most 'left behind', many of the reasons why this potential remains latent and untapped relate to a lack of community capacity, confidence and 'cash'. Evidence suggests that alongside upfront investment, patient capacity-building support will need to be embedded at every stage of the CWF's delivery, as remaking the building blocks of social infrastructure and supporting the creation of new civic institutions that allow local communities to prosper and which underpin social capital accumulation is a long-term commitment and endeavour.

The support required to enable local people to make the right decisions for their community cannot be provided on an 'off-the-shelf' basis, or through a 'one-size-fits-all' approach, and must be tailored to the needs of each area. Communities must be equipped with the bespoke guidance, tools and resources that they need to develop collaborative ways of working locally, and in order to plan and realise their aspirations and ambitions for their local area in a way that reflects and is responsive to local circumstances on the ground. As the APPG has heard, one of the best ways to ensure that local people are supported to make the right spending decisions is by ensuring that skilled individuals are available locally to act as workers and advisors to those communities benefitting from a CWF. However, with the experienced community development workers who supported previous area-based programmes nearing retirement, there is a clear need for investment in a new generation of community development professionals.

One route to creating this new talent pool on which the CWF could draw is through the creation of a new 'Community First' Graduate Scheme, as proposed to the APPG by Community Organisers, who have developed the model in partnership with South College at Durham University. Informed by learning from the Teach First and Police Now graduate schemes, Community First aims to make community development a career aspiration for graduates, helping to address the sector's

current workforce challenges resulting from lower pay, prestige and lack of community-based working opportunities.

Not only would it help foster a new cohort of expert community workers who would work in and alongside 'left behind' communities to support neighbourhood regeneration efforts and help build stronger local relationships, but it could also serve as a mechanism for people from 'left behind' areas to develop their own leadership potential and stem the loss of talent and experience to more affluent areas. As well as endorsing this approach to underpin the implementation of the CWF and build capacity to support effective and informed local community decision-making and action-planning, we would also like government to consider developing schemes that target other demographics such as retirees, and consider how a 'Community Apprenticeship' scheme could be developed alongside a graduate programme.

Trusting communities and putting them in the driving seat is key to sustainable, long-term and transformational change. The APPG has heard very powerful testimonies as to what can be achieved through the operation of a well-functioning fund, where communities are appropriately supported and free to identify the local priorities in their area, and determine the best way of meeting them. One particular stand-out example is Ambition Lawrence Weston, a deprived housing estate on the outskirts of Bristol that has evolved from campaigning to save local assets to commissioning record-breaking community-owned energy solutions. From its initial £1.15m in Big Local funding it has succeeded in attracting and leveraging external funding and investment, estimated to be valued at £15million. This has put the community at the forefront of grassroots action to meet net zero ambitions and is a pioneering practical demonstration of local measures to support energy security and address the cost-of-living crisis.¹⁵

Further considerations

What do you regard as the key challenges, and mitigations to those, in how the wider public sector can support the delivery of a CWF?

A neighbourhood-focussed CWF could look to the Big Local programme for learning on how to work with the local public sector to support delivery of a CWF on the ground. Many Big Local partnerships have found that the award of £1.15 million has been a sufficiently large amount to attract the interest of the local authority, and to secure a seat at the table in conversations with local decision-makers and statutory service providers. Local councillors have also served as members of Big Local partnership boards, helping provide an insight into the priorities of the local authority and a direct link into its processes.

One of the key challenges regarding the public sector's support for the CWF's delivery might be in persuading some public sector agencies and employees of the benefits of resident-led decision making and greater community involvement in policy and service design and implementation, which may traditionally be seen as the preserve of public sector professionals. However, Big Local resident-led partnerships across the country have worked collaboratively with public sector organisations to meet the needs of the local community and to address what are often shared priorities with statutory services. Marrying the insight, skills, experience and ambitions of local people, together with the executive capacity of public sector partners can ensure that a local community's needs are addressed in a more responsive and effective way, help provide data and an evidence base to enable public sector agencies to perform their roles more effectively, and improve service delivery and user-outcomes.

As a witness involved in Blackpool Revue Big Local explained at the APPG's levelling up inquiry, their model of community outreach differed to those provided by statutory services

¹⁵ https://www.appg-leftbehindneighbourhoods.org.uk/wp-content/uploads/2021/11/APPG_LBN_Levelling-up-through-climate-action.pdf

or local council officers: “we’re residents ... these people are our neighbours, we live next door to them, we know their kids.”¹⁶ The partnership regularly go door-knocking to get a sense of local issues and challenges and ensure their activities meet the needs of the local community. This has included creating a community garden, a jobs club, social groups, youth activities and providing food parcels. Activities such as this are of benefit across the public sector, with the APPG noting in its minutes from the meeting: “Effective partnership working between different groups – from community leaders, public services and residents themselves can also help projects have the most impact.”¹⁷ Blackpool Revue works with Blackpool Council’s Environment, Public Health, Community Safety, Housing and Economic Development Teams, and in tackling anti-social behaviour has worked with the police on consultations and projects such as CCTV, the Drugs and Alcohol Consultation and the Community Café, whilst the local Job Centre refer people to the Big Local for CVs, job searches and benefits advice.

Other examples of working with the public sector on strategic and operational issues reported to the APPG include:

- Ramsey Million in Cambridgeshire, where residents campaigned to save a vital bus route from being discontinued, securing subsidy from the council, and presenting evidence to the Combined Authority as part of its transport consultation, helping it make more informed decisions
- The WE WILL campaign from Ewanrigg Local Trust, an award-winning youth mental health initiative led by young people, improving access to services and promoting better support, awareness and training to fill a gap in local provision, serving as a preventative approach to the growing mental health crisis
- Dover Big Local worked with the Town Council and other partners leading to the launch of a number of successful

initiatives benefitting the community, including an innovation centre where people are supported in the early stages of their business, and work to promote tourism in the area, helping support local economic development.

In order to mitigate challenges to public sector support for CWF delivery, particularly on the ground, The National Lottery Community Fund (TNLCF) should commission guidance, based on best practice and evidence from other area-based regeneration programmes such as Big Local, into how different public sector organisations should work with local CWF funded initiatives. It is unclear what the key challenges and mitigations a CWF focussed on small towns might face, although the tensions between participatory and representative democracy may be more apparent.

What do you regard as the appropriate criteria to preserve the additionality principle?

Addressing concerns around additionality in our response to the government’s original CWF consultation, we noted how “conceived specifically to target investment in England’s ‘left behind’ neighbourhoods, at the micro level the CWF will provide local communities with the ability to tackle the issues and invest in the priorities that matter most to them, through locally-designed and implemented initiatives.”¹⁸ The unique and innovative nature of the initiative, with its very specific and hyper-local focus on ‘left behind’ areas, marks it as additional to projects funded through general taxation, and is key to preserving the additionality principle. It is of such a relatively small scale that it is not something that government funds, but is if invested at the hyper-local level sufficient to shift the dial on those issues that local residents care most about in their local neighbourhood.

¹⁶ <https://www.appg-leftbehindneighbourhoods.org.uk/wp-content/uploads/2022/04/APPG-inquiry-into-levelling-up-Session-3-Summary-Notes.pdf>

¹⁷ *ibid*

¹⁸ <https://www.appg-leftbehindneighbourhoods.org.uk/wp-content/uploads/2022/10/Dormant-Assets-Consultation-co-chairs-submission-FINAL.pdf>

The hyper-local focus on 'left behind' neighbourhoods and "time horizon of 10-15 years as a community-led programme" together put the CWF outwith the scope of projects that are governed by the artificial time constraints imposed by government spending regimes, local authority budgets and funding settlements, electoral cycles and changing political priorities and fiscal frameworks. What therefore might militate against the additionality principle is an abrogation of these original principles, reflected in the current intention to refocus the CWF on small towns of under 20,000 people and rescinding the earlier stipulation that a CWF "must" be targeted at neighbourhoods of 10,000.

Raising the target area to much larger residential population sizes in the shape of small towns potentially brings it into and alongside the ambit of taxpayer-funded interventions, such as the recently announced Long-Term Plan for Towns. This has some apparent similarities with the CWF in being an endowment-style fund to be spent over ten years, on locally-identified priorities and which will put local people in charge of the decision-making process – but which at £20million per town is a significantly greater investment. Focussing both funds at towns, however, with an apparently similar approach to disbursement and governance, risks blurring boundaries in terms of the additionality principle.

The most appropriate criteria to preserving the additionality principle would be maintaining the original hyper-local focus, and meeting the original aspiration for it to be focussed on those most 'left behind' neighbourhoods.

How best can we ensure that the governance and reporting of a CWF is appropriate?

The principles underpinning the design and implementation of the CWF are very different from other place-based interventions and funding programmes, such as those previously delivered under Levelling Up, or more traditional local government interventions. These are predicated on governance mechanisms and democratic accountability grounded in the formal electoral process, whilst the governance of the CWF on the ground reflects a more participatory form of democracy and relational approach to governance, which as the APPG heard, puts the community at the heart of its operation and delegates decisions over spending to local residents.

Support for good governance would be built into every stage of the operation and delivery mechanism of a hyper-local focussed CWF through a broad accountability framework that supports local people to work together, plan and make decisions over spending, whilst providing for a transparent and accountable reporting mechanism. This would serve as a de facto governance wrapper at the micro level of operation in the communities that benefit from the Fund, involving local residents developing neighbourhood action plans informed by detailed and meaningful community consultation, setting out the aspirations and priorities for the local area, identifying what needs to change and how the CWF will be used locally across the neighbourhood.

This process would be overseen by a community board comprised of local residents that reflects the diversity of the community, together with co-opted members from key partners such as the local authority and health service. It would be expected to follow national guidance, with appropriate safeguards in place such as a code of conduct and conflict of interest policy. On the ground, the funding itself could be managed by a locally-trusted civil society organisation serving as the accountable body, tasked with managing and reporting on the use of

funds and ensuring probity and propriety in their disbursement, and which would in turn have its own governance arrangements overseen by an external regulator, like the Charity Commission.

This approach is distinct from the sort of monitoring and assessment that will be carried out at the national level, with the CWF's governance and reporting to be overseen by TNLCF, with its own governing board, responsible for appointing and holding management to account for the implementation and delivery of the CWF. Oversight of the delivery process would involve ensuring that each community plan produced by local areas was properly assessed, that guidance had been followed, and that the plans had genuine community support and buy-in, as well as ensuring that the reporting processes were appropriate for the sums involved, and not overly bureaucratic or burdensome on the communities involved.

Reporting to the local community will also be a major feature of the accountability arrangements, with those CWF community boards reporting openly on at least an annual basis to local people on progress against their plan, providing for a genuine form of local accountability that only a community-led programme such as this can achieve. In addition, there is an ongoing process of more informal neighbourhood accountability by virtue of the close proximity of those residents' making CWF spending decisions with their neighbours – accountability to peers over the stewardship of community resources providing a bulwark against potential fraud, waste and misspending.

However, it is important to note that this governance wrapper was designed for – and has demonstrably worked in – neighbourhoods with a population of under 10,000. This is evidenced through the Big Local programme, where a relatively small geographical footprint and catchment area better supports local resident leadership, effective community consultation and

ongoing engagement with local people, local area planning and decision-making. This key, defining feature is something that is harder to do beyond the hyper-local level, as social bonds and trust become weaker across greater geographical distances.

With greater distance also comes the risk of greater disconnect and dissonance: the insight and knowledge of a local area and its residents and their needs becomes less detailed as the population size increases, the common bond and a shared sense of affinity with a locality is weakened, and the vision and aspirations for a neighbourhood is dissipated when other areas which may share little in common are included within the catchment of the programme. This is why a hyper-local approach is so important for good governance and local accountability under the CWF: increasing the population and geographical size of a CWF's beneficiary community brings greater challenges to its governance, and with more specific and potentially competing area needs and priorities the sustained focus on the most 'left behind' parts of the community risks being lost, and their voices going unheard.

What do you regard as the key challenges, and mitigations to these, in the evaluation of a CWF?

We would expect a detailed theory of change to be fully developed in conjunction with communities themselves, government, sector leaders, TNLCF, and the CWF's evaluation partners, should they be an external appointment. However, informed by our experience as parliamentarians representing constituencies in which we have seen communities working together against the odds in doing extraordinary things to improve outcomes for local residents, as well as evidence from the APPG during its investigation into the issues facing 'left behind' areas, the original outline theory of change developed by the Community Wealth Fund Alliance based on the learning from similar programmes operating at a

hyper-local scale is one that we are happy to endorse.¹⁹ However, a CWF focussed on a small town with a population of under 20,000 and not a 'left behind' neighbourhood would need a revised theory of change given it is such a significant departure from the original conception of the model.

Community Wealth Fund outline theory of change

"With appropriate support, residents in areas suffering deprivation can develop and deliver activities which bring the community together and services and facilities which meet their needs. And, with a relatively small annual spend they can, over time, develop capacity to partner with organisations from the public and private sectors to raise more significant additional investment to improve their areas. This can include large scale investment to improve economic prospects through, for example, community owned affordable housing or renewable energy schemes and initiatives to support local enterprise and business development."

As outlined in our submission to the first dormant assets consultation, as a new initiative the CWF is very well-placed for the design of its evaluation methodology to be led by best practice and benefit from the most robust methods possible. Building a bespoke evaluation from the outset in conjunction with the design and implementation of policy is also an exciting and unique opportunity for government and partners to explore what really works, and why, in community-led neighbourhood regeneration, and to build a culture of learning, adaptation, iteration and accountability in order to ensure that the Fund and the local interventions it supports have the best chance of success. An evaluation adopting this approach would

involve the national CWF programme as a whole, as well as evaluations of local area-based interventions.

Whilst of course, as the APPG heard at its May meeting earlier this year, there can be challenges associated with monitoring and evaluating hyper-local initiatives – for example, due to the availability of small area data at the level of granularity required – the CWF is an opportunity to explore more innovative solutions to help meet the government's ambition to fill such evaluation gaps. This is particularly important in light of the emerging literature which suggest a strong link between social capital and economic growth, as identified in the Levelling Up White Paper, with the recognition that in order to stimulate and drive economic growth, all six capitals have to be strong, and the links between social capital and improved health and wellbeing, lower crime and improved civic engagement.²⁰

At its meeting, the APPG heard evidence from Frontier Economics, a leading economics consultancy, who in a Rapid Evidence Review of Community Initiatives commissioned by DCMS and DLUHC found evidence that initiatives that develop community infrastructure and social capital can lead to positive economic, health, social and civic outcomes.²¹ In a think piece for Local Trust informed by interviews with academics, policy experts, What Works Centres, and civil servants, they set out how community-led social infrastructure investment can be robustly evaluated in line with HM Treasury's Magenta Book and Green Book guidance, with an approach to evaluation that ensures feasibility, proportionality and robustness and which captures the impact of such investment on both economic growth and social capital formation.

The type of evaluation recommended is one that in order to try to mitigate risks around ascribing causality combines experimental

¹⁹ <https://localtrust.org.uk/wp-content/uploads/2020/12/Final-CWFA-CSR-submission.pdf>

²⁰ https://assets.publishing.service.gov.uk/media/61fd3ca28fa8f5388e9781c6/Levelling_up_the_UK_white_paper.pdf

²¹ <https://www.gov.uk/government/publications/rapid-evidence-review-of-community-initiatives/rapid-evidence-review-of-community-initiatives>

and theory-based methods. The former aims to understand the quantitative impact of funding through the CWF on outcomes, analysing the extent of the impact using techniques such as regression discontinuity design. In addition, theory-based methods would be deployed at the project or area level to map out detailed expectations around outcomes, collecting quantitative and qualitative data which would then be triangulated across a range of sources in order to rule out alternative causes of impact.

Importantly, it may be easier to mitigate the risks of ascribing causality, one of the key challenges in the evaluation of the CWF, if the Fund is focussed on a hyper-local area, as there are fewer potential beneficiaries in terms of the local population size, and fewer other variables to contend with in evaluating impact.

Other considerations

As this consultation intends to 'shape the final design of the CWF', we believe it is vitally important that we get things right from the very start.

We are longstanding supporters of the CWF, and have consistently advocated in Parliament for investment in the essential building blocks of social infrastructure in those under-resourced communities that for far too long have missed out. That is why, in our response last year to the government's dormant assets consultation,²² we made the case that the CWF should become a new beneficiary of dormant assets funding, in order to provide those communities with guaranteed access to the sort of unrestricted and patient funding needed to help improve outcomes and drive sustainable change.

We were delighted to see in its response to the earlier consultation that the seven core characteristics of a CWF agreed by government were very much in line with the components of the model that we outlined in our submission. We very much welcomed government's recognition that such a fund

is a "long-term programme of work", and agreed with the ambition that it must be "fit for purpose, sufficiently resilient, and flexible enough to meet the complex and changing needs of neighbourhoods and communities across England over time". We were particularly reassured to see that the first core characteristic of the Fund was that it should be "targeted at the hyper-local level" and that a CWF "must target communities of less than 10,000 residents".

As a result, we were very disappointed to see that this core characteristic has now been omitted from the features of the CWF outlined in this technical consultation, and are concerned that the current intended approach and its focus in the first instance on small towns of less than 20,000 residents represents a decoupling of the CWF from its original purpose. The move is a significant departure from the evidence base that informed the CWF's original design, and risks undermining its ability to effect transformational change in those areas that have historically missed out on investment. There is also a big question as to whether a CWF is fit for purpose for addressing the needs and priorities of much larger geographical communities, given its original intended purpose of delivering at the neighbourhood level.

Based on our experience we would recommend that government reconsiders its intentions for focusing the CWF on small towns, and for it to get the design principles right from its inception. This would involve adopting:

- an evidence-led approach to the size of the beneficiary community, and targeting the CWF as originally intended at the hyper-local level on neighbourhoods, communities with around 10,000 residents
- a 'least first' approach to allocation, and investing the CWF in those 'left behind' neighbourhoods that are most disadvantaged and have the lowest levels of social infrastructure

²² 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.

However, as an alternative to solely focusing the CWF on small towns, government could choose to also include a cohort of wards identified as 'left behind' to make up 50 per cent of the CWF's beneficiary communities. Each with an average population size of just over 10,000, it would enable the CWF to benefit a larger range of typologies, including those areas on the periphery of our larger towns and cities, ensuring greater breadth, depth and more importantly, reach. This would ensure that some investment from dormant assets would benefit those communities that need it most and help prevent them falling even further behind, which had always been our aspiration for the CWF, and why it was developed in the first instance. Importantly, including 'left behind' neighbourhoods would also provide a ready-made comparator group to enable an effective evaluation of the CWF as it is implemented, and with which to benchmark performance and impact, providing a valuable evidence base to inform future iterations of the CWF.